March 24th ERCST webinar

Preparing for the review of the EU ETS

(Carbon pricing in non-EU ETS sectors)

PANEL 1: Carbon pricing for the maritime sector

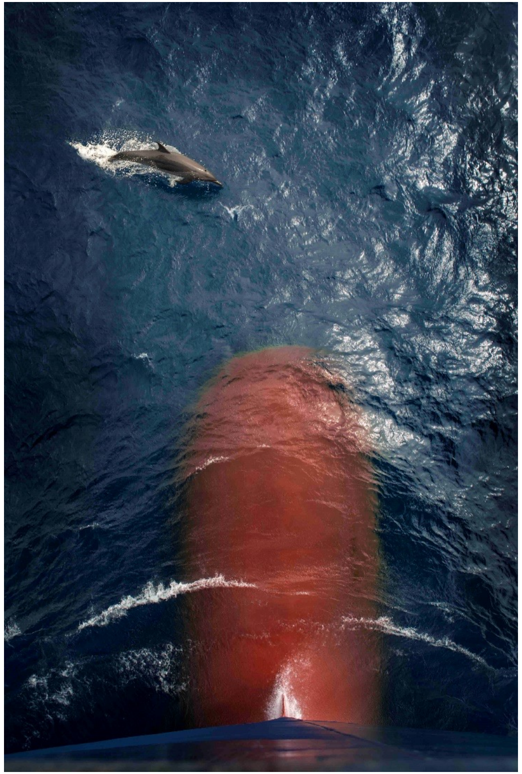
CMA CGM

CMA CGM Group: key figures

257 shipping lines	**Over 110,000** staff members worldwide	**3 million*** TEU of fleet capacity
Over 420 ports of call in 160 countries	**21 million*** TEU transported	**48** terminals under management
755 offices worldwide **750** warehouses	**566*** vessels	**USD 31.45 bn*** of revenue

* 2020 figures

CMA CGM, a leader in the energy transition



- Since 2008, **the Group has reduced its CO_2 emissions by 49% per TEU-km**, in line with our voluntary target of reducing greenhouse gas emissions by 50% by 2030.
- The Group's objective is to **achieve carbon neutrality by 2050** and use **10% of alternative fuels by 2023**.
- **CMA CGM will not use the Northern Sea Route**, a forward-looking, socially responsible decision to protect biodiversity in the Arctic region and to preserve its role in regulating global climate patterns.
- CMA CGM **will give priority to liquefied natural gas (LNG) to power its future ships** while continuing to conduct research on other energy sources.
- The Group was the world's first container shipping company **to successfully test biofuel made with 20% recycled vegetable oil and forest residues**. CMA CGM also signed an agreement with Shell to supply its fleet with **tens of thousands of tons of marine biofuel**.
- The CMA CGM Group is joining forces with **Energy Observer**, the first hydrogen-powered vessel to embark on a round-the-world voyage, to experiment, test and develop alternative energy solutions.
- Rodolphe Saadé initiated, alongside Emmanuel Macron, French President, **an international coalition in favor of the energy transition** with the priority of working towards the emergence of a more competitive and less carbon-intensive energy in transport.
- **CMA CGM received the "Platinium Recognition Level" from EcoVadis.**

Possible inclusion of shipping in the EU ETS: ensuring a tailor-made, phased-in and flexible system maintaining the industry's competitiveness

- **Compatibility with IMO Market-Based Measures (MBM):** the European system should be scalable, consistent and compatible with future IMO MBM
- **A tailor-made solution for the shipping sector:** the European Commission must avoid a one-size fits all approach and take into account the industry's characteristics
- **Providing a level playing field:** the proposed system should not lead to distortion of competition and a two-tier market (flag neutrality)
- **Addressing the underlying risks:** carbon leakage and reversed modal shift
- **Rewarding early movers:** ensuring companies that have invested in more efficient ships are not penalized
- **Avoiding an increase in administrative costs:** making sure the system is operational and not cumbersome

Options: either a specific ETS system or a fund enabling companies to pay an annual contribution in accordance with their emissions

Framework conditions

- **Scope and ship size coverage:** limited to intra-EU CO2 emissions (98% of GHG emissions) for ships over 5 000 GT (MRV threshold), excluding outermost regions
- **Responsible compliance entity:** the "company" as currently defined by the MRV
- **Allocation of allowances:** free allowances to enable the industry to adapt to the new system
- **Recognition of guarantees of origin (GOs) & sustainability certificates:** supporting the use of biogas and biofuels in shipping
- **Baseline for emissions reduction target, cap and calendar:** preference for a 2008 baseline (aligned with IMO GHG strategy), phase-in or pilot phase to provide investment signals and allow learning from participants
- **Openness of the system:** semi-open system ensuring sufficient supply of allowances (allowing operators to trade with other sectors but not vice-versa)
- **Governance:** limiting administrative costs (either centralized with EMSA or decentralized with a high level of harmonization in rules and procedures)
- **Use of revenues:** supporting R&D and bridging the price gap between conventional and low and zero-carbon fuels

Carbon pricing is not a silver bullet

- The EU ETS **does not address all barriers to the deployment of low and zero emissions solutions; it must be matched with investment**

- In the absence of feasible, commercially available and affordable alternatives, **the ETS may remain limited to a carbon offsetting scheme**

- Upcoming regulation is very much focused on the demand side (revision of the EU ETS, FuelEU Maritime). **Other stakeholders** (fuel suppliers, ports) **also have a major part to play**

- Legislation supporting the uptake of alternative fuels on the supply side is equally important (revision of the RED, AFID, ETD…)

- **R&D will be key and must be actively supported**. Stakeholders are already working together (ex: the Waterborne platform)