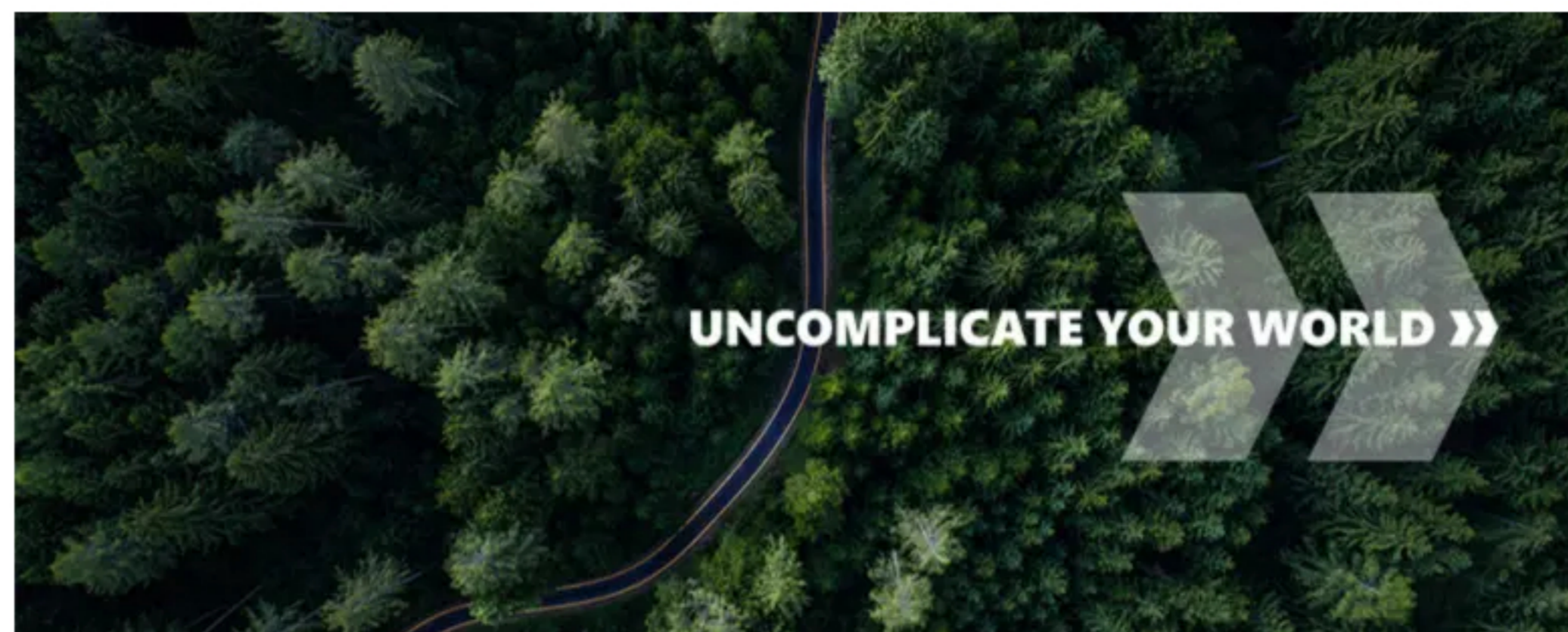


News

The 2024 EU Emission Trading System Impact on Shipping

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The concern for global warming and climate change has grown in recent years. The transport and logistics sector accounts for a significant share of global greenhouse gas (GHG) emissions, contributing to climate change.

This is a serious matter for all of us, and it is now essential to implement effective measures to reduce emissions.

Established in 2005, the EU Emission Trading System (ETS) is a market-driven system designed to combat climate change and encourage shippers and customers to reduce greenhouse gas (GHG) emissions. This supports the EU's goal to become carbon neutral by 2050 and to meet its target of a 50% reduction in greenhouse gas emissions by 2030.

The ETS is based on a 'cap-and-trade' principle, which limits the total amount of greenhouse gas emissions permitted by factories, power plants, ships, and other entities covered by the ETS. Over time, the cap is reduced, leading to a gradual decrease in total emissions.

Please watch this [three-minute video](#) that explains the ETS.

Shipping will be included in the EU ETS starting from 2024

The EU ETS already limits greenhouse gas emissions from more than 11,000 installations, such as power stations, steel producers, and chemical plants, including airlines operating within the European Economic Area (EEA).

In December 2022, it was agreed to extend the EU ETS to include the shipping industry, and this agreement was formally adopted in May 2023.

Consequently, as of 1 January 2024, new carbon taxes will impact all shipping customers involved in transporting goods to, from, and within the European Economic Area (EEA), which consists of EU member states, as well as Iceland, Liechtenstein, and Norway.

The impact on maritime shipping

Carbon pricing within the EU ETS is calculated based on vessels rather than cargo. As a result, ship operators must report their emissions and allocate allowances for each ton of CO2 they generate.

These carbon taxes extend beyond the EU, meaning that half of the emissions will be subject to the new charges if a vessel travels between the EU and a non-EU country. Therefore, shipping companies must purchase carbon allowances for the following emissions:

- 50% of emissions from voyages departing from an EU port to/from a non-EU port
- 100% of emissions from voyages between EU ports
- 100% of emissions from ships docked at an EU port

How much will the carbon prices increase from 2024?

The EU ETS aims to create financial incentives for reducing CO2 emissions, thus driving the transition to more sustainable transport solutions.

In practice, shipping companies must purchase emission allowances equivalent to each tonne of reported CO2 emissions. The new carbon pricing increase will be implemented over a three-phased period, gradually increasing the carbon price per ton of CO2 from 2024 to 2027:

- In 2024, companies must submit allowances for 40% of their verified emissions
- In 2025, companies must submit allowances for 70% of their verified emissions
- From 2026 onwards, companies must submit allowances for 100% of their verified emissions

The allowances, called European Union Allowance (EUA), must be purchased and submitted to the EU annually and apply to all shipping companies transporting goods to, from, or within the EU.

Will there be a cost impact?

Ocean carriers across the industry have announced the implementation of an ETS surcharge to cover the costs of the CO2 charge of shipping in the EU.

However, it is premature to speculate on the exact amount at this time, so we take this opportunity to inform you about the announced calculation methodology.

The calculations per TEU are based on the industry-aligned Clean Cargo methodology for CO2 calculation multiplied by the market price for EUAs sourced from the ICEDEU3 Index using a three-month average. This results in the ETS surcharge amount per TEU, which is updated quarterly.

We will continue to monitor the situation, and when there is concrete insight into the actual amount in question, we will communicate this accordingly.

Sustainable solutions to reduce your CO2 emissions

To reduce emissions from transportation by 50% - 100% across all transport modes, we already offer our extensive [Sustainable Logistics Solutions Catalogue](#) featuring a range of low-carbon solutions. We can assist you on your sustainable journey towards achieving a net-zero supply chain, wherever you are and whenever you need support.

If you have any questions about the EU ETS extension or would like to know how we can assist, please feel free to contact your local SGL contact, who can help you.

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