Shipping and EU ETS CARBON MARKET WATCH . ORG

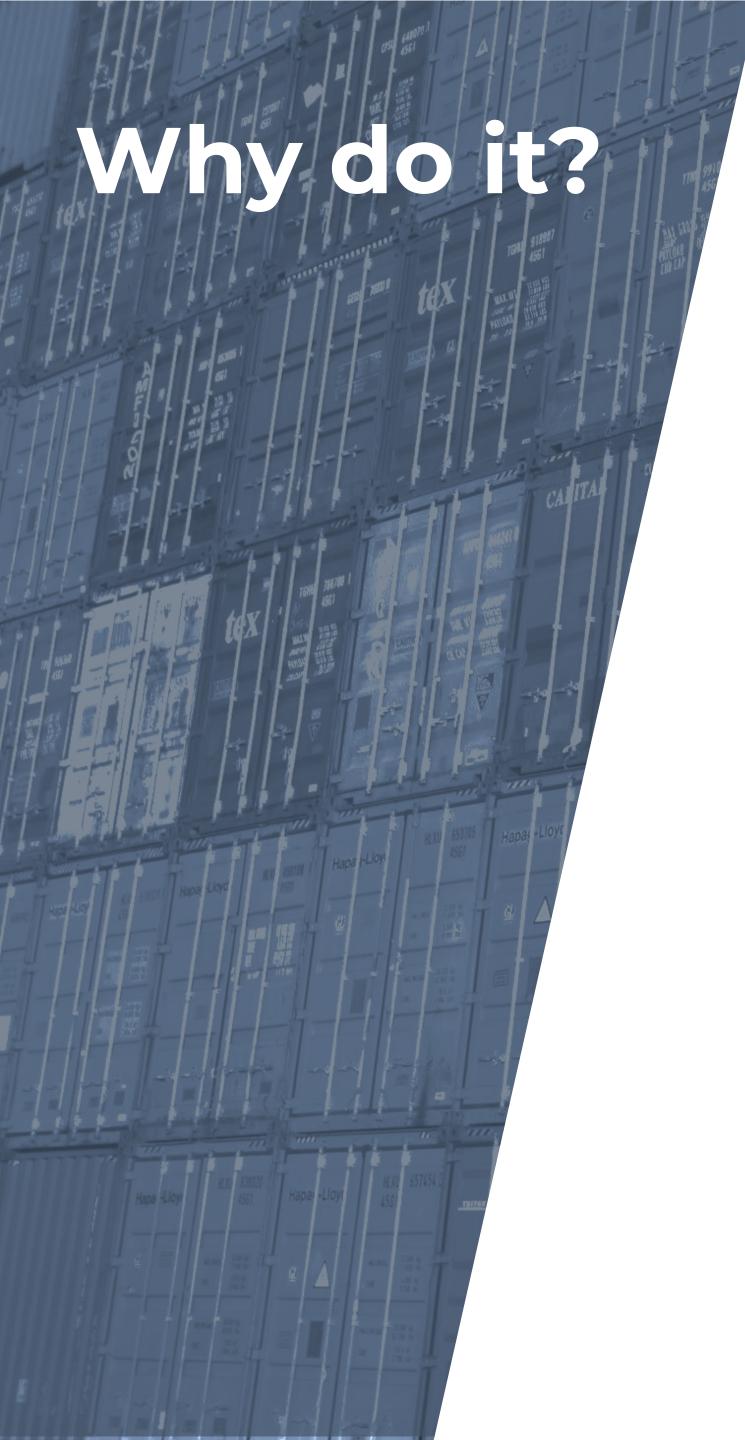
TABLE OF CONTENT

Why do it?

How to do it?

How not to do it?





- Shipping emissions are not being tackled
 - IMO short term measures are a dud
 - Need for leverage and pressure on IMO
 - 'Mid-to-long term discussion' could take years
 - NDCs don't include (international) shipping
 - EU has no climate policies for shipping
 - "Port-state control" jurisdiction
- Emissions from shipping are set to continue growing





General observations

MRV File opportunity should not be missed

<u>European Parliament position is balanced</u> +
 supported by one co-legislator

- Complementary measures remain necessary
 - o Negative marginal abatement costs
 - o E.g. Carbon intensity target
- Compatible with IMO MBM
 - o Highest climate ambition must be the bar



How to do it?



Detailed design elements

- Ocean Fund
 - o Recycle revenues back into the sector
 - o Fund REAL, no-regrets climate solutions
 - o Non-EU projects also eligible
 - o Just transition and global green leadership

Include other GHGs (esp. methane)

Operators as compliance actors





Detailed design elements

- 2018-2019 average for baseline cap-setting
 - o around 140 Mt
- Full scope inclusion (100% in- and outgoing)
 - o If not:
 - 62% of EU trade-related maritime emissions
 are not covered
 - Competition between short shipping and international maritime transport

• Include all ships above 400 GT





- Undermine price signal and effectiveness with free allocation
 - o <u>Negligible carbon leakage risk</u>
 - o <u>Very limited price impact on citizens</u>

- Waste time with transition periods or "temporary" free allocation
 - Compliance obligations are clear (MRV Regulation)





- Bring shipping into the EU ETS and don't wait for IMO
 - But: don't forget complementary EU and IMO policies

- Environmental impact is key
 - o Include in- and outgoing voyages
 - o No free allocation or transition periods
 - o Recycle revenues into climate action

