General principles of the ETS and its extension to maritime transport

EMSA/European Commission Webinar

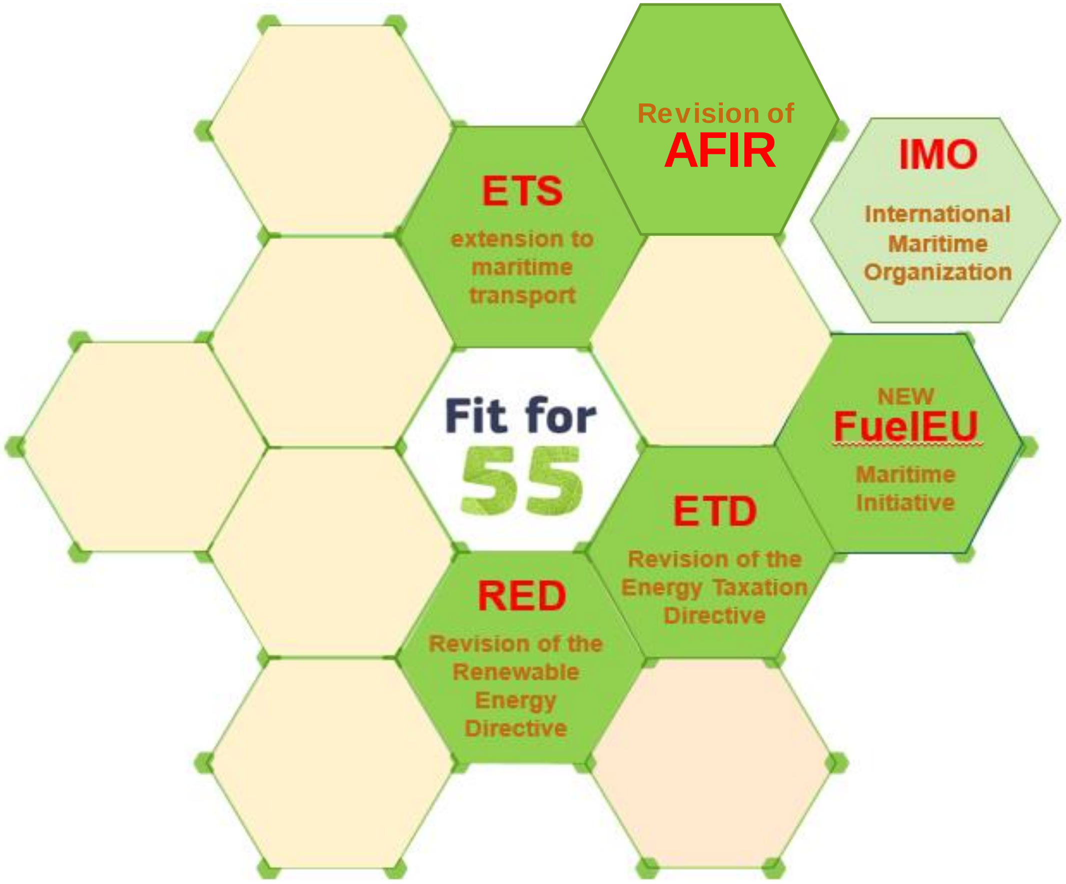
22 September 2023

Structure of the presentation

- Policy context and timeline
- Overview of the EU ETS
- EU ETS extension to maritime
- Compliance cycle, key actors involved

Policy context

"**Fit For 55**" package in July 2021: a basket of measures to address GHG emissions from the **shipping sector**



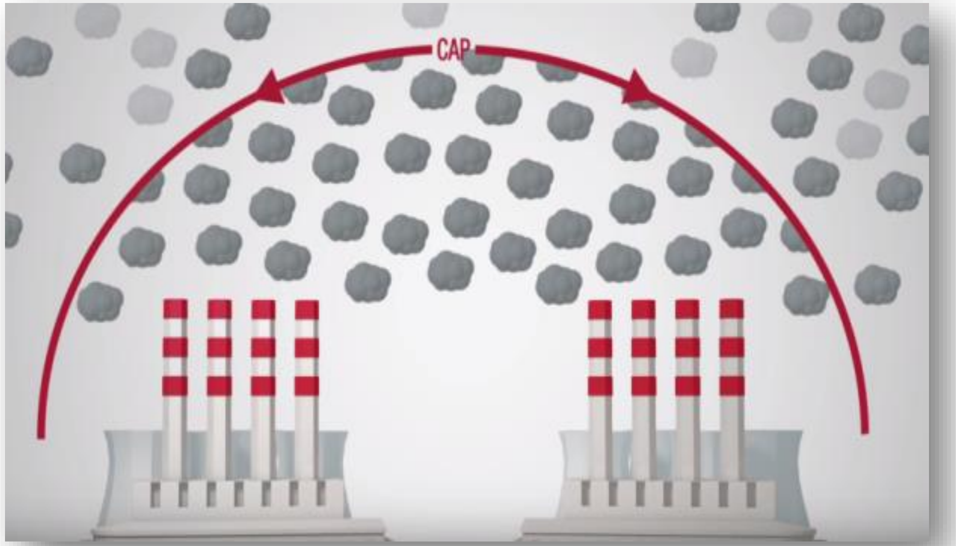
3-4% of EU GHG emissions

13,5% and growing of EU GHG transport emissions

European Commission

Overview of the EU ETS

- The EU Emissions Trading System (ETS) was **established in 2005** (Directive 2003/87/EC) and is a **cornerstone of EU climate policy**
- Covers around **40% of EU's total greenhouse gas (GHG) emissions**
- **‘Cap-and-trade’ system**



ETS extension to maritime transport

Overview of the main elements

- **The existing EU ETS** (Directive 2003/87/EC) will cover **maritime transport emissions as from 1 January 2024.**

- **Same key principle as the other ETS sectors:** shipping companies monitor their emissions and purchase and surrender ETS emission allowances for each tonne of GHG emissions to be reported under the EU ETS.

- **Equal treatment** on routes, flag neutrality

- **Phase-in period** for 2024 and 2025 emissions (40% and 70%, respectively) and then full price signal as from 2026 reported emissions.

- Each shipping company **attributed to the administering authority** of one EU Member State

- Builds on the already existing monitoring, reporting and verification of emissions

ETS extension to maritime transport

Overview of the main elements

- **Geographical scope of ETS:**
  - 100% of emissions from voyages within the EU & when ships are within EU ports
  - 50% of the emissions from voyages starting or ending outside of the EU

- **GHG scope for ETS:**
  - CO_2 emissions as from 2024
  - CH_4 and N_2O emissions as from 2026

- **Ships covered under ETS**: large ships (i.e. above 5000 Gross Tonnage) transporting passengers or cargo for commercial purposes, and large offshore ships as from 2027.

ETS extension to maritime transport

Overview of the main elements

- **ETS auctioning revenues**
  - Auctioning revenues, or the equivalent in value, should be used by Member States to tackle climate change, including for measures to decarbonise the maritime sector.
  - Innovation Fund: increase of the size & special attention given to maritime (e.g. dedicated topics); eligibility of projects with clear added value for the Union.

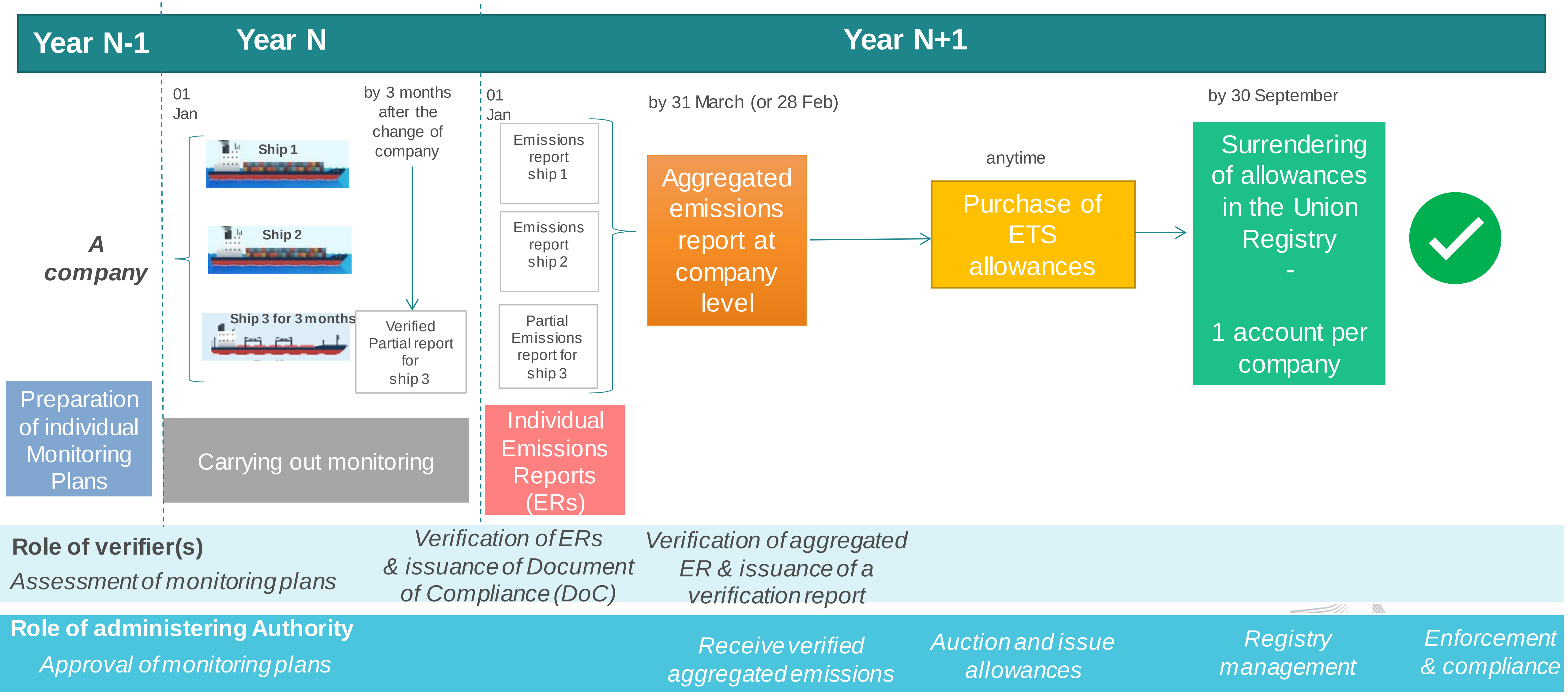
- **Review clauses:**
  - In case of the adoption of a global market-based measure at IMO level.
  - Monitoring of the implementation of the EU ETS in relation to maritime transport and if appropriate, proposals to prevent evasive behaviours at an early stage.
  - Assessing the potential inclusion of smaller ships in the EU ETS.

ETS extension to maritime transport
Enforcement

- Member States to lay down penalties for breaches of the EU ETS requirements. They must be "***effective, proportionate and dissuasive***".
- For shipping as for other sectors, penalties include a **€100 fine (inflation linked) for each tonne not surrendered**.
- For shipping companies, as an additional measure, ships could be **denied entry to EU ports** where a company fails to comply for two or more consecutive years.

ETS extension to maritime transport

The EU ETS compliance cycle for maritime transport



Thank you

Further questions? Frequently Asked Questions (FAQs) available for MRV and EU ETS

Dedicated Helpdesk: fitfor55@emsa.europa.eu

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