

Subject

Adoption of EU-ETS for shipping sector and amendments to EU-MRV

ClassNK

Technical Information

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To whom it may concern

Amendments to extend the scope of the EU Directive for EU Emissions Trading System to the shipping sector (hereinafter EU-ETS Directive) were adopted, with effect from 1 January 2024. Under these amendments, ships of 5,000 Gross tonnage and above, arriving at or departing from ports within the jurisdiction of any EEA member state¹, regardless of the Flag state, will be required to purchase and surrender² allowances equivalent to EU ETS applicable GHG emissions on an annual basis. Failure to do so will result in penalties such as fines and a ban on entry into ports within the EEA territories. In connection with the application of the EU-ETS Directive, amendments to the EU-MRV Regulations have also been adopted.

The following is the summary of the EU-ETS Directive on the shipping sector and the amendments to the EU-MRV Regulations.

1. Summary of the EU-ETS Directive on the shipping sector

(1) Name of the Regulation

Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system (Reference URL 1)

(2) Scope of application

- (i) EU-ETS Directive applies to ships of 5,000 GT or above, arriving at or departing from ports within the jurisdiction of any EEA member state, regardless of the Flag state
- (ii) EU-ETS Directive applies to total GHG emissions from the following activities:
 - Voyages between an EEA port of call³ and a non-EEA port of call: 50% of the emissions
 - Voyages within EEA ports: 100% of the emissions
 - Emissions in EEA ports: 100% of the emissions

¹ EEA(European Economic Area) Member States: 30 States consist of 27 EU Member States and 3 EEA States, Norway, Iceland and Lichtenstein.

² "surrender" roughly means reporting allowances purchased to Administering Authority electronically.

³ "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.

(To be continued)

NOTES:

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- (iii) For target GHG emissions, carbon dioxide (CO₂) is covered until 2025, and from 2026 onwards CO₂, methane (CH₄) and nitrous oxide (N₂O) are covered.
- (iv) As a phase-in approach, for the first two years after the introduction of this Directive, the CO₂ emissions subject to surrender are reduced as follows:
 - Emissions in 2024(surrendered in 2025): 40% of the total CO₂ emissions in the scope
 - Emissions in 2025(surrendered in 2026): 70% of the total CO₂ emissions in the scope
- (v) GHG emissions subject to the EU-ETS Directive are verified in accordance with the EU-MRV regulations. As the EU-ETS requires shipping companies to monitor and report their aggregated emissions data at company level, EU-MRV regulations are therefore amended to handle verification of emissions data at company level.

(3) Obligations of shipping companies

Starting from 2024, shipping companies shall purchase allowances equal to the annual GHG emissions during the preceding year, described in (2) above, and surrender them by September 30 of each year. After surrendering the required allowances, if the company is having surplus allowances, those allowances can be sold or carried over to the following year.

(4) Administering Authority

Under the EU-ETS for shipping, shipping companies are registered in one of the EEA member states (Administering Authority), which conducts regulatory compliance checks, etc. The criteria for registration in Administering Authority are as follows:

- (i) For a shipping company that is registered in an EEA Member State:
The EEA Member State shall be the Administering Authority.
- (ii) For a shipping company not registered in an EEA 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 of EU-ETS for shipping shall be the Administering Authority.
 - If the shipping company did not carry out such voyages in the preceding four monitoring years, the EEA Member State where a ship of the shipping company has started or ended its first voyage falling within the scope shall be the Administering Authority.

By 1 February 2024, a list of the Administering Authority where shipping companies are registered will be published.

(5) Exception of port of call

Under the EU-ETS for shipping, "stops of containerships in a neighbouring container transshipment port" are excluded from the port of call, and the neighbouring container transshipment ports mean "neighbouring container transshipment ports where the share of transshipment of containers, measured in twenty-foot equivalent unit, exceeds 65% of the total container traffic of that port during the most recent twelve-month period for which relevant data are available located outside the Union but less than 300 nautical miles of a port under the jurisdiction of a Member State." It means that the voyages preceding and following such ports are considered as consecutive voyages. By 31 December 2023, a list of such container transshipment ports will be established by the European Commission.

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(6) Penalties

The excess emissions penalty shall be EUR 100 for each tonne of carbon dioxide equivalent emitted for which the shipping company has not surrendered allowances. Payment of the excess emissions penalty shall not release the shipping company from the obligation to surrender an amount of allowances equal to those excess emissions when surrendering allowances in relation to the following calendar; and in the case of a shipping company that has failed to comply with the surrender requirements for two or more consecutive reporting periods and where other enforcement measures have failed to ensure compliance, the competent authority of the Member State of the port of entry may issue an expulsion order.

2. Summary of the amendments to EU-MRV

(1) Name of the Regulation

Regulation (EU) 2023/957 of the European Parliament and of the Council of 10 May 2023 amending Regulation (EU) 2015/757 in order to provide for the inclusion of maritime transport activities in the EU Emissions Trading System and for the monitoring, reporting and verification of emissions of additional greenhouse gases and emissions from additional ship types (Reference URL 2)

(2) Expanding and changing the scope of application

(i) Addition of GHGs emissions to monitor

Until emissions for 2023: Carbon dioxide (CO₂)

From emissions for 2024: Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O)

(ii) Addition of applicable ship types and sizes:

From 1 January 2025, the application will be extended to general cargo ships of between 400 gross tonnage and 5,000 gross tonnage, and offshore ships of 400 gross tonnage and above.

(iii) Change of reporting period

From 1 January 2024, "reporting period" means from 1 January until 31 December of any given year; for voyages starting and ending in two different years, the respective data shall be accounted under the year concerned.

(iv) In the case of a change of company

The previous company shall submit to the administering authority responsible, to the authorities of the flag States concerned for ships flying the flag of a Member State, to the new company and to the Commission, as close as practicable to the day of the completion of the change and no later than three months thereafter, a verified emissions report covering the period corresponding to the activities carried out under its responsibility.

(3) Update and assessment of a ship's Monitoring Plan

Shipping companies should update monitoring plans for individual ships and submit the MPs that have been assessed by their verifier to their Administering Authority by 1 April 2024. The updated monitoring plan needs to contain monitoring methods for CH₄ and N₂O emissions, which are to be announced by the Commission by 1 October 2023.

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- (4) In the case of ships falling within the scope of above (3) for the first time after 1 January 2024
Companies shall submit a monitoring plan in conformity with the requirements of this Regulation to the administering authority responsible without undue delay and no later than three months after each ship's first call in a port under the jurisdiction of a Member State.
- (5) Preparation and submission of emission reports for individual ships and aggregated emissions data at company level (under the revised EU-MRV regulations)
From 2025, by 31 March of each year, companies shall, for each ship under their responsibility, submit an emissions report for the entire reporting period of the previous year, which has been verified as satisfactory by a verifier to the administering authority responsible, to the authorities of the flag States concerned for ships flying the flag of a Member State and to the Commission. Also, companies shall submit to the administering authority by 31 March of each year, the aggregated emissions data at company level that cover the emissions in the reporting period of the previous year to be reported under EU-ETS.

3. ClassNK's support services

ClassNK prepared "FAQs on the EU-ETS for Shipping (1st Edition)," which provides an overview of the EU-ETS and relevant information in EU-ETS for shipping sector. We hope that the document will help maritime stakeholders in their preparations for EU-ETS.

https://www.classnk.or.jp/hp/pdf/authentication/eumrv/EUETS_faq_e.pdf

Once new information on EU-ETS comes out, we will update the FAQ.

ClassNK is updating the system "ClassNK MRV Portal" for verification of EU-MRV/IMO-DCS for shipping companies to submit smoothly updated MPs and company-level ERs. We will inform you once it is ready.

For your reference, relevant information on the EU-MRV, UK-MRV and EU-ETS is available on ClassNK website.

Location: Top > Certification Services > EU-MRV・UK-MRV regulations / EU-ETS for shipping sector

URL: <https://www.classnk.or.jp/hp/en/authentication/eumrv/>

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Reference URL:

1. [DIRECTIVE\(EU\)2023/959 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 May 2023](#)
2. [REGULATION\(EU\)2023/957 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 10 May 2023](#)