

EU ETS FOR MARITIME TRANSPORT

Mighty and sustained efforts are required to reduce global GHG emissions and hence limit global warming to 1.5°C, to keep alive the Paris Agreement Goal. The “European Green Deal” adopted by the commission on 11th December 2019 forms the core to tackle environmental-related challenges and reach the objectives of the Paris Agreement.

Climate risk is the only risk to the business that cannot be mitigated but can be controlled. Thus, all sectors of the economy need to reduce their emissions to sustain their businesses and keep flourishing in such a challenging environment.

The maritime sector accounts for around 3% of the world’s global emissions, and actions taken now to mitigate them will have a positive impact in future on the economy, environment, and society as a whole.

A market-based measure for the maritime industry is the need of the hour to account and compensate for emissions generated. A new EU directive 2023 on the ETS proposed by the European Parliament and the council has been published, aiming for 62% emissions reductions by 2030 as compared to 2005 levels, but awaiting final approval by the EU.

The commission could foresee the administrative burden on shipping companies, and in order to reduce it, one member state will be responsible for each shipping company as per the following criteria:

- For shipping companies registered in a member state, it will be the member state.
- For shipping companies registered in a third country, it will be the member state in which the shipping company had the greatest number of the port of calls in the last four monitoring years.
- If the company had no port of calls till date, then it is the member state where the shipping company arrived or started its first voyage falling within the scope of EU ETS.
- The list of administering authorities will be published before the 1st of February 2024, updated at least every two years and every four years for newly registered shipping companies.

A substantial amendment is made by the postponement of the following deadlines:

- The deadline for competent authorities to grant free allocation – From 28th February to 30th June.
- The deadline for operators to surrender allowances – From 30th April to 30th September.

Scope of vessels:

- Emissions for 2024 will be included in ETS for all vessels above 5000GT carrying out commercial activities at the EU ports.
- Offshore vessels above 400GT and General cargo ships between 400GT and 5000GT are to be also included in MRV from 2025. The need to include these vessels in ETS by 2027 will be evaluated in a review to be performed by the commission in 2026.
- The new directive will allow ships with ice class IA or IA super / equivalent ice class, a reduction of 5% of the required surrendered allowances.

Scope of voyages and emissions to be surrendered:

- 100% of emissions for Inter-EU voyages, 50% of emissions for Outer-EU voyages (to/from EU ports) and 100% of emissions at EU ports.
- If sufficient measures are not taken up by IMO by 2028 to reduce GHG emissions, increasing the percentage of emissions for Outer-EU voyages will be reviewed by the commission.
- Following phase-in period is decided for compliance obligation:
 - 40% of emissions to be surrendered for 2024.
 - 70% of emissions to be surrendered for 2025.
 - 100% of emissions to be surrendered for 2026 and after.

For instance, if fleet of an operator has following verified emissions, to surrender for year 2024,

- CO2 emissions between EU = 100MT – To surrender 100%
- CO2 emissions at EU berths = 100MT – To surrender 100%
- CO2 emissions from EU = 200MT – To surrender 50%
- CO2 emissions to EU = 200MT – To surrender 50%

Emissions to be surrendered in 2024 will be 40% of 400MT i.e. 160MT, amounting to 13600 Euros as per the current price of EUA (85 euros per metric ton of CO₂).

- Methane and Nitrous Oxide emissions to be included in MRV from 2024 and in ETS from 2026.
- For voyages between a port located in the outermost region of a member state and a port located in the same member state, a temporary exemption from certain obligations can be provided.
- Small Islands (with a permanent population of less than 200,000 and with no road/rail link) that are mainly dependent on maritime activities, member states can request that Islands to be exempted from ETS, which will include national voyages to/from a port of the Island, performed by passenger ships (other than cruise passenger ships) and by ro-pax ships.
- The list of such Islands and ports will be published by the commission.
- For two member states without a land border and that is geographically close, can request a temporary exemption from certain obligations of surrendering EUAs, and it includes only passenger or ro-pax trips performed in the framework of transnational public service contract or obligation.

Penalties and Evasive port of calls:

- A vessel may be denied permission to trade in the EU or even expelled if she does not comply with the MRV obligations for two or more consecutive years.
- Shipping companies not surrendering sufficient allowances will be fined 100 Euros per ton of CO₂ not accounted for. If non-compliance is repeated for two or more consecutive years, then all ships under their control can be denied entry into the EU.
- The commission will establish a list of non-EU container transshipment ports, by 31st December 2023, within 300nm of an EU port that will be excluded from the “Port call” concept to avoid evasive port calls. Hence, the shipping companies will also have to surrender 50% of their emissions for the leg arriving in these transshipment ports (in addition to the leg from the transshipment port into the EU). The list will be updated every two years thereafter.

Verifavia, part of the Normec Group, is a worldwide independent environmental accredited verification, certification and auditing body for aviation, airports and maritime transport. With more than 11 years of EU ETS verification experience in the Aviation industry already, we have abundant expertise in the domain.

[Verifavia Shipping](#), with the use of state-of-the-art technology, an auditorial skillset and efficient tools eg dashboard, is providing support by offering independent and impartial expertise to shipping companies.

- **Samil Oberoi, Marine Engineer, EU MRV / IMO DCS Lead Auditor**