



INCOTERMS® 2020

Complete Reference Guide for International Commercial Terms

The Current and Valid Standard in 2026 — Published by the International Chamber of Commerce

IMPORTANT NOTE: There are no "Incoterms 2026." The current valid edition is Incoterms® 2020, effective January 1, 2020. The ICC updates Incoterms approximately every ten years; the next revision is anticipated around 2030. All international trade contracts in 2026 should reference Incoterms® 2020.

OVERVIEW

Incoterms (International Commercial Terms) are 11 standardized rules published by the International Chamber of Commerce (ICC). First introduced in 1936, they define the responsibilities of buyers and sellers regarding delivery, costs, risk transfer, insurance, and customs in international transactions. The 11 rules are divided into two groups: seven apply to any mode of transport, and four apply exclusively to sea and inland waterway transport.

GROUP 1 — E-TERM: DEPARTURE

E Departure — Minimum Obligation for Seller

Seller places goods at buyer's disposal at their own premises. Buyer handles all logistics.

EXW — Ex Works

Seller makes goods available at their premises. Not responsible for loading, export clearance, or any transport.

▶ *Maximum buyer responsibility. Avoid for B2C, air freight, or when buyer lacks export capability. Not recommended for most international shipments.*

GROUP 2 — F-TERMS: MAIN CARRIAGE UNPAID

F Main Carriage Unpaid — Seller Delivers to Carrier

Seller delivers goods to a carrier nominated by the buyer. Buyer arranges and pays for main transport.

FCA — Free Carrier

Seller clears goods for export and delivers to the carrier or another named place nominated by the buyer. If at seller's premises, seller loads goods.

▶ *Recommended for air freight and containerized shipments. Works with all modes. The preferred modern alternative to EXW and FOB.*

FAS — Free Alongside Ship

Seller delivers goods alongside the nominated vessel at the named port. Risk transfers to the buyer once goods are placed alongside the ship.

▶ *Sea and inland waterway only. Used for bulk or break-bulk cargo placed at quayside.*

FOB — Free On Board

Seller loads goods onto the vessel nominated by the buyer at the named port. Risk transfers once goods are on board.

▶ *Sea and inland waterway only. Common for bulk ocean cargo. Do not use for air freight or containers — use FCA instead.*

GROUP 3 — C-TERMS: MAIN CARRIAGE PAID

C Main Carriage Paid — Seller Pays Transport, Risk Transfers Early

Seller arranges and pays for main carriage, but risk transfers to buyer before goods reach destination.

CFR — Cost and Freight

Seller clears for export, loads onto vessel, and pays freight to named destination port. Risk passes to buyer once goods are on board at origin port.

▶ *Sea and inland waterway only. Seller controls freight cost; buyer bears transit risk. Not suitable for containerized cargo.*

CIF — Cost, Insurance and Freight

Same as CFR, but seller also procures minimum marine insurance (Institute Cargo Clauses C) for the buyer.

▶ *Sea and inland waterway only. Used in commodity trade. Minimum insurance only — buyer should consider additional coverage for valuable goods.*

CPT — Carriage Paid To

Seller delivers to their nominated carrier and pays freight to the named destination. Risk transfers to buyer when goods are handed to first carrier.

▶ *All modes of transport. Suitable for multimodal and containerized shipments. Risk transfers at origin, not destination.*

CIP — Carriage and Insurance Paid To

Same as CPT, but seller must obtain comprehensive cargo insurance (Institute Cargo Clauses A — All Risks) for the buyer.

▶ All modes. Preferred for high-value goods, luxury cargo, and air shipments. Superior insurance vs. CIF. Ideal for brand-sensitive or fragile shipments.

GROUP 4 — D-TERMS: ARRIVAL

D Arrival — Maximum Obligation for Seller

Seller bears responsibility for delivery all the way to the named destination. Minimal risk for buyer.

DAP — Delivered at Place

Seller delivers goods — not unloaded — to the named destination. Seller bears all costs and risks to that point. Buyer handles import duties and unloading.

▶ All modes. Balanced option for e-commerce and B2B. Seller manages logistics; buyer handles import formalities.

DPU — Delivered at Place Unloaded

Seller delivers and unloads goods at the named destination. The only Incoterm requiring the seller to unload at destination.

▶ All modes. Replaced DAT (Delivered at Terminal) from Incoterms 2010. Delivery can be at any place, not just a terminal.

DDP — Delivered Duty Paid

Seller is responsible for all costs, risks, import duties, taxes, and customs clearance to bring goods to destination ready for the buyer.

▶ Maximum seller obligation. Seamless door-to-door service for buyer. Use with caution: seller must be legally able to clear goods in the destination country.

QUICK REFERENCE TABLE

TERM	MODE	WHO PAYS FREIGHT?	RISK TRANSFERS AT	BEST USE CASE
EXW	Any	Buyer	Seller's premises	Domestic pickup / experienced buyers
FCA	Any	Buyer	At named carrier / place	Air & containerized freight (most common)
FAS	Sea only	Buyer	Alongside vessel	Bulk cargo at quayside
FOB	Sea only	Buyer	On board vessel	Bulk ocean freight
CFR	Sea only	Seller	On board at origin	Commodity trade (sea)
CIF	Sea only	Seller + min. insurance	On board at origin	Commodities, seller arranges shipping
CPT	Any	Seller	First carrier at origin	Multimodal, containerized

TERM	MODE	WHO PAYS FREIGHT?	RISK TRANSFERS AT	BEST USE CASE
CIP	Any	Seller + full insurance	First carrier at origin	High-value goods, luxury, air freight
DAP	Any	Seller	Ready to unload at destination	E-commerce, B2C deliveries
DPU	Any	Seller	After unloading at destination	When seller must unload goods
DDP	Any	Seller (incl. all duties)	Ready to unload at destination	Door-to-door, seller-controlled

PRACTICAL TIPS FOR AIR FREIGHT & HIGH-VALUE CARGO

- Use FCA instead of EXW to avoid export clearance issues. Under EXW, the buyer must handle export formalities, which is impractical for most international shipments.
- Avoid FOB for air shipments. FOB is designed for sea freight. Always use FCA for air and containerized cargo.
- Use CIP for high-value or luxury goods. CIP requires All-Risk insurance (ICC Clauses A), superior to the minimum coverage under CIF.
- Be cautious with DDP. The seller must be authorized to clear goods and pay import duties in the destination country — requirements vary by jurisdiction.
- For Letters of Credit (LC) transactions, C-Terms (CFR, CIF, CPT, CIP) are most compatible, as they allow the seller to present a transport document to trigger payment.
- Always specify the version in contracts: e.g., "FOB Port of Miami, Incoterms® 2020" to eliminate any ambiguity.

Source & Authority: Incoterms® 2020 are published by the International Chamber of Commerce (ICC). Official publication: ISBN 978-92-842-0551-0. Always specify the Incoterm, named place, and version in your trade contracts.