CPT (Carriage Paid To): Delivery Costs and Risk Transfer at a Glance

CPT (Carriage Paid To) is one of the eleven Incoterms® rules that determine which contracting party bears transport costs and the transfer of risk in international deliveries. Under CPT, the seller bears the freight costs to the named destination, but the risk already passes to the buyer upon handover to the first carrier. For buyers, this discrepancy between cost coverage and risk transfer is the central point when assessing and negotiating the rule.

As of October 2026 · amplifa-marketplace.ai/en/glossary/cpt

Key facts at a glance

01 CPT belongs to the Incoterms® group of rules that are unsuitable exclusively for sea and inland waterway transport and is suitable for all modes of transport including multimodal shipments.

02 The seller bears the transport costs to the named destination but does not automatically take out transport insurance – under CPT, no party is obliged to insure.

03 The transfer of risk occurs as soon as the goods are handed over to the first carrier, not only at the destination.

04 Import charges, duties and import clearance are borne by the buyer, export formalities by the seller.

05 CPT is related to CIP, whereby CIP, unlike CPT, requires transport insurance to be taken out by the seller.

06 In practice, CPT is often chosen when the seller has better freight rates but the buyer wants to control logistics oversight and insurance themselves.

Definition: CPT (Carriage Paid To)

CPT is an Incoterms® rule under the ICC terms (current version Incoterms® 2020) governing the distribution of costs and the transfer of risk in the carriage of goods. The rule obliges the seller to hand over the goods to a carrier of their own choosing and to bear the freight costs to the destination named by the buyer.

Cost coverage by the seller

The seller bears all costs for packaging, carriage, export clearance and the main carriage to the named destination. Terminal charges at the destination, import duties, import VAT and unloading are, however, generally borne by the buyer unless otherwise agreed. Typically, the advantage for buyers is that they do not bear the main freight costs directly and the link to their materials management is simplified, as only one delivery point at the destination is relevant.

Risk transfer at the first handover

The decisive difference to cost coverage: the transfer of risk to the buyer already occurs upon delivery to the first carrier at the place of departure – often hundreds of kilometres before the destination. If the goods are lost or damaged in transit, the buyer bears the risk even though they did not pay for the freight. This asymmetry makes separate transport insurance practically mandatory for buyers under CPT.

Areas of Application and Distinction from Other Incoterms

CPT is predominantly used for container transports, air freight and multimodal supply chains in which several modes of transport are involved. The choice of rule influences the purchase price, working capital management and the cover of transport risks.

CPT compared with CIP and DAP

CIP differs from CPT through the seller's insurance obligation; since Incoterms® 2020, the higher insurance cover (Institute Cargo Clauses A) applies under CIP unless otherwise agreed. Under DAP, the risk only passes at the destination, meaning the seller bears the full transport risk. Buyers who want control over insurance and risk but wish to benefit from the seller's freight cost advantages often do best with CPT.

Distinction from FCA and EXW

Under FCA (Free Carrier), the buyer bears the main freight costs themselves; under EXW, the buyer receives the goods unpacked and uncleared at the seller's premises. CPT shifts the cost of the main carriage to the seller without making them the risk bearer at the destination. In practice, EXW should be avoided for export tax and clearance reasons, while FCA and CPT – depending on the question of who organises and insures transport – are the more sensible alternatives.

Significance for Procurement and Contract Management

The choice of Incoterm has a direct impact on the purchase price, the distribution of logistical tasks and total transport costs. It should therefore not be left to the supplier's sales function but actively used as a negotiation lever.

Transparently Assessing Total Landed Cost

The net goods price alone says little: the Total Landed Cost (TLC) comprises freight, insurance, duties, handling and capital costs. Under CPT, freight is included in the sales price but not always transparently stated – a starting point for should-costing, in which buyers calculate the actual transport costs and compare them with the quoted delivery costs. At the latest when tendering across several sites, a benchmarking clause on freight costs and a price escalation clause that regularly maps bunker or fuel surcharges are worthwhile.

Rules in the Framework Agreement and in Tenders

Incoterms® should be fixed in the master agreement or framework agreement and explicitly stated in the award schedule of every tender, including the exact named destination (e.g. factory gate incl. unloading or terminal). Vague specifications such as “CPT Germany” frequently lead to disputes over terminal costs. Anyone implementing offshoring or outsourcing potential analysis results should align the delivery rule with the make-or-buy decision and the chosen inventory strategy, as rule and transport time directly influence availability.

KPIs and Operational Management of CPT Deliveries

CPT deliveries can be managed using classic logistics and procurement KPIs. The combination of cost, schedule and quality metrics is important, as the buyer bears the transport risk and therefore has a particular interest in reliable data.

On-Time Delivery and Transparency

Supplier on-time delivery is particularly critical under CPT, because delays burden supplier performance, but losses in transit are for the account of the buyer. In addition, the Touchless Rate is a suitable measure for automated booking and shipment tracking along the supply chain. Anyone conducting savings realised analyses should isolate achieved freight cost savings, as they can easily be visually distorted by a change of delivery rule.

Keeping an Eye on Cost KPIs

Transport costs as a share of procurement volume, customs and clearance costs, and capital tied up in transit (goods in transit) feed into working capital management. On long sea or air freight routes, goods under CPT already tie up capital even though they are physically still with the seller or in transit. Sound master data governance – for example, maintaining the Incoterms rule per supplier master relationship in the ERP – prevents purchase orders from being triggered with the wrong rule.

Risks and Controls under CPT

The biggest pitfall under CPT is the discrepancy between cost and risk transfer, followed by unclear additional costs and inadequate documentation. Clear workflow rules and controls make these risks manageable.

Insurance, Damage and Documentation

Since the buyer bears the transport risk, they should take out their own transport insurance or examine whether CIP with the seller's insurance is the better choice. In the event of damage, the buyer must document the notice of defects – for visible damage typically immediately in practice, at the latest within a short period after delivery – and keep transport documents available. The specific deadlines arise from the purchase contract and applicable law and should be legally reviewed on a case-by-case basis.

Embedding Processes and Controls in the Ordering Process

As part of purchase order process optimisation, workflow rules (P2P) should ensure that Incoterms, destination and insurance obligations are consistent with every order. A three-way match between order, goods receipt and invoice reveals whether contractually agreed freight components were impermissibly invoiced twice – for example, when the supplier invoices under CPT but also lists separate freight flat rates. In addition, supplier management with defined escalation levels governs behaviour in the event of repeated freight or schedule conflicts; timely termination of the contract follows the agreed rules (termination for cause).

Current Developments: Incoterms® 2020 and Market Dynamics

Since the entry into force of Incoterms® 2020, details of CIP and transport documents have changed; CPT itself remained largely unchanged in substance. Nevertheless, market conditions are continuously changing the practical assessment of the rule.

Volatile Freight Markets and Hedging Considerations

Strongly fluctuating sea and air freight rates raise the question of who bears the transport contract and price risk. A price escalation clause or separate freight amounts can map price developments transparently; in addition, companies are discussing freight cost hedging approaches modelled on classic commodity hedging. Anyone handling transport organisation themselves (FCA) can actively manage freight rates – an argument that can weigh against CPT.

Digitalisation and Sustainability Requirements

Electronic transport documents, shipment tracking and CO2 reporting along the supply chain are gaining in importance, also under CPT, as emissions data is needed for Scope 3 reports. Sellers procuring freight under CPT should therefore be able to provide emissions-related data. Increasingly, delivery rules and transport concepts are being incorporated into catalogue content management and product master data so that buyers can see logistics effort and TLC directly when comparing catalogue items.

Typical metrics

Metric	Typical value

Supplier On-Time Delivery	typically > 95 % *Particularly relevant under CPT, as delays have planning and risk implications for the buyer.*
Transport costs as a share of procurement volume	commonly 3–8 % *Guideline value depending on industry and mode of transport; significantly higher for air freight.*
Goods in Transit / capital tied up in transit	individual, days in transit × daily consumption value *Feeds into working capital management; under CPT the capital tie-up begins at the point of departure.*
Touchless Rate in shipment management	typically > 80 % *Proportion of transport bookings and status messages processed automatically.*

Practical Example

A mid-sized mechanical engineering company sourced components from an Asian supplier under CPT Port of Rotterdam with onward transport to its plant in southern Germany. After a container was lost at sea, it emerged that neither party had taken out transport insurance – under CPT the risk clearly lay with the buyer. The buyer subsequently adjusted the framework agreements and professionalised the cover.

- Switching critical components to CIP with seller's insurance or taking out own transport insurance
- Clarifying the named destination including provisions on terminal and handling charges in the framework agreement
- Introducing a three-way match including checking that no separate freight flat rates are invoiced under CPT
- Including on-time delivery and documentation quality in the monthly supplier management review

Conclusion

CPT is a pragmatic rule for buyers who want to benefit from the seller's freight cost advantages without transferring the transport risk to them. The central success factor is clarity about the asymmetry between cost coverage and transfer of risk, plus suitable transport insurance. Anyone using CPT should name the rule precisely, integrate it into ordering and checking processes, and continuously monitor the Total Landed Cost. Alternatives such as FCA or CIP should be deliberately weighed up depending on the freight market and risk situation. In this way, the choice of Incoterm becomes more than a drafting detail – it becomes a manageable cost and risk lever in procurement.

Frequently asked questions

? What does CPT (Carriage Paid To) mean?

CPT is an Incoterms® rule under which the seller bears the transport costs to the named destination. However, the risk passes to the buyer as soon as the goods are handed over to the first carrier. Import duties and unloading at the destination are generally borne by the buyer.

? Who arranges transport insurance under CPT?

Under CPT, neither party is obliged to take out transport insurance. Since the transport risk lies with the buyer from handover to the first carrier onwards, the buyer should arrange their own insurance. Anyone wishing the seller to take out insurance should instead agree on CIP.

? What is the difference between CPT and CIP?

Both rules provide that the seller bears the freight costs to the destination and that the risk passes at the first carrier. The difference lies in insurance: under CIP the seller must take out transport insurance, under CPT this is not required. Since Incoterms® 2020, CIP also requires a higher standard of insurance cover.

? When is CPT sensible for buyers?

CPT is suitable when the seller has significantly better freight rates or operational transport expertise, but the buyer wants to control the transport risk and insurance themselves. It is also sensible to agree clearly on the named destination including terminal charges. With strongly fluctuating freight rates, FCA with own transport management may be the better alternative.

? Who pays duties and import charges under CPT?

Export clearance and any export costs are borne by the seller. Import duties, import VAT and import clearance are for the account of the buyer. Terminal costs at the destination should be precisely regulated in the contract, as they are a frequent point of dispute.

? Does CPT also apply to sea freight and air freight?

Yes, CPT is suitable for all modes of transport, including multimodal chains with container, air freight and rail. It does not belong to the pure sea freight rules such as FAS or FOB. This is precisely why CPT is widely used in practice for combined transports.

Find the right suppliers on Amplifa

Verified industrial suppliers in Germany, Austria and Switzerland. Describe your requirement and receive comparable offers.

amplifa-marketplace.ai