

# EU ETS – Towards an Impactful EU Green Deal for Shipping

## EXECUTIVE SUMMARY

Successful pathways to decarbonise international shipping depend upon good regional and global policy. The EU Green Deal and revisions to include shipping in the EU ETS are critical for driving this change. We urge all parties in the trilogue negotiations to come together and deliver a proposal that will fulfill the EU Fit-for-55 objectives and put the EU in a unique position to also drive the global decarbonisation of shipping.

Liner carriers are already investing billions in vessels, technologies, and fuels to decarbonise, and are eager to see:

1. **An EU Green Deal that advances production, supply, and uptake of marine fuels** that reduce GHGs across all parts of the energy transition (e.g. via well to wake or fuel lifecycle framework).
2. **EU policies that encourage innovation leaders** to implement low-GHG technologies and vessel designs, and ensure that fleets can competitively access decarbonization pathways.
3. **EU leadership internationally** that enables shipping to achieve global decarbonization targets and innovate global transport services.

EU Policy has a unique opportunity to strengthen, motivate and complement global policy for reducing GHGs in international shipping. Policymakers can build on these strengths with focused improvements.



## EU ETS price signal needs to promote marine energy transition pathways

Both Parliament and Council are calling on the Commission to include a lifecycle approach for maritime allowances in EU ETS. WSC agrees that pricing marine fuels on a lifecycle basis provides critical clarity that is needed as soon as possible. As proposed, EU ETS only prices emissions from the onboard consumption of fuels, sending a market signal favouring less costly “brown” fuels over those produced using renewable energy. **Unnecessary delay can be avoided before all stages of maritime energy transition pathways (i.e. a full energy lifecycle) are valued in EU ETS pricing.** We suggest two options for incorporating and valuing all stages of emerging maritime energy transition pathways within the EU ETS price signal.

**EU ETS Option 1:** The lifecycle perspective for maritime fuel can be incorporated through a delegated act modifying the number of allowances that need to be surrendered or by discounting the price of EU ETS allowances when fleets choose renewable fuels over less costly fossil-derived versions.

**EU ETS Option 2:** Adjustments can update EU’s shipping emissions monitoring, reporting and verification (MRV) regulation to reflect renewable upstream production of fuels.

## Shared responsibility is needed to drive shipping GHG reductions

The EU ETS must engage all parties across the maritime sector. **The original Commission text defining ‘company’ and responsible party in both FuelEU Maritime and EU ETS ensures the necessary shared responsibility.** Direct responsibility for decisions affecting ship GHG emissions includes i) the operator working to efficiently provide transport services using onboard technologies and vessel designs, and ii) the shipowner who determines the onboard technology available and defines the range of fuels and fuel quality allowed. Modification to exclude technology providers and shipowners is unnecessary and unhelpful. A pass-through mechanism, entitlement, or binding clause would break the fundamental purpose of the EU ETS signal, risking delayed investments needed for shipping to meet GHG targets.

## Promote competition, avoid GHG leakage, enable IMO agreements

**Effective regional climate policies need to work as enablers of – rather than barriers to – global agreements to achieve GHG reduction goals.** The EU is in a unique position to influence the creation of global regulations to achieve global decarbonisation of shipping. Unfortunately, the European Parliament’s EU ETS position undermines this by directing the EU to bypass IMO in favour of extending EU regional policy through bilateral and multilateral agreements.

Moreover, all EU Green Deal goals for the European economy and for GHG reduction targets can be achieved without applying extra-territorial compliance requirements in EU ETS. **A regional policy design, based on intra-EU voyages, reduces the risk of GHG leakage and maintains the global competitiveness of EU ports.**

