



Shipping and EU ETS

CARBON MARKET WATCH . ORG

TABLE OF CONTENT

1 Why do it?

2 How to do it?

3 How not to do it?

Why 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

How to do it?

General observations

- MRV File opportunity should not be missed
- European Parliament position is balanced + supported by one co-legislator
- Complementary measures remain necessary
 - Negative marginal abatement costs
 - E.g. Carbon intensity target
- Compatible with IMO MBM
 - Highest climate ambition must be the bar

How to do it?

Detailed design elements

- Ocean Fund
 - Recycle revenues back into the sector
 - Fund REAL, no-regrets climate solutions
 - Non-EU projects also eligible
 - Just transition and global green leadership
- Include other GHGs (esp. methane)
- Operators as compliance actors

How to do it?

Detailed design elements

- 2018-2019 average for baseline cap-setting
 - around 140 Mt
- Full scope inclusion (100% in- and outgoing)
 - 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

How **not** to do it?



- Undermine price signal and effectiveness with free allocation
 - Negligible carbon leakage risk
 - Very limited price impact on citizens
- Waste time with transition periods or “temporary” free allocation
 - Compliance obligations are clear (MRV Regulation)

Conclusions

- 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
 - Include in- and outgoing voyages
 - No free allocation or transition periods
 - Recycle revenues into climate action