



# EU EMISSIONS TRADING SYSTEM FAQS

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Regulatory Affairs



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## Introduction

EU Emission Trading System (EU ETS) is a cap-and-trade system market-based-measure (MBM) for reducing greenhouse gas emissions (GHG), in the scope of the EU's "Fit for 55" package. The revision of the EU ETS Directive entered into force on June 5, 2023. Implementation for the maritime industry will begin on:

- January 1, 2024, for cargo and passenger ships of 5000 GT and above; and
- January 1, 2027, for offshore ships of 5000 GT and above.

Starting from 2025, shipping companies will have to surrender sufficient EU emission allowances (EUAs) based on EU monitoring, reporting and verification (MRV) data of the previous year. The EU ETS has two principles, setting a ceiling on the yearly maximum amount of GHG emissions and the trading of EU emission allowances.

### **Q.1: Who is the responsible entity for surrendering allowances? In case of non-compliance, who is responsible for paying the additional fees?**

The responsible entity for the reporting and surrendering requirements under EU ETS is the shipping company, meaning the shipowner or any other organization or person, such as the manager, that has assumed the responsibility for the operation of the ship from the shipowner and that, on assuming such responsibility, has agreed to take over all the duties and responsibilities imposed by the International Management Code for the Safe Operation of Ships and for Pollution Prevention, thus the DoC holder. In case of non-compliance, the shipping company remains the responsible entity, regardless of a potential contractual agreement between the company and the commercial operator of the ship.

### **Q.2: As each shipping company will be attributed to an administering authority, how will the shipping company be informed?**

Shipping companies will be attributed to administering authorities according to the rules set in the EU ETS Directive. Accordingly, three main scenarios could take place:

1. If the company is registered in a member States, then the member State in which the shipping company is registered will be the administering authority;
2. If the company is not registered in a member States, the member State with the greatest number of relevant port of calls in the four preceding years will be the administering authority;
3. If the company is not registered in a member State and did not have relevant port calls in the four preceding years, the member State where a ship of the company has started or ended its first relevant voyage will be the administering authority.

By February 1, 2024, the European Commission will publish a list of attributing companies to the administering authority of the member State.

**Q.3: What mechanisms exist to ensure that the DoC holders are given due recompense for the costs of the ETS compliance which are incurred by charters, and how is it handled when the charter is terminated in the EU and the vessel then is chartered to a third country?**

In case the responsibility for the purchase of the fuel and/or the operation of the ship is assumed by an entity other than the shipping company pursuant to a contractual arrangement, the shipping company is entitled to reimbursement from that entity for the costs arising from the surrendering of allowances. EU member States must take national measures to ensure that the shipping company is entitled to reimbursement in such situations and must provide corresponding access to justice to enforce that entitlement.

Although this entitlement to reimbursement should be made effective by EU member States regardless of contractual arrangements, shipping companies and entities responsible for the purchase of the fuel and/or the operation of the ship are expected to develop contractual clauses to pass on the ETS surrendering costs as appropriate. Nevertheless, the shipping company remains the responsible entity for surrendering allowances.

**Q.4: Can charterers that are not the DoC holders for any vessel purchase EUAs to reimburse the DoC owners?**

Anyone can buy EUAs in the open market. Charterers can buy issued EUAs or futures via EEX/ brokers and via bilateral relationships. However, only the shipping company will have access to the auction.

**Q.5: What is the official market where EU allowances will be traded?**

The EU allowances will be traded on the European Emissions Exchange (EEX).

**Q.6: What is the year after which the EU plans to reach GHG neutrality and therefore no more EU allowances will be issued?**

The EU Emissions Trading System (ETS) is a 'cap-and-trade' system. The cap is the threshold defining the total amount of greenhouse gases that can be emitted by the operators covered by the system. It is reduced annually, at fixed intervals, in line with the EU's climate target: this is the so-called 'linear reduction factor'.

For EU ETS, the legal default is that the linear reduction factor continues after 2030. Extrapolating this linear reduction to 2045 would lead to an EU ETS cap of zero. The ultimate economy-wide 2040 ambition level for climate policy will be decided by the European Parliament and Council on the basis of the Commission proposal in the first half of 2024, and other legislation will be adapted following the agreement on the 2040 ambition level, to the extent necessary.

**Q.7: During methane bunkering, it is possible to have accidental sublimation in some small extent. Who will be charged for these accidental emissions?**

For ETS, emissions are monitored and reported through the EU MRV reporting system, which covers the ship's emissions as a result of combustion on board. Currently, there is no reporting obligation for accidental escape of a gaseous fuel such as methane during bunkering operations.

**Q.8: If blended fuel (e.g. 80% HFO, 20% Biodiesel) will be used for meeting the EU ETS requirements, what quantity of biodiesel will be counted for the portion of the voyage falling under the scope of the regulation?**

As the EU MRV regulation provides emission factors for only a few fuel types at this time, the ship operator may opt to calculate emissions for other types of fuel (such as bio-fuel blends) by an alternative method for determining CO<sub>2</sub> emissions, such as laboratory analysis for defining the emissions factor or direct CO<sub>2</sub> emissions measurements. In any case, under the EU ETS, biofuels complying with the sustainability and greenhouse gas emission saving criteria for the use of biomass established by Directive (EU) 2018/2001, the biomass fraction of the blend shall be assigned with a zero CO<sub>2</sub> emission factor.

In the context of biofuel blends within EU MRV, reporting will involve the consumption of the blend, accompanied by the equivalent carbon factor, rather than reporting the consumption of the individual biofuel separately.

**Q.9: How will biofuel emissions be treated under EU ETS?**

Biofuels complying with the sustainability and greenhouse gas emission saving criteria for the use of biomass established by Directive (EU) 2018/2001, shall be assigned with zero CO<sub>2</sub> emission factor (EF<sub>CO<sub>2</sub></sub>). For biofuel blends, the emission factor of the biomass fraction of the fuel shall be zero.

**Q.10: Will the emission factors for fuels cover the full lifecycle emissions? Or only the Tank-to-Wake (TtW) emissions?**

The MRV Regulation's permissible emission calculation methods consider only the Tank-to-Wake emission factors. However, the exact treatment of RFNBOs and RCFs remains to be determined by the implementing legislation to be developed.

**Q.11: Will the emission factors for all fuels under EU ETS be Well-to-Wake?**

Under EU ETS, the relevant emission factors are Tank-to-Wake. However, for biofuels and RFNBOs, whether their CO<sub>2</sub> emission factor will be zero, depends on the Well-to-Tank (WtT) emissions as these affect the greenhouse gas emission savings of the fuel and whether or not it will be compliant with Directive (EU) 2018/2001 sustainability and greenhouse gas emissions savings criteria.

**Q.12: What sort of documentation must the ship operators gather to prove compliance under EU ETS after the 2024 period including those ships that did not call in EU?**

If a ship did not call on EU ports during a reporting period (1 calendar year), there is no reporting obligation under the EU MRV Regulation and thus no EU ETS obligation. Voyage data and logbook entries should be sufficient as evidence in case this is called into question.

**Q.13: What is the timeline for reporting requirements under EU ETS?**

The reporting for the purpose of ETS is conducted through the EU MRV reporting scheme. In accordance with the latest amendments to the EU MRV regulation contained in Regulation (EU) 2023/957, the following actions are required:

1. Develop or revise the EU MRV Monitoring Plan to include the CH<sub>4</sub> and N<sub>2</sub>O emissions. It is recommended to submit the plan for verification by the independent verifier by end of 2023 to ensure enough time for the assessment and submittal to the administering authority by April 1, 2024. From 2025, offshore ships above 400 GT and general cargo ships between 400 ≤ GT ≤ 5,000 should have an EU MRV verified monitoring plan.
2. From January 1, 2024, monitor and report CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emissions and activity data.
3. From 2025, compile an emissions report for each ship and submit it to the independent verifier for verification, followed by submittal of the verified report to the administering authority by March 31.
4. From 2025, submit the aggregated emissions data at the company level to the independent verifier for verification, followed by submittal of the verified report to the administering authority by March 31.
5. Carry onboard a valid Document of Compliance (DoC).

The validation process and procedure are contained in the verification process described in points 3 and 4 above.

**Q.14: Which EU monitoring measures (EU MRV) are required?**

The EU MRV Regulation allows for the use of fuel consumption multiplied with the corresponding emission factor by fuel type, as well as alternative methods such as direct emission measurements.

**Q.15: Regarding GHG, would direct emission measurements (not default values) be acceptable for fugitive emissions and methane/N<sub>2</sub>O slip?**

Direct emissions measurement is an acceptable method as per the EU MRV Regulation, which shall also consider fugitive emissions and methane slip.

**Q.16: Based on what methods/procedures is the emissions report for the EU MRV Regulation created?**

The EU MRV Regulation allows for the use of fuel consumption multiplied with the corresponding emission factor by fuel type, as well as alternative methods as per Annex II of the EU MRV Regulation, such as the direct emission measurements.

**Q.17: If a vessel redelivers (last discharge of the charter) in the EU and then sits idle for 60 days awaiting its next employment, there will be an exposure to the ship owner of the EUAs for these 60 days. Will the EU take a pragmatic approach considering spot market's dynamics?**

Under the EU MRV Regulation, emissions are to be monitored and reported on a voyage basis. There is no provision for exclusion of emissions related to ship's long idle time.



**Q.18: Are the emissions occurring while a ship is going into dry-dock or experiencing repairs taxed under EU ETS?**

Taxable emissions under EU ETS, are those originating from a voyage between two port of calls. Port of call means the port where a ship stops to load or unload cargo or to embark or disembark passengers, or the port where an offshore ship stops to relieve the crew. Stops for dry-dock or making repairs to the ship and/or its equipment are not considered a port of call.

**Q.19: If a voyage started in 2023 but ended in 2024, in what reporting year will its emissions be taxed?**

The reporting period is from 1 January until 31 December of the calendar year, the part of the voyage which falls in 2023 will be subject to the 2023 reporting, while the part of the voyage in 2024 will be subject to 2024 reporting and associated emissions will be taxed.

**Q.20: From 2025, will the EU MRV Regulation also cover general cargo ships above 400 GT or also other vessel types such as tankers?**

The EU MRV reporting obligations will be applicable to general cargo ships 400 GT and above. As per the EU MRV Regulation, the Regulation does not apply to warships, naval auxiliaries, fish-catching or fish-processing ships, wooden ships of a primitive build, ships not propelled by mechanical means, or government ships used for non-commercial purposes.

**Q.21: Is ABS involved in voyage based emission verification?**

The ABS Emissions Report Portal provides for continuous updating of the emissions data and on-demand initial verification of the uploaded voyage data. It is a smart digital tool that allows companies to easily input data for annual reports and monitor the status of their IMO DCS, EU and UK MRV verification process by providing:

- Portal auto-sorting of voyage data into IMO-DCS, EU-MRV and UK-MRV regulatory regime submissions.
- Intra year voyage submission and portal automated data quality checks/verification for real time feedback.
- Automatic data submission through Application Programming Interface (API).
- Intra year voyage Statement of Facts issuance.
- Single platform for voyage data submission, receipt of ABS deliverables and communication with ABS Engineer.
- Monitor and receive notifications on review status in real time.
- Downloadable annual XML that is compatible with EU THETIS-MRV module.

**Q.22: Is CO<sub>2</sub> monitored via recording consumption of fuel type, multiplied by the corresponding carbon factor?**

Yes, this is one of the monitoring methods permitted under the EU MRV Regulation.

### Q.23: What is the methodology to calculate N<sub>2</sub>O and CH<sub>4</sub> emissions?

EU MRV Regulation provides two approaches to calculate N<sub>2</sub>O and CH<sub>4</sub> emissions, the calculation approach and the measurement approach. Under the measurement approach, direct greenhouse gas emissions measurements are used. For the calculation approach there are three different methods:

- Method A: BDN and periodic stocktakes of fuel tanks;
- Method B: Bunker fuel tank monitoring on board;
- Method C: Flow meters for applicable combustion processes.

All three methods are measuring fuel consumption which is subsequently converted to greenhouse gas emissions based on the emissions factors per greenhouse gas and per fuel type. For the purposes of calculating greenhouse gas emissions, companies shall apply the following formula:

$$GHG_{MRV} = CO_{2MRV} + CH_{4MRV} \times GWP_{CH_4} + N_2O_{MRV} \times GWP_{N_2O}$$

GWP represents the Global Warming Potentials over 100 years, as referred to in the Annex to Commission Delegated Regulation (EU) 2020/1044. For CH<sub>4</sub> and N<sub>2</sub>O these are equal to 28 and 265 respectively. CO<sub>2MRV</sub>, CH<sub>4MRV</sub> and N<sub>2OMRV</sub> are the total aggregated CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emitted. These shall be calculated based on the following formulas:

$$CO_{2MRV} = \sum_i (M_i - M_{i,NC}) \times EF_{CO_2,i}$$

$$CH_{4MRV} = \left[ \sum_i (M_i - M_{i,NC}) \times EF_{CH_4,i} \right] + CH_{4S}$$

$$N_2O_{MRV} = \sum_i (M_i - M_{i,NC}) \times EF_{N_2O,i}$$

In the above formulas, EF<sub>CO<sub>2</sub>,i</sub>, EF<sub>CH<sub>4</sub>,i</sub> and EF<sub>N<sub>2</sub>O ,i</sub> are the Tank to Wake CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O emission factors by fuel type I, as defined in the table under point 2 of Part A of the Delegated Regulation. CH<sub>4S</sub> is the amount of CH<sub>4</sub> non combusted released into the atmosphere, which can should be calculated as:

$$CH_{4S} = M_{i,NC}$$

**Q.24: What parameters must be monitored to report the CH<sub>4</sub> and N<sub>2</sub>O emissions?**

The reporting of CH<sub>4</sub> and N<sub>2</sub>O does not require additional parameters to be monitored. Calculation of CH<sub>4</sub> and N<sub>2</sub>O emissions can be done either with the calculation or the measurement approach. For more details, please refer to Question 23.

**Q.25: Is it advisable to have the amended monitoring plan, to include also CH<sub>4</sub> and N<sub>2</sub>O, prepared in 2023?**

Yes, it is advisable to develop or revise the EU MRV Monitoring Plan to include the CH<sub>4</sub> and N<sub>2</sub>O emissions in 2023 and it is recommended to submit the plan for verification by the end of 2023 to ensure enough time for the assessment due by April 1, 2024.

**Q.26: What is the purpose of the total emissions cap at the EU level?**

The EU Emissions Trading System (ETS) is a 'cap-and-trade' system. The cap is the threshold defining the total amount of greenhouse gases that can be emitted by all operators covered by the system (energy, manufacturing, transport, etc.). It is reduced annually, at fixed intervals, in line with the EU's climate target: this is the so-called 'linear reduction factor'.

The reduction of total Emission Allowances will lead to competition and increase in price for each ton of GHG emissions allowance if all the economic operators cannot meet their GHG reduction targets and demand outpaces supply of EUAs.

**Q.27: Can brokers participate in the primary market, auctioning in the EEX platform?**

The only entity that can participate in the primary market is the operator covered in EU ETS. Brokers, however, can buy spot EUAs and futures.

**Q.28: What is the minimum lot for Over-the-Counter (OTC) trading?**

The minimum size is 500 EUAs for ABN, matching minimum lot size of the EEX auctioning. At ICE exchange the daily EUA future is 1,000 EUAs (1,000 EUAs = 1 future).

**Q.29: Who is responsible for operating the Maritime Operator Holding Account (MOHA)?**

The shipping company which is defined as "The shipowner or any other organization or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner, and by assuming such responsibility has agreed to take over all the duties and responsibilities imposed by the ISM", is to establish a Maritime Operator Holding Account.

**Q.30: A shipping company is registered in the Marshall Islands (MI). Could owners use their management company, situated in Greece as the responsible entity for surrendering EUAs?**

Shipping company is defined as "The shipowner or any other organization or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner, and by assuming such responsibility has agreed to take over all the

duties and responsibilities imposed by the ISM”, therefore the manager can be the responsible entity for surrendering the EUAs. According to the Commission Implementing Regulation laying down rules for the application of Directive 2003/87/EC as regards the administration of shipping companies by administering authorities in respect of a shipping company, the country of registration of a shipping company as referred to in Article 3gf of Directive 2003/87/EC shall be the country recorded in Thetis MRV, the dedicated Union information system that supports the implementation of Regulation (EU) 2015/757.

**Q.31: A shipping company is registered in GISIS in Liberia, although it is based in Greece. Depending on the visited EU ports the last two calendar years, the administering authority can change accordingly. How is it possible to change the country of registration in GISIS? Would it be possible to send comments through ABS to the IMO for the Concept Note on administering authorities?**

The administrating authority for companies not registered in the EU is determined by:

1. In the case of a shipping company that is not registered in a member State, the member State with the greatest estimated number of port calls from voyages performed by that shipping company in the preceding four monitoring years and falling within the scope set out in Article 3ga of EU ETS Directive;
2. In the case of a shipping company that is not registered in a member State and that did not carry out any voyage falling within the scope set out in Article 3ga in the preceding four monitoring years, the member State where a ship of the shipping company has started or ended its first voyage falling within the scope set out in that Article.

According to the Commission Implementing Regulation laying down rules for the application of Directive 2003/87/EC as regards the administration of shipping companies by administering authorities in respect of a shipping company, the country of registration of a shipping company as referred to in Article 3gf of Directive 2003/87/EC shall be the country recorded in Thetis MRV, the dedicated Union information system that supports the implementation of Regulation (EU) 2015/757.

**Q.32: Would it be possible for the shipowner to surrender the allowances directly and not via the DoC holder?**

As per the definition of “shipping company” which is “The shipowner or any other organization or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner, and by assuming such responsibility has agreed to take over all the duties and responsibilities imposed by the ISM”, the ship owner can be the responsible party for surrendering the allowances.

**Q.33: Do the EU allowances (EUAs) expire?**

Allowances may be purchased anytime, but the number of allowances to cover the verified emissions must be surrendered by September 30 following the reporting year. There is no expiry date for the EU allowances (EUAs).

### **Q.34: How will the EU ETS cost affect the charterers?**

The ETS Directive provides for the entitlement of reimbursement to the shipping company for the costs of the pollution liabilities incurred by the controlling entity, for example the charterer.

### **Q.35: Can shipowners have access to the EEX platform where they can buy their EU allowances?**

The entity responsible for surrendering allowances, the shipping company, is the one that can participate in the primary market, the EEX platform and buy EU allowances. To do so, the shipping company shall open a Maritime Operator Holding Account in the Union Registry. Shipping company is defined as “The shipowner or any other organization or person, such as the manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner, and by assuming such responsibility has agreed to take over all the duties and responsibilities imposed by the ISM”.

### **Q.36: One of the main concerns of shipowners is to ensure that they will be reimbursed from the charterers for the cost of EUAs. When will national legislation ensure that shipowners are not liable for any default by charterers?**

The entitlement for reimbursement is to be provided for when the EU member States transpose the requirements of the ETS Directive into their own national legislation: Firstly, the member States are to provide for a statutory right to this entitlement for reimbursement in their national law and secondly they are to assure the corresponding access to judicial enforcement in case there is a default in the other entity reimbursing the shipping company.

### **Q.37: What statutory rights do owners have to be able to recover EU ETS related costs from charterers in the context of time charters?**

Shipping companies and entities responsible for the purchase of the fuel and/or the operation of the ship are expected to develop contractual clauses to pass on the ETS surrendering costs as appropriate. Regardless of contractual arrangements, EU member States must take national measures to ensure that the shipping company is entitled to reimbursement in such situations and must provide corresponding access to justice to enforce this entitlement.

### **Q.38: What are the legal requirements for each entity (shipping company or charterer) based on the type of charter contract (Spot, Contract of Affreightment (CoA), Time Chartering (T/C))?**

The ETS Directive provides for the entitlement of reimbursement to the shipping company for the costs of the pollution liabilities incurred by the controlling entity, for example the charterer.

The ETS Directive recognizes that ships owned or managed by a shipping company may be chartered out to another entity in such a fashion that this entity takes control of the ship under a contractual agreement or takes on the responsibility for the purchasing of the fuel for the ship. In this case, while the shipping company still retains the responsibility for surrendering the allowances, the ETS Directive provides for the entitlement of a reimbursement to the shipping company for the costs of the pollution liabilities incurred by the controlling entity, for example the charterer.

The individual charter agreement between the shipping company and the charterer will have to be drafted to clearly allocate the responsibilities for the emissions obligations.

### **Q.39: Is the same entity responsible for compliance under EU MRV and EU ETS?**

Regulation (EU) 2023/957 in paragraph (10) mentions "To ensure coherence in administration and enforcement, the entity responsible for compliance with Regulation (EU) 2015/757 should be the same as the entity responsible for compliance with Directive 2003/87/EC". The draft Implementing

Regulation (EU) laying down rules for the application of Directive 2003/87/EC as regards the administration of shipping companies by administering authorities in respect of a shipping company, in paragraph (6) clearly states that "The entities responsible for compliance with the

obligations under Regulation (EU) 2015/757 and with the obligations under Directive 2003/87/EC must be clearly identifiable at all times.

To this end, and with a view to ensuring coherence in administration and enforcement, Regulation (EU) 2015/757 provides that the same entity must be responsible for both". Therefore, the draft Implementing Regulation does not leave room for misinterpretation and explicitly states that the same entity shall do the EU MRV reporting as well as the EUAs submission.

### **Q.40: Will the UK include shipping in the UK ETS from 2024 and onwards?**

No, the UK has announced its intention to establish its own ETS scheme. The UK ETS will expand to cover the domestic maritime transport sector from 2026. The scheme will be applicable to large maritime vessels only, of 5000 gross tonnage and above. This will be subject to further consultation on the details of implementation.

Expanding the UK ETS to include domestic maritime would require maritime participants to monitor their emissions from eligible journeys, report their emissions from these journeys and surrender sufficient allowances to cover their emissions. This would apply to domestic journeys only, which would be defined as a journey starting and finishing at a port located in the UK. UK

ETS is intended to apply to the entity responsible for a vessel's compliance with the International Safety Management (ISM) Code and to exempt government non-commercial activity.

<https://www.gov.uk/government/news/tighter-limit-on-industrial-power-and-aviation-emissions-as-uk-leads-the-way-to-net-zero>

### **Q.41: Are ballast legs covered under EU ETS? And if so, who is the responsible entity for surrendering EUAs of that voyage?**

Ballast voyages, from the last port of call where the ship has discharged cargo to the next port of call where cargo is loaded, also serve the purpose of transporting cargo and are therefore subject to the Regulation. The responsible entity for surrendering the emissions corresponding to the ballast voyage is the shipping company. However, the ETS Directive provides for the entitlement of reimbursement to the shipping company for the costs of the pollution liabilities incurred by the controlling entity, for example the charterer.

### **Q.42: MRV is voyage based, whereas EU ETS is calendar based. Does this bring any required modifications for the EU MRV plan?**

The EU MRV reporting requirements remain the same. For ETS, the part of the voyage which falls in year N will be subject to the year N reporting, while the part of the voyage in year N+1 will be subject to the year N+1 reporting.

**Q.43: Reported emissions are subject to verifier verification. Do the EUAs have to be verified as well?**

The purchasing or surrendering of EUAs is not subject to verification activities by the verifier – this is between the shipping company and the administering authority. The administering authority shall ensure that a shipping company under its responsibility monitors and reports the relevant parameters during a reporting period, submits to it aggregated emissions data at company level, surrenders relevant EUAs and remains compliant with the EU ETS requirements.

**Q.44: How can we ensure a smooth transfer of the EUAs from the Trading Account to the Maritime Operator Holding Account (MOHA)? Is it possible for the MOHA to trade allowances like the Trading Account?**

A Maritime Operator Holding Account is necessary for all shipping companies covered in EU ETS, and shall be opened from January 1, 2024, after submitting a request to the National Administration of the Administering Authority. A MOHA corresponds to a Trading Account except for the additional functionalities such as the surrendering of allowances. A Trading Account can be opened by private individuals, companies as well as operators that want to trade on the EU ETS market.

**Q.45: How can the price of EUAs be regulated and capped?**

The price of EUAs is self-regulated, dependent on the market dynamics created by the cap-and-trade system. To resolve situations of high volatility, the EU has established the Market Stability Reserve (MSR). Its purpose is to improve the system's resilience to major shocks, meaning situations where the price of EUAs is very low or very high. For the first case, the MSR reduces the auctioning volume by deducting EUAs from the market, whereas for the second case, supplies additional EUAs.

**Q.46: EUAs price seem volatile. What would ABS suggest to shipping companies in that matter?**

There are many analysts in the market, suggesting that EUAs will pass €100 in the next year. It is important for shipping companies to be reimbursed of the EU ETS costs soon after the end of the chartering period. ABS, as an independent verifier, can support shipowners by providing validation services of the taxed emissions on a voyage level, that can be shared with the entities responsible for purchase of the fuel and/or the operation of the ship and request the transfer of the equivalent amount of EUAs.

\*The foregoing should not be construed as legal advice.

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# CONTACT INFORMATION

## **NORTH AMERICA REGION**

1701 City Plaza Dr.  
Spring, Texas 77389, USA  
Tel: +1-281-877-6000  
Email: ABS-Amer@eagle.org

## **SOUTH AMERICA REGION**

Rua Acre, n° 15 - 11° floor, Centro  
Rio de Janeiro 20081-000, Brazil  
Tel: +55 21 2276-3535  
Email: ABSRio@eagle.org

## **EUROPE REGION**

111 Old Broad Street  
London EC2N 1AP, UK  
Tel: +44-20-7247-3255  
Email: ABS-Eur@eagle.org

## **AFRICA AND MIDDLE EAST REGION**

Al Joud Center, 1st floor, Suite # 111  
Sheikh Zayed Road  
P.O. Box 24860, Dubai, UAE  
Tel: +971 4 330 6000  
Email: ABSDubai@eagle.org

## **GREATER CHINA REGION**

World Trade Tower, 29F Room 2906  
500 Guangdong Road  
Huangpu District, Shanghai China  
200000  
Tel: +86 21 23270888  
Email: ABSGreaterChina@eagle.org

## **NORTH PACIFIC REGION**

11th Floor, Kyobo Life Insurance Bldg.  
7, Chungjang-daero, Jung-Gu  
Busan 48939, Republic of Korea  
Tel: +82 51 460 4197  
Email: ABSNorthPacific@eagle.org

## **SOUTH PACIFIC REGION**

438 Alexandra Road  
#08-00 Alexandra Point, Singapore  
119958  
Tel: +65 6276 8700  
Email: ABS-Pac@eagle.org

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