

ETS – SHIPMAN EMISSION TRADING SCHEME ALLOWANCES CLAUSE 2023

ATTENTION: It is strongly recommended that the Parties read the accompanying explanatory notes before incorporating this clause in their ship management agreement and, in particular, carefully consider the consequences of the Owners mandating and the Managers accepting such mandate by a signed document whereby the Managers assume responsibility for compliance with applicable Emission Scheme(s) under subclause (b) of this Clause. The Parties should complete the number of days in subclause (b)(iii), (iv) and (v).

Notwithstanding any other provision in this Agreement, the Owners and the Managers (together the "Parties" and each individually a "Party") agree as follows:

"Emission Allowances" means an allowance, credit, quota, permit or equivalent, representing a right of a vessel to emit a specified quantity of greenhouse gas emissions recognised by the Emission Scheme.

"Emission Data" means data and records of the Vessel's emissions in the form and manner necessary to calculate its Emission Allowances.

"Emission Scheme" means a greenhouse gas emissions trading scheme which for the purposes of this Clause shall include the European Union Emissions Trading System and any other similar systems imposed by applicable lawful authorities that regulate the issuance, allocation, trading or surrendering of Emission Allowances.

"Responsible Entity" means the party responsible for compliance under any Emission Scheme(s) applicable to the Vessel by law and/or regulation.

(a) Owners as Responsible Entity

Where the Owners are the Responsible Entity:

(i) the Owners shall comply with or procure compliance with any Emission Scheme(s) applicable to the Vessel throughout the period of this Agreement at their expense.

(ii) the Managers shall provide the Owners with Emission Data in a timely manner to enable compliance with subclause (i) above, and/or at regular intervals to be agreed between the Parties. Such Emission Data shall be verified by an accredited verifier, where applicable, and if required by Owners audited by an independent party approved by them, at the Owners' expense.

(iii) Emission Scheme Management Services

This subclause (iii) is applicable only if the Parties state "Yes" here: [].

The Managers shall provide Emission Scheme management services which shall include, but not be limited to, the following:

(1) providing the Owners with Emission Data in accordance with subclause (a)(ii) above together with the calculation of the Emission Allowances required

(2) arranging the monitoring and reporting of the Emission Data to the administering authority in accordance with the Emission Scheme(s) and

3) arranging the surrender of the Owners' Emission Allowances in accordance with the Emission Scheme(s).

(b) Managers as Responsible Entity

Where the Managers (or the Managers' nominee) are made the Responsible Entity under any Emission Scheme(s) applicable to the Vessel, or assume that responsibility by agreement between the Parties in accordance with such Emission Scheme(s)*, the following shall apply:

(i) The Managers shall provide the Owners with Emission Data in accordance with subclause (a)(ii) above together with the calculation of the Emission Allowances required.

(ii) The Managers shall monitor and report Emission Data to the administering authority in accordance with the Emission Scheme(s) applicable to the Vessel.

(iii) The Managers shall each month prepare and present to the Owners, in writing, their estimates of the Emission Allowances for the Vessel for the ensuing month, including the reconciliation of the Vessel's actual emissions under each Emission Scheme applicable to the Vessel for the previous months and adjustment for any previous shortfall or excess. Such Emission Allowances shall be received by the Managers (or the Managers' nominee) from the Owners within [X] days after receipt by the Owners of the Managers' written request.

(iv) No later than fourteen (14) days prior to termination of this Agreement, the Managers shall prepare and present to the Owners, in writing, their estimates of the Emission Allowances due for the Vessel for the final month or part thereof, except that where the Agreement is terminated in circumstances which do not allow the Managers fourteen (14) days' time the Managers shall notify the Owners of said Emission Allowances as soon as possible. Within [X] days of such notification, but not later than the termination of the Agreement, the Emission Allowances notified by the Managers shall be transferred by the Owners to the Managers (or the Managers' nominee).

(v) Any difference between the Emission Allowances estimated according to subclause (b)(iv) above and the Emission Allowances actually due according to the Emission Scheme(s) applicable to the Vessel as at the time and date of termination of this Agreement, shall be reconciled and settled between the Parties within [X] days.

(vi) The Parties may agree to financial security for the Owners' obligations under subclause (b)(iii), (iv) and (v) above. In any event, the Owners shall provide the Managers (or the Managers' nominee) in a timely manner with the Emission Allowances required to fulfil their obligations under the applicable Emission Scheme(s).

(vii) The Managers (or the Managers' nominee) shall surrender the Emission Allowances in accordance with the Emission Scheme(s) applicable to the Vessel, subject always to the Owners being/remaining responsible for providing such emission Allowances to the Managers (or the Managers' nominee).

(viii) Any Emission Allowances or financial security transferred by the Owners to the Managers (or the Managers' nominee) under this subclause (b) shall be held to the credit of the Owners separately until surrendered to the administering authority of the Emission Scheme(s) applicable to the Vessel.

(c) The Owners shall pay to the Managers a fee of USD [X] per port call in an area subject to an Emission Scheme applicable to the Vessel. If no amount is entered, such fee shall be assumed to be included in the Annual Management Fee.

(d) If either Party fails to comply with any of its obligations under this Clause, the other Party shall be entitled to terminate this Agreement with immediate effect by giving notice to the Party in default.

* The European Union Emission Trading System's Commission Implementing Regulation (EU) 2023/2599 of 22 November 2023 laying down rules for the application of Directive 2003/87/EC requires a signed document clearly indicating that the Managers have been duly mandated by the Owners for the Managers to assume responsibility under subclause (b).