ETS extension to maritime transport – Fit for 55 package

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12TH EU ETS COMPLIANCE CONFERENCE

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European Commission

Delivering the European Green Deal

The EU Climate Law

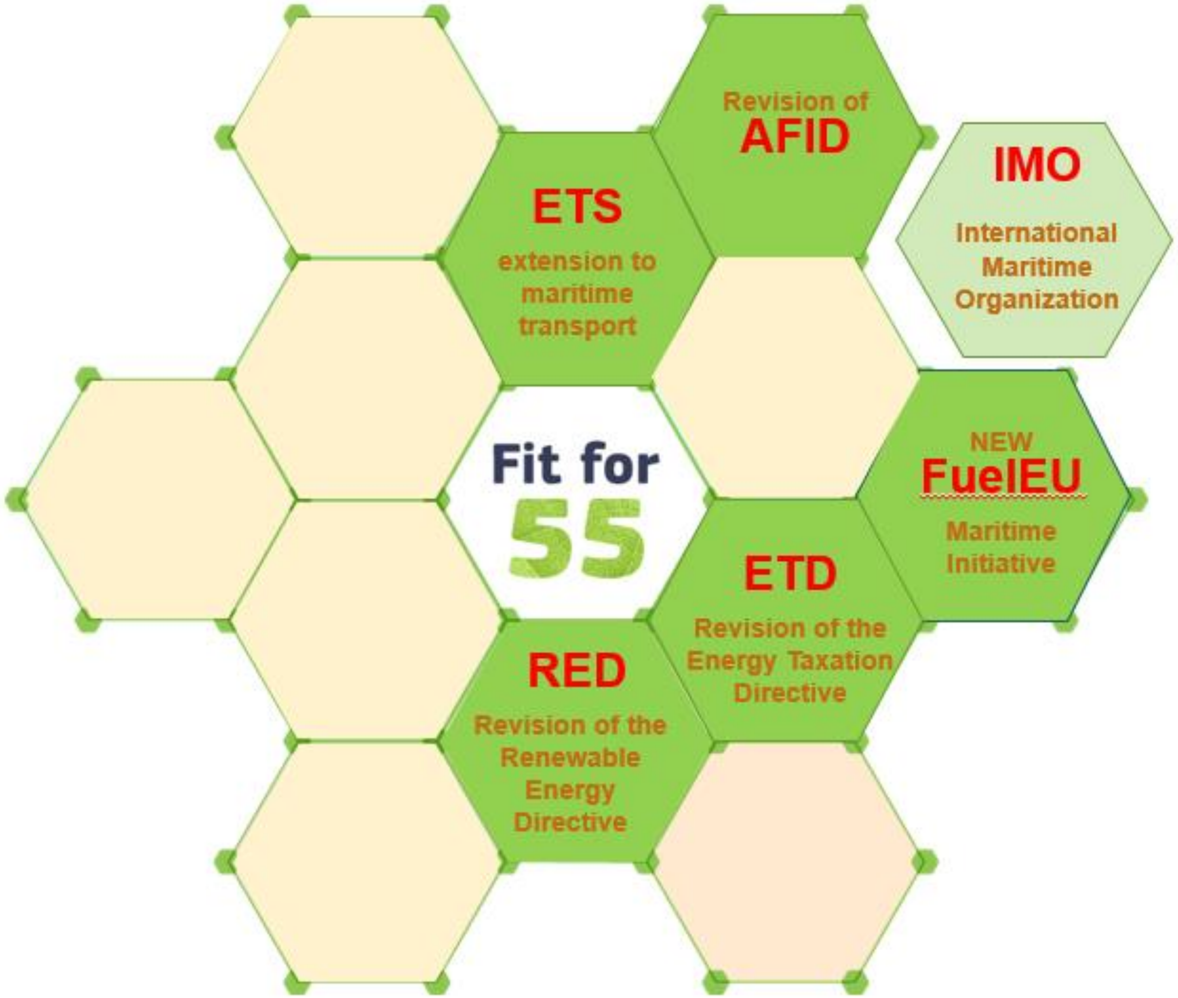
- **2050 economy-wide climate-neutrality**
- **2030** target of at **least 55% net** greenhouse gas emissions reduction

14 July 2021

Fit for 55

- **Urgency to act**
- **Paris Agreement, Art 4:** *"developed countries should continue taking the lead by undertaking economy-wide absolute emission reduction targets…", developing countries should move to economy-wide action over time*
- **Need for a fair, competitive and green transition**
- **All sectors need to contribute, including maritime transport** (3-4% of EU-related emissions)
- **Progress is required at all levels**

The EU basket of proposed measures to address maritime transport emissions



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EU emissions trading system approach (I)

- **Equal treatment on routes, flag neutrality**

- **Builds on existing EU Monitoring, Reporting and Verification system (adopted in 2015 as a first step towards pricing greenhouse gas emissions):**

  - **Responsible entities**: same companies as the ones implementing the EU MRV maritime transport regulation/IMO DCS

  - **Covered ships**: only covering large ships (above 5000 gross tonnage) regardless of the flag they fly (same as EU MRV maritime transport regulation/IMO DCS)

  - **Greenhouse gases covered by Regulation (EU) 2015/757** (co-decision underway on this)

- Each shipping company attributed to the administering authority of one EU Member State

European Commission

EU emissions trading system approach (II)

- **Same key principle as the other ETS sectors** - shipping companies monitor their emissions and purchase and surrender ETS emission allowances for each tonne of reported greenhouse gas emissions. Additional allowances derived from 2018-2019 data and adjusted every year with the same linear reduction factor that applies to the other sectors (4,2%).

- **Phase-in** of allowance surrendering for a smooth transition: 20% of verified emissions reported for 2023, 45% of verified emissions reported for 2024, 70% of verified emissions reported for 2025, 100% of verified emissions reported for 2026 and after
- **Revenue from auctioning shall be used to tackle climate change, and more funding of innovation**

- **ETS-funded Innovation Fund**, one of the world's largest funding programmes for the demonstration of innovative low-carbon technologies is **already active for ships and ports** (€122 million announcement, July 2021)

Production of green H_2

Technical Assistance to develop a Hydrogen EU Ro-Pax

First Bio-LNG to marine shipping

European Commission

EU emissions trading system approach (III)

- **Geographical scope:**
  - 50% of the emissions from voyages starting or ending at EU ports
  - This includes emissions when ships are at berth in EU ports, and all emissions from voyages within the EU

  A scope consistent with **Common But Differentiated Responsibilities** and the **Paris Agreement** (recital 17)

- **Enforcement**: EU ETS rules on penalties, as applicable to other sectors of the economy: €100/ tonne (inflation linked), making up any shortfall and publication. As an additional measure, ships could be denied entry to EU ports where a company to fail to comply for two or more consecutive years

- **Review**: Monitor the implementation of the rules applicable to the maritime sector, and take account of relevant developments at the level of the International Maritime Organization at latest before 2nd global stocktake (Sep 2028)

- **Process**: Commission proposal, EU co-decision process underway

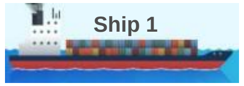
European Commission

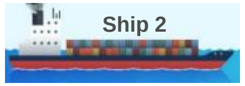
EU emissions trading system approach (IV)

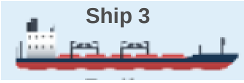
Year N | **Year N+1**

01 Jan — 28 Feb -31 March — 30 April

A company







Individual Monitoring Plans

✔ Verified

Emissions report ship 1

Emissions report ship 2

Emissions report ship 3

Individual Emissions Reports

✔ Verified

Aggregated emissions data at company level

✔ Verified

→ Purchase of ETS allowances

→ Surrendering of allowances in the Union Registry

-

1 account per company

Role of administering Authority

Approval of plans

Ensure verified aggregated emissions

Auction and issue allowances

Registry management

Enforcement & compliance

7