

EU Emissions Trading System (ETS) effective January 1, 2024

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This article is the continuation of this past update: [EU Emissions Trading System 2022 updates](#)

In recent years, the global concern over climate change and its environmental impact has grown significantly. Among the industries contributing to greenhouse gas emissions, the shipping industry has faced increased scrutiny and the need for effective measures to reduce its environmental footprint.

The EU Emissions Trading System (ETS) was initially established in 2005 as a market-based mechanism to tackle greenhouse gas emissions within the European Union. While it primarily targeted energy-intensive sectors like power generation and manufacturing, there have been recent developments to include shipping in the EU ETS.

Recent developments

In December 2022, political negotiators reached a provisional agreement to extend the EU ETS to include shipping. This agreement was subsequently adopted and finalized on May 16, 2023, and published in the Official Journal of the European Union, which communicates new laws and regulations adopted by EU institutions. As of 2024, the ETS will encompass shipping activities within the European Economic Area (EEA), consisting of EU member states, Iceland, Liechtenstein, and Norway. As a result of this, ship operators will be required to monitor and report their emissions and surrender allowances for every ton of CO₂e they emit.

Carbon pricing and extraterritorial application

Under the new law, carbon pricing in the EU ETS is determined based on vessels rather than cargo. Alongside introducing carbon pricing for vessels traveling between EU countries, the law also has extraterritorial application. This means that if a vessel sails between an EU port and a non-EU port, half of the emissions from the voyage will be subject to the EU ETS. Shipping companies are obligated to purchase allowances for the following emissions:

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

As the extension of the ETS to maritime transport activities increases shipping costs, negotiators are concerned about the risk of evasion and transshipment activities moving outside the EU. To mitigate this, the law specifically targets non-EU ports near the EU with a high share of transshipment. For these ports, the ETS effectively extends the length of voyages to address concerns about carbon leakage.

Start of carbon pricing and inclusion of additional greenhouse gases

The inclusion of shipping in the EU ETS is a significant milestone in combating climate change. It aims to create financial incentives for reducing greenhouse gas emissions and promoting a transition to more sustainable practices. With the new law adopted, there will be a phased implementation of carbon pricing for shipping. This means that shipping companies will be required to submit allowances equivalent to a portion of their emissions according to the following schedule:

- 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 all their verified emissions.

Furthermore, starting from January 1, 2026, the ETS regulations will expand to include emissions of two additional greenhouse gases: nitrous oxide and methane. Although the immediate impact of this expansion is limited, it sends an important signal to encourage the use of renewable fuels in the future. This step-by-step approach will gradually increase the carbon price per ton of CO₂e for shipping leading up to the year 2026.

What does this mean for customers?

For every 1 ton of reported CO₂, 1 European Union Allowance (EUA) must be purchased and submitted to the EU each year. This applies to all shipping companies, who are responsible for buying

EUAs. EUAs can be purchased on exchanges such as ICE, EEX and Nasdaq, and on the over-the-counter market.

EU ETS introduces carbon pricing for shipping from 2024. The cost of compliance is expected to be significant and will keep increasing with the phased implementation. It will be passed on in the form of a standalone surcharge known as 'Emissions Surcharge' applied to all bookings on the voyage that will be subject to the EU ETS. ECO Delivery bookings will not be subject to the 'Emission Surcharge'. Choosing ECO Delivery means we replace fossil fuels with green fuels. This investment reduces green-house-gas emissions of your bookings and decarbonizes your supply chain. [Learn more about ECO Delivery.](#)

It is expected that the volatility of the European Union Allowance (EUA) traded in ETS may increase due to supply and demand factors. Therefore, the emissions surcharge will be updated every quarter to align with the changes in EUA price. To ensure transparency, we will refer to a public index for the EUA price.

Below are the estimates of Q1 2024 emissions surcharge (in EUR) per FFE for applicable bookings in following trades. CO2 emissions obligation is 40% for 2024 and the price of the European Union Allowance (EUA) is considered to be around EUR 90 for the purpose of calculating estimates. We shall publish actual Emissions surcharge with minimum 30 days of advance notice prior effective date of implementation.

Trade	Dry (in EUR) per FFE	Reefer (in EUR) per FFE
West Coast South America to Europe	74	111
Europe to West Coast South America	83	125
North Europe to Far East	46	69
Far East to North Europe	70	105
South Europe to Far East	11	17
Far East to South Europe	20	30
North Europe to Middle East & Indian Subcontinent	32	48
Middle East & Indian Subcontinent to North Europe	25	38

Trade	Dry (in EUR) per FFE	Reefer (in EUR) per FFE
Mediterranean to Middle East & Indian Subcontinent	55	83
Middle East & Indian Subcontinent to Mediterranean	36	54
Mediterranean to North Europe	41	62
North Europe to Mediterranean	41	62
Intra Mediterranean	45	68
Intra North Europe	22	33
North America to Mediterranean	66	99
Mediterranean to North America	91	137
Oceania - Europe, Middle east & Africa	21	32
Europe, Middle east & Africa to Oceania	37	56
South Africa to Europe	66	99
Europe to South Africa	47	71
Canada to North Europe	49	74
North Europe to Canada	81	122
USA to North Europe	58	87
North Europe to USA	81	122
West Africa to Europe	87	131
Europe to West Africa	152	228
Europe to East Coast South America	49	74
East Coast South America to Europe	40	60
East Africa to Europe	36	54

Trade	Dry (in EUR) per FFE	Reefer (in EUR) per FFE
Europe to East Africa	56	84
Europe to Indian Ocean Islands	31	47
Indian Ocean Islands to Europe	16	24