Incoterms CPT: Cost and risk transfer in transport procurement clearly defined

CPT (Carriage Paid To) is one of the eleven Incoterms® rules of the International Chamber of Commerce (ICC) and governs who bears transport costs and the point of risk transfer in international goods procurement. Under the procurement term CPT, the risk passes as soon as the seller has handed the goods over to the first carrier – yet the cost of the main carriage is nonetheless borne by the seller. This discrepancy between the transfer of costs and the transfer of risks makes CPT particularly in need of explanation and highly relevant in practice for buyers. The following article explains the definition, application, KPIs and risks of the rule from a buyer's perspective.

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

Key facts at a glance

01 CPT stands for Carriage Paid To and is one of the ICC's Incoterms® 2020.

02 The seller pays the freight contract to the named destination but bears the risk only up to handover to the first carrier.

03 For the buyer, CPT means: transport costs are included in the price, but the transport risk from handover is not.

04 CPT can be used for any mode of transport, including multimodal chains.

05 Import clearance and import duties in a CPT transaction are borne by the buyer.

06 In practice, the buyer under CPT should take out transport insurance themselves or secure it contractually.

Definition: Incoterms CPT

CPT (Carriage Paid To) is an Incoterms® rule stipulating that the seller must hand the goods over to a carrier nominated by him and pay the freight contract to the agreed destination. However, the risk

passes as soon as the goods are handed over to the first carrier – not only at the destination.

Position within the Incoterms catalogue

The Incoterms are revised by the International Chamber of Commerce every ten years; the current version is Incoterms® 2020. CPT belongs to the group of rules for any mode of transport, together with CIP, DAP, DPU, DDP, EXW and FCA. It is a so-called C-rule: the seller bears the costs to the destination, but only the risks to the place of shipment. This asymmetry is the key distinguishing feature from the E- and F-rules, where the cost and risk points coincide.

Distinction from CIP and DAP

CPT and CIP differ only in the insurance obligation: under CIP 2020, the seller must procure insurance with extended coverage (ICC Cover A), whereas under CPT there is no such obligation on the seller. Compared with DAP, under CPT the buyer bears the risk from loading onwards, whereas under DAP the seller delivers the goods including transport risk to the named place. Buyers frequently choose CPT when they wish to retain control over insurance and claims settlement themselves.

Typical use cases in industrial procurement

CPT is suitable for container transport, general cargo and consolidated consignments as well as multimodal chains involving sea, air and rail transport. In practice, mechanical engineering companies and suppliers frequently use CPT for component purchases from overseas when they have their own forwarder or a fixed transport route and the buyer wants to actively manage the logistics chain. CPT is also common in contract manufacturing with prepared part deliveries, because the goods receipt location is clearly named and the cost calculation is reliable for the seller.

Methods and procedure for applying CPT

The correct use of CPT requires precise contract drafting and a clear division of tasks between seller and buyer along the entire transport chain.

Correct contract clause and destination

An effective CPT clause always contains the formula “CPT [named destination] Incoterms® 2020”. The destination must be named as precisely as possible – ideally with an address or terminal designation, as it defines the seller's cost boundary. Unclear place designations frequently lead in practice to disputes over port charges, dwell time or distribution costs in the destination country. The buyer should additionally regulate who is responsible for transport documents, the seller's export clearance and the obligation to provide information on shipment progress.

Interpreting the transfer of risk correctly

The central point for buyers: from handover of the goods to the first carrier, the transport risk lies with the buyer – even though the seller pays the freight. This means that damage at sea or on rail must be borne by the buyer unless transport insurance applies. In practice, therefore, every CPT transaction

should include an assessment of whether the buyer has transport insurance (freight forwarding or own cover). This risk consideration should be systematically documented in the procurement risk register.

Integration into procurement processes

The choice of delivery term should be made early on – already in tenders and quotations – because it influences price comparability and total cost of ownership. For RFQs, stipulating a uniform term is recommended so that quotations remain comparable; alternatively, sellers can quote two prices (ex works and CPT). Customs clearance, the calculation of import VAT and customs duties, and the involvement of customs service providers are also determined by the choice of clause in advance.

Key KPIs and evaluation metrics for CPT delivery terms

CPT itself is not a KPI, but it affects several logistics and financial procurement metrics. Anyone managing CPT transactions should monitor these metrics systematically.

Logistics KPIs

Relevant metrics are primarily delivery reliability and the on-time-in-full rate at goods receipt, transit times per route, and the shares of partial deliveries/remaining quantities in the shipments. Since the buyer bears the transport risk under CPT, damage and loss rates per transport route also provide important insights into the quality of the logistics chain. Early warning indicators such as port congestion, freight rate indices or vessel delay data from freight forwarding portals help anticipate delays before they hit the production schedule.

Financial KPIs

Relevant from the perspective of the seller's order-to-cash process and the buyer's purchase-to-pay process: the share of freight costs in the purchase value, the development of import duties and customs costs, and capital tied up through transit and handling times. Since the risk lies with the buyer from loading onwards, the average duration of risk exposure per route should also be measured. High values suggest examining whether a DAP or DDP term or the buyer's own transport contract would be more economical.

KPIs for managing risk cover

In practice, the insurance coverage rate for CPT shipments, the average claims settlement duration and the share of shipments without a valid waybill/document set have proven useful. These metrics frequently form part of the standardised Supplier Risk Management reporting and feed into supplier evaluations. Regular review prevents insurance gaps from going unnoticed.

Risks and controls when using CPT

CPT's greatest weakness is the divergence between the cost and risk boundaries. Without appropriate controls, buyers face significant financial and supply risks.

Typical risks from a buyer's perspective

The main risk is the uninsured damage phase between loading and arrival: if goods are lost or damaged, the buyer bears the loss even though they are not in control of the transport execution. Added to this are disputes over freight cost commitments, unclear terminals at the destination, delays in the import clearance process and missing documents for customs clearance. For critical goods, a delayed or damaged consignment can manifest as a supplier financing risk if advance payments or down payments have already been made.

Contractual control mechanisms

A combination of a clear clause, additional contractual agreements and standardised processes is recommended: an obligation on the seller to provide timely shipping notification, provision of transport documents, agreement of a jurisdiction clause and arbitration for disputes, and, where applicable, a letter of credit for payment security in initial business. For regular business, a Joint Business Plan (JBP) helps, in which transport responsibilities, escalation routes and performance metrics are fixed.

Process controls and documentation

In day-to-day operations, a checklist per CPT transaction has proven its worth: named destination, insurance status, customs documents, carrier contact, planned loading date and expected arrival. The evaluation of individual incidents should be recorded in a risk register from which patterns can be derived. In the event of recurring damage or delays, the buyer should reconsider the choice of term and, as part of a competitive procurement market analysis, examine alternative suppliers or terms.

Critical quality of the delivered goods

Regardless of the transport term, incoming goods inspection and accompanying documentation remain relevant: certificate of analysis for chemical products, certificate of conformity for standardised components. Damage that only becomes apparent at goods receipt is difficult to attribute under CPT – photographic documentation at loading and arrival secures the evidence.

Current developments around CPT and the Incoterms 2020

The Incoterms® 2020 changed several details that are also relevant for CPT users. In addition, market and regulatory dynamics are changing the practice of delivery terms.

Changes brought by Incoterms 2020

The 2020 version, among other things, raised the insurance obligation under CIP to a higher level of coverage (ICC Cover A) – CPT was unaffected by this, and there is still no obligation on the seller. In addition, the requirements for specifying the means of transport were refined: upon handover to a carrier, the buyer may require the seller to nominate a specific carrier. This gives buyers more control over the transport chain and is a sensible contractual tool for sensitive goods.

Market dynamics and freight rates

Strongly fluctuating freight rates, port congestion and changed routes have impaired the calculation certainty of CPT transactions in recent years. Sellers calculate freight shares with uncertainty surcharges or end freight commitments; in practice, it is frequently debated whether, instead of CPT, an FOB or FCA term with the buyer's own transport procurement would be more cost-effective. This consideration belongs in a structured value stream analysis of the entire procurement chain.

Sustainability and digitalisation

CO reporting obligations and sustainability requirements are turning transport selection into a procurement topic: whoever does not know the carrier under CPT has less influence on packaging reduction, modal choice and the emissions balance. Digitalised transport documents and track-and-trace systems, meanwhile, significantly improve transparency for CPT shipments and reduce documentation risks in customs clearance.

Typical metrics

Metric	Typical value
On-time-in-full rate at goods receipt	typically > 95% *Delivery reliability per CPT route*
Insurance coverage rate for CPT shipments	target 100% *Proportion of insured shipments in the risk exposure*
Freight cost share of purchase value	commonly 2–8% *heavily dependent on product and transport route*
Damage and loss rate	typically < 1% of shipments *quality indicator of the transport chain*

Practical example

A mid-sized mechanical engineering company sourced assemblies from Asia on the basis of CPT Hamburg Port. After two damaged sea shipments for which neither the seller nor the forwarder was liable, it emerged that the buyer had no transport insurance covering the damage phase from loading onwards. The company adjusted its processes and renegotiated the term in the framework agreements.

- Introduction of a standardised term checklist with insurance status per purchase order
- Contractual agreement of a specific carrier nominated by the buyer in accordance with Incoterms® 2020
- Inclusion of transport risks per route in the existing risk register
- Agreement of a jurisdiction clause and an escalation process in the Joint Business Plan (JBP) with the main supplier

Conclusion

CPT is an attractive term for buyers when transport costs are to provide cost transparency and predictability, and the buyer wants to keep risk management from loading onwards in their own hands. The central sticking point remains the divergence between the cost and risk boundaries: without transport insurance and documented processes, the damage risk lies entirely with the buyer. Depending on the industry, the value of the goods and the transport route, a systematic comparison with CIP, DAP and FCA is worthwhile. Anyone using CPT should always view the term, insurance and controls as a package. This turns the Incoterms rule from formalism into an effective steering instrument of international procurement.

Frequently asked questions

? What does Incoterms CPT mean?

CPT (Carriage Paid To) means that the seller bears the freight costs to the named destination. However, the risk passes as soon as the goods are handed over to the first carrier. Import clearance and import duties are borne by the buyer.

? Who bears the transport risk under CPT?

The buyer bears the risk from handover of the goods to the first carrier – even though the seller pays the freight. The seller is only liable for acts caused by himself or his agents prior to handover. For this reason, the buyer should take out transport insurance for CPT transactions.

? What is the difference between CPT and CIP?

Both rules provide for an identical allocation of costs and risks. The difference lies in insurance: under CIP (Incoterms® 2020), the seller must procure insurance with ICC Cover A, whereas under CPT there is no insurance obligation on the seller. Buyers with their own insurance policy therefore frequently choose CPT.

? Which modes of transport is CPT suitable for?

CPT can be used for all modes of transport – road, rail, sea, air and multimodal chains. It is particularly common for container transport and general cargo shipments. For classic sea freight in containers, CIP is also a common alternative, whereas for pure sea and inland waterway transport without containers, CFR is used.

? Who handles customs clearance under CPT?

Export clearance in the seller's country is the seller's responsibility. Import clearance, including customs duties, import VAT and, where applicable, further levies in the destination country, is borne by the buyer. Anyone wishing to shift import charges entirely to the seller should instead consider the DDP term – in individual cases with tax advice.

? When is CPT useful for buyers?

CPT makes sense when the buyer wishes to retain control over insurance, carrier selection and claims settlement but does not want to build up their own transport logistics. It is a good fit for established supply relationships with stable transport routes. For very high-value or sensitive goods, DAP or an FCA variant with the buyer's own transport procurement may be more cost-effective or safer.

Find the right suppliers on Amplifa

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

amplifa-marketplace.ai