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On the Horizon – EU/ UK Emissions Trading System (ETS) has included Shipping in 2024/2026



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Starting from 1 January 2024, the EU Emissions Trading System (EU ETS) has undergone changes to include maritime emissions. This system is a legislative scheme implemented by the European Union (EU) to limit greenhouse gas emissions in specific industries. It requires emitters to surrender emission allowances equivalent to the gases they produce. The United Kingdom (UK) is also aligning with this initiative and will participate from 2026 for within their waters.

Since 2018 shipping companies have been obligated to report particular carbon dioxide (CO₂) emissions from vessels over 5000GT (cargo and passengers) that visit EU ports or engage in trade within the EU, as well as voyages to or from the EU.

At the beginning of 2024, shipping companies will likely need to purchase and surrender emissions allowances covering 40% of their intra-EU voyage and EU port CO₂ emissions for that year. Additionally, they will be required to cover 20% of emissions from voyages to or from the EU. These percentage will gradually increase from 2024-2026, reaching 100% for intra-EU voyage emissions and 50% for voyages to or from the EU, with certain exceptions. Moreover, over this period, shipping companies will also need to surrender emission reports for methane (CH₄) and nitrous oxides (N₂O), expanding the coverage to vessels serving offshore installations.

The responsibility for submitting the allowances lies with the shipping company, which is defined as the shipowner or any other entity (such as a manager or bareboat charterer), responsible for submitting the ship's operation. These entities have agreed to assume the responsibilities and duties required by the International Safety Management Code (ISM). If shipowners or managers wish to assign another to submit the reports, and hold them accountable for losses or penalties, they must explicitly specify this in their contracts. BIMCO's "Emission Trading Scheme Allowances Clause for Time Charter Parties 2022" can serve as a useful reference for such agreements provides.



Failure by shipping companies to comply with two or more consecutive reporting periods may result in fine and an expulsion order issued by the EU. Such orders could potentially apply to the entire fleet owned by the shipping company and would be effective at all EU/EEA ports (later on UK ports), except for the vessel's flag state. If one of the shipping company's vessels enters a port within its flag state, it will be detained until the shipping company fulfils its obligations to surrender allowances. Before issuing an expulsion order or detention decision, the shipping company will be given an opportunity to provide their observations.

Furthermore, the amendment to the EU ETS stipulates that if the IMO fails to establish a global market-based mechanism similar to the EU ETS, the EU will consider capturing "more than" 50% of international emissions from ships (that fall outside the defined criteria) after 2028.