



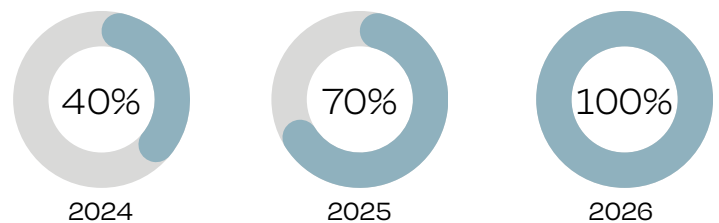
European Union Emission Trading System (EU ETS)



What is EU ETS?

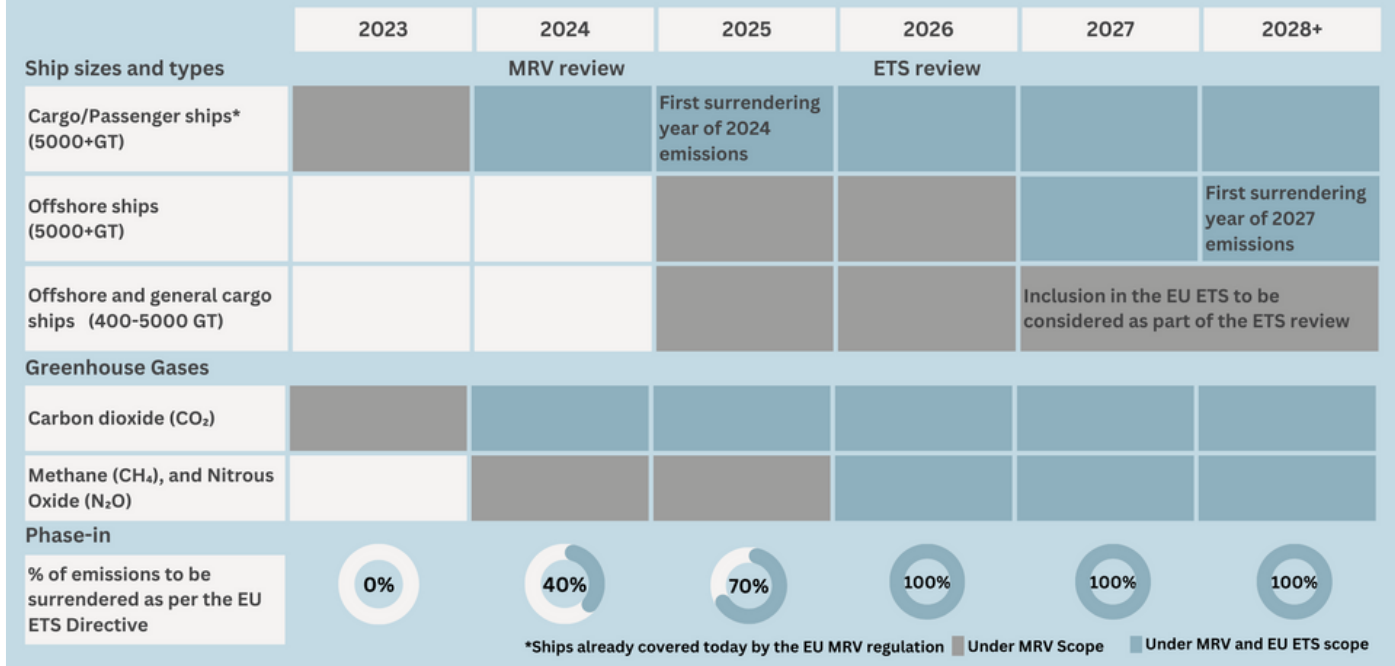
In brief, the EU ETS operates on a 'cap and trade' principle, limiting GHG emissions and reducing the cap annually to align with EU climate targets. It requires polluters to pay for emissions, with revenues directed towards the green transition outlined in the "Fit for 55" package. Shipping companies can purchase or trade emission allowances on the EU carbon market.

A three-year phase-in period will introduce the EU ETS:





EU ETS Extension to Maritime Transport Introduction Timeline



Source: European Commission

EU ETS for Maritime Transport

1 January 2024 the EU ETS came into force. The share of emissions that must be covered by allowances gradually increases each year.

Ships of 5,000 GT and above, which call at EU ports, regardless of flag, will have to **surrender allowances** for:

- **50%** of emissions from voyages starting or ending outside of the EU (allowing the third country to decide on appropriate action for the remaining share of emissions).
- **100%** of emissions occurring between two EU ports and when ships are within EU ports.

Allowances to be surrendered by **30 September each year** to cover the preceding year.

Union-wide allowances for each year will be **reduced** by a linear factor of 4.3% from **2024 to 2027** and 4.4% from **2028 to 2030**.

From **1 January, 2026**, the total quantity of **allowances will be increased** due to the **inclusion of CH₄ and N₂O emissions**.

From **1 January, 2027**, emissions from offshore ships of **>5000 GT will be included**.

The EU implemented anti-evasion measures for container ships so far, and may develop the scope of such measures further.

Shipping companies must surrender enough allowances to fully account for their emissions, otherwise, fines are imposed. If a company emits less than the allowances available for them, they can keep the spare allowances for the future or sell them.

1 Allowance = 1 tonne CO₂ eq.

Skuld's message to shipping companies

Skuld urges shipping companies to develop knowledge about the EU ETS and its impact on maritime transportation. For members trading in the EU, the **cost** of allowances can be significant and will increase each year. **Prioritising a robust plan** for decarbonisation and fleet optimisation is crucial.

Skuld is developing a competent **network of expertise** within the organisation. Our claims handlers focus on the legal aspects, and all underwriters receive training to understand the **needs** of the shipowner.

Skuld estimates emissions for all vessels and can provide **insight** into shipping companies' emission portfolios and EU ETS exposure based on previous year sailing data.

EU ETS European Union Emission Trading System
GHG Greenhouse Gases
MRV Monitoring, Reporting & Verification database



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Contact your local representative if you have further queries about EU ETS: skuld.com/contacts

Sources: European Commission FAQ - Maritime Transport in EU ETS · EU ETS & Maritime Sector | EU ETS in General

Rest assured.

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