

Incoterms 2020: updated terms for supplies of goods (1/7/20)

The International Commercial Terms (Incoterms) provide for the apportionment of responsibility, obligations and costs between the buyer and the seller in international contracts for supplies of goods. On 10 September 2019 the International Chamber of Commerce (ICC) published the latest version, Incoterms 2020, which came into force on 1 January 2020. This version presents revised Incoterms 2010 to accurately reflect today's commercial practices. This article explores what we see as key changes to the Incoterms.

Principles for apportioning costs and risks

The Incoterms explain how the parties to a supply contract should apportion their costs and risks properly and fairly. This apportionment is crucial in many cases.

Below we list some of the key changes to the Incoterms:

- The parties can agree that the buyer instructs the carrier to issue a bill of lading for carriage by sea confirming that the goods have been placed on board on FCA (Free Carrier) terms;
- Various levels of insurance coverage on CIF (Cost, Insurance and Freight) and CIP (Carriage and Insurance Paid To) terms;
- A changeover from DAT (Delivery At Terminal) to DPU (Delivery at Place Unloaded);
- An option to transport the goods in the buyer's or the seller's own transport on FCA (Free Carrier), DAP (Delivery at Place), DPU (Delivery at Place Unloaded), and DDP (Delivery Duty Paid) terms;
- Inclusion of transport safety requirements by clarifying the apportionment of security obligations and related expenses between the parties.

Incoterms 2020 are applicable from 1 January 2020 but the parties can still agree to use Incoterms 2010 or an older version after clearly stating their choice of version. This will help them avoid unpleasant surprises (extra costs) in settling disputes. However, Incoterms 2020 are better adapted to current market practices so the business community can find them more useful. Any contracts signed under Incoterms 2010 are still valid.

The ICC has created a free mobile app that allows you to view the Incoterms in your smart phone and reach out to ICC experts on questions about applying the Incoterms.

Our MindLink.lv subscribers are welcome to examine the responsibilities, cost apportionments and risk transfers between the parties under Incoterms 2020 to help you choose terms that best fit your situation.

SUPPLEMENT