

Incoterms 2020: A Plain-Language Overview

Incoterms are published by the International Chamber of Commerce. They define who arranges and pays for each part of the journey and when risk passes from seller to buyer. The term on your invoice decides which costs you will see in a freight quote.

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RULE	NAME	MODES	SELLER ARRANGES MAIN TRANSPORT?	RISK PASSES TO BUYER
EXW	Ex Works	Any	No	When goods are made available at the seller's premises
FCA	Free Carrier	Any	No	When goods are handed to the buyer's carrier
CPT	Carriage Paid To	Any	Yes	When goods are handed to the first carrier
CIP	Carriage and Insurance Paid To	Any	Yes, with insurance	When goods are handed to the first carrier
DAP	Delivered at Place	Any	Yes	At the named destination, ready for unloading
DPU	Delivered at Place Unloaded	Any	Yes	At the named destination, once unloaded
DDP	Delivered Duty Paid	Any	Yes, including import clearance and duties	At the named destination
FAS	Free Alongside Ship	Sea and inland waterway	No	When goods are placed alongside the vessel
FOB	Free on Board	Sea and inland waterway	No	When goods are loaded on board

RULE	NAME	MODES	SELLER ARRANGES MAIN TRANSPORT?	RISK PASSES TO BUYER
CFR	Cost and Freight	Sea and inland waterway	Yes	When goods are loaded on board
CIF	Cost, Insurance and Freight	Sea and inland waterway	Yes, with insurance	When goods are loaded on board

Choosing a term

☐
WANT CONTROL OF THE FREIGHT?

Buy on EXW, FCA or FOB and appoint your own forwarder. You decide the routing, timing and cost.

☐
PREFER THE SELLER TO SHIP?

CFR, CIF, CPT and CIP put the main transport with the seller, but risk passes to you early in the journey.

☐
REMEMBER WHO CLEARS IN NIGERIA

Under every term except DDP, the buyer handles import clearance and duties. Plan for Form M and PAAR whatever term you choose.

Tip

Name a precise place after the rule, for example "FCA Shanghai warehouse" or "CIF Apapa". A vague place is a common source of disputes.

Regulations, permits and procedures change. This guide is general information, not legal or customs advice. Funteg confirms the exact requirements for each shipment. Published 9 October 2026.

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