

The structural and regulatory framework of the IMO and the EU and their role in maritime decarbonization

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Train of thought

What are GHG emissions and why do they have to be cut?

Who will do the job? Who levels the playing field?

Globally - UN - IMO

Regionally - EU

Nationally -

How can this be done?

Regulation

Carrot and stick

What are IMO and EU doing?

EEDI, EEXI, CII, DOC, Fuel (Global Fuel Standard)

MRV, EU ETS, FuelEU Maritime

What are the commercial implications?

Contracts



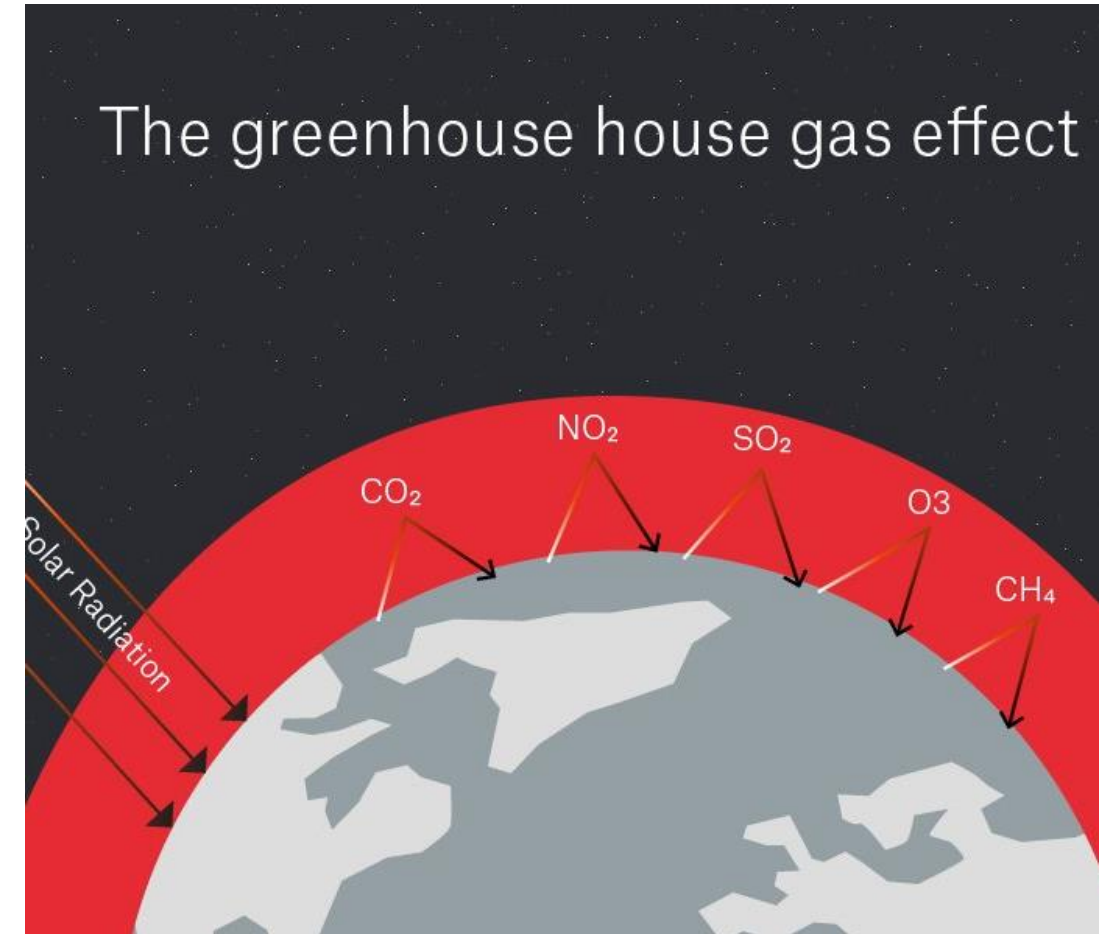


What are GHG emissions and why do they have to be cut?



What are GHG emissions?

- **Greenhouse gases** (or GHGs) are gases that trap heat in the Earth's atmosphere.
- At night, the earth's surface cools, releasing heat back into the air.
- **GHGs** such as **carbon dioxide**, **methane**, **nitrous oxide**, and **fluorinated gases** trap this heat in the atmosphere.
- **Global heating needs global solutions**



Greenhouse gases

- Carbon dioxide (CO₂)
- Globally, the main contributor to GHGs is carbon dioxide (CO₂). CO₂ is emitted mainly by burning solid waste, trees, wood products, and fossil fuels (like the oil, natural gas, and coal that power our industries, transportation, and buildings). Deforestation and soil degradation also add CO₂ to the atmosphere
- Methane (CH₄)
- Methane (CH₄) is the second most-emitted gas. It's created during coal, natural gas, and oil production and transportation. It's also emitted from livestock, agricultural practices, and the decay of organic waste.
- Nitrous oxide (N₂O)
- Nitrous oxide (N₂O) makes up around 4% of the world's GHG emissions. It's released during industrial processes, agricultural activities (such as using fertilizer and managing animal waste), the combustion of fossil fuels, and wastewater treatment.
- Methane (CH₄)
- Fluorinated gases (F-gases) are potent greenhouse gases. They take the form of hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, and nitrogen trifluoride, which are emitted from household, commercial, and industrial applications and processes (such as using heating, ventilation, and air conditioning units). Fluorinated gases are referred to as high global warming potential (GWP) gases because they trap substantially more heat than CO₂ for a given amount of mass.

Why do GHG emissions have to be cut?

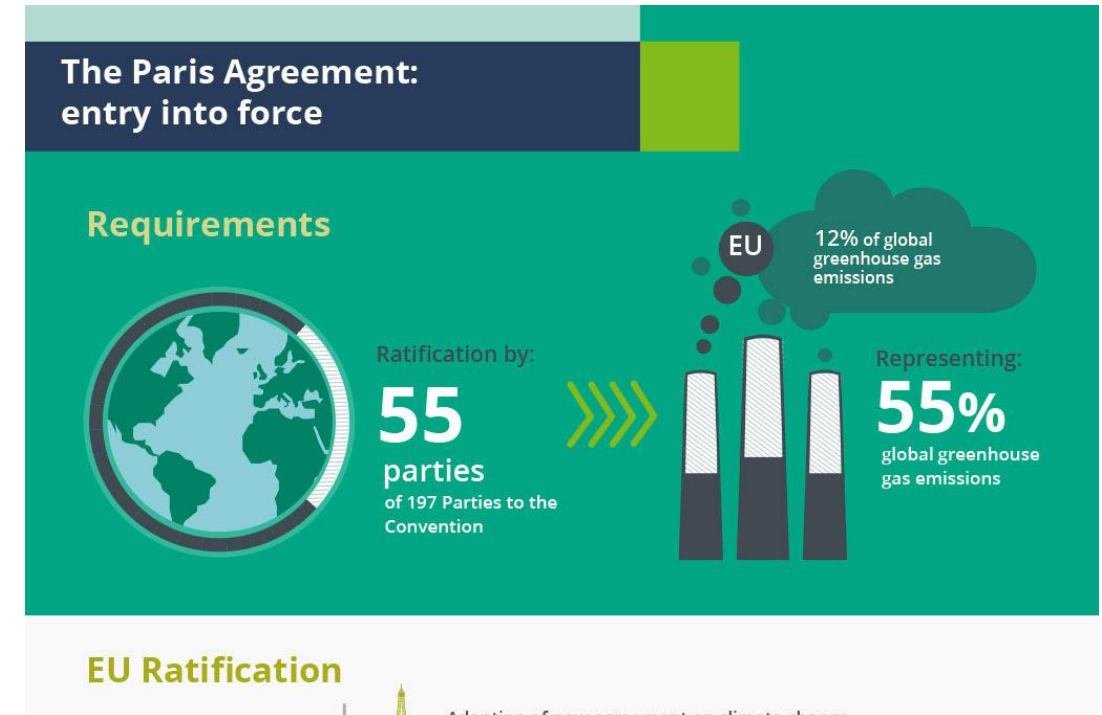
To reduce global warming

To fulfill the Paris Agreement

The Paris agreement is a **legally binding international treaty** on climate change. It was adopted by **196 Parties** at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016.

Its overarching goal is to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels

<https://unfccc.int/process-and-meetings/the-paris-agreement>



GHG emissions to be combated by the IMO

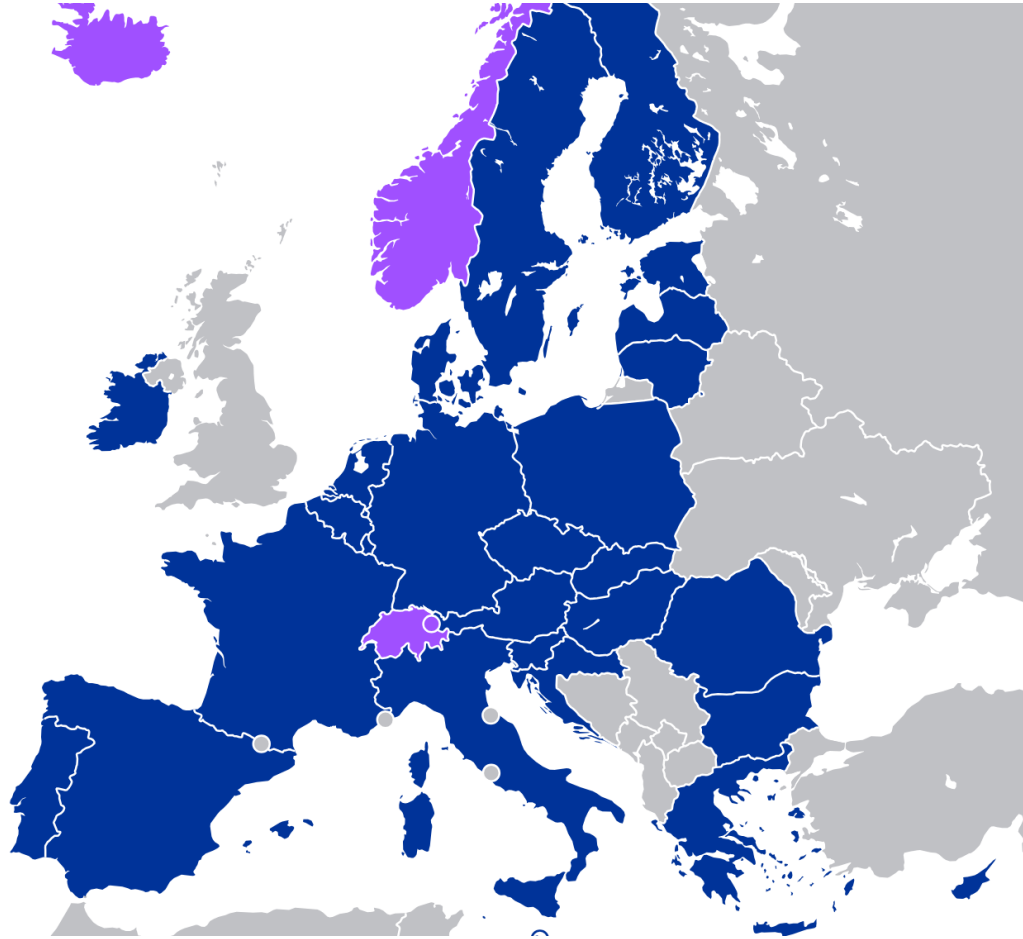
Shipping and aviation are not *directly* included in the Paris Agreement.

The International Civil Aviation Organization (ICAO) and the **International Maritime Organization (IMO)** have the challenge of reducing global emissions from their respective sectors.

What is the IMO? A UN special agency
Competence – based on agreements between member states



What is the role of the EU?



- The European Union is based on the **rule of law**.
- Every action taken by the EU is founded on treaties that have been approved voluntarily and democratically by all EU member countries.
- If a policy area is not cited in a treaty, the Commission cannot propose a law in that area.
- Under the treaties, EU institutions can adopt legislation, which the member countries then implement.
- The competence is conferred on the EU

[EUR-Lex database of EU law.](#)

The European Union - competence

Transport

Competence is shared (and limited)

Treaty of Rome (1958) articles 74–84

Today

TFEU Art 4 Shared competence

TFEU art 90–100 International transport

Competence to govern **international transport**

Climate

Full competence

Climate – Treaty of the Functioning of the European Union (Title II art 11 and 191–193)

European Climate Law

Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999

Shipping as a major polluter

- Shipping is estimated to be responsible for around 2–3 percent of total global greenhouse gas emissions, which is more emissions than any EU state
- According to the EU Commission; if the shipping sector were a company, it would rank sixth in emissions in the world
 - EU Commission, Proposal for a Regulation of The European Parliament and of the Council amending Regulation (EU) 2015/757 in order to take appropriate account of the global data collection system for ship fuel oil consumption data COM(2019) 38 final [2019] at 1



Why is the EU governing international shipping?



- Shipping is a global business which should be subject to **global legal solutions**
 - The risk of Forum Shopping &
 - Flag of convenience
 - The risk of regulatory competition
- The International Maritime Organization (IMO)
 - Safety of life at sea, maritime security and protection of the marine environment
- United Nations Conference on Trade and Development
 - Politics and Economics
- Regional organizations - the EU

EU and IMO have different roles as legislators

EU – utilizing law as a regulatory tool to achieve certain ***policy goals***, such as an efficient, sustainable and emission free transport industry, is internally integrated in all EU activities

IMO – IMO's main focus has by tradition been related to ***safety and navigational*** issues.

Preparing regulation on topics related to ***commercial and economic issues*** has been handled by the United Nations Conference on Trade and Development (UNCTAD)

IMO today – Marine Environment Protection Committee, the **MEPC** – active





EU policy goals



WHY IS THE EU INVOLVED?

The European Green Deal COM(2019) 640 final



Ursula von der Leyen:

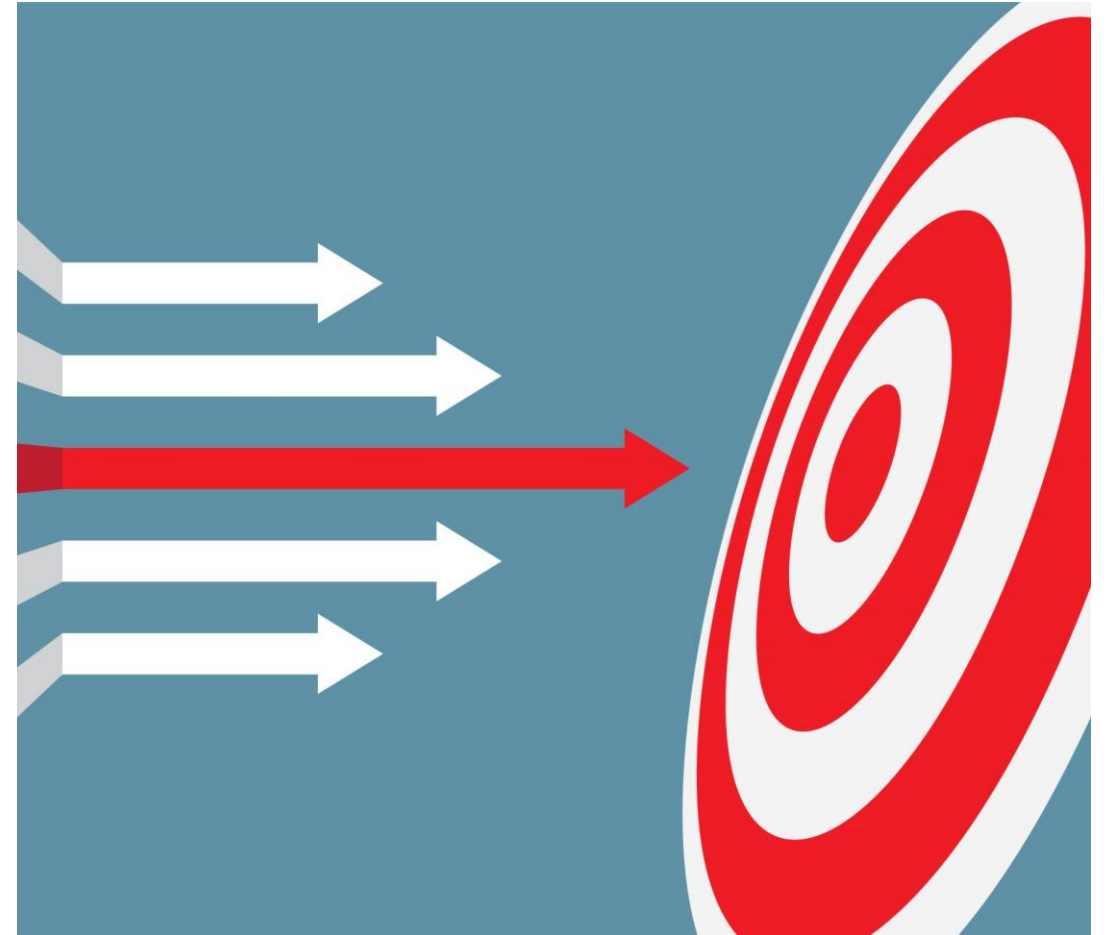
“An integral part of this Commission’s strategy to implement the **United Nation’s 2030 Agenda** and the **sustainable development goals**”





The aim of the regulatory efforts

“The aim and intention of the regulatory efforts are diverse, but **to level the playing field**; to create a situation in which everyone has the same chance of succeeding, whilst at the same time **ensure certain policy goals** related to security and environmental protection, is essential”



The regulatory choice - carrot or stick



The European Climate Law

- Writes into law the goal set out in the **European Green Deal** for Europe's economy and society to become **climate-neutral by 2050**.
- The law also sets the intermediate target of **reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels**.
- Climate neutrality by 2050 means achieving **net zero greenhouse gas emissions** for EU countries as a whole, mainly by **cutting emissions**, investing in green technologies and protecting the natural environment.
- The law aims to ensure that all EU policies contribute to this goal and that **all sectors of the economy and society play their part**.
- [Regulation - 2021/1119 - EN - EUR-Lex](#)

EU Action

- **Inclusion** of maritime emissions in the **EU Emissions Trading System** (EU-ETS)
- Monitoring, reporting and verifying GHG emissions (MRV)
- A new **FuelEU maritime Regulation** to boost the demand for marine renewable and low-carbon fuels
 - Revising the **Directive on Deployment of Alternative Fuels Infrastructure**, which would set, among other benefits, mandatory targets for shore-side electricity supply at maritime and inland waterway ports;
 - Accelerating the supply of renewables in the EU, through a revision of the **Renewable Energy Directive (RED)**, which increases the current EU target of at least 32% of renewable energy sources in the overall energy mix to at least 40% by 2030, with a focus on sectors where progress has been slower to date – including transport;
 - Revising the existing **Energy Taxation Directive (ETD)**, which aims to align the taxation of energy products with the EU's climate objectives and remove outdated exemptions, such as those for the intra-EU maritime transport sector



The EU Emission Trading System (ETS)

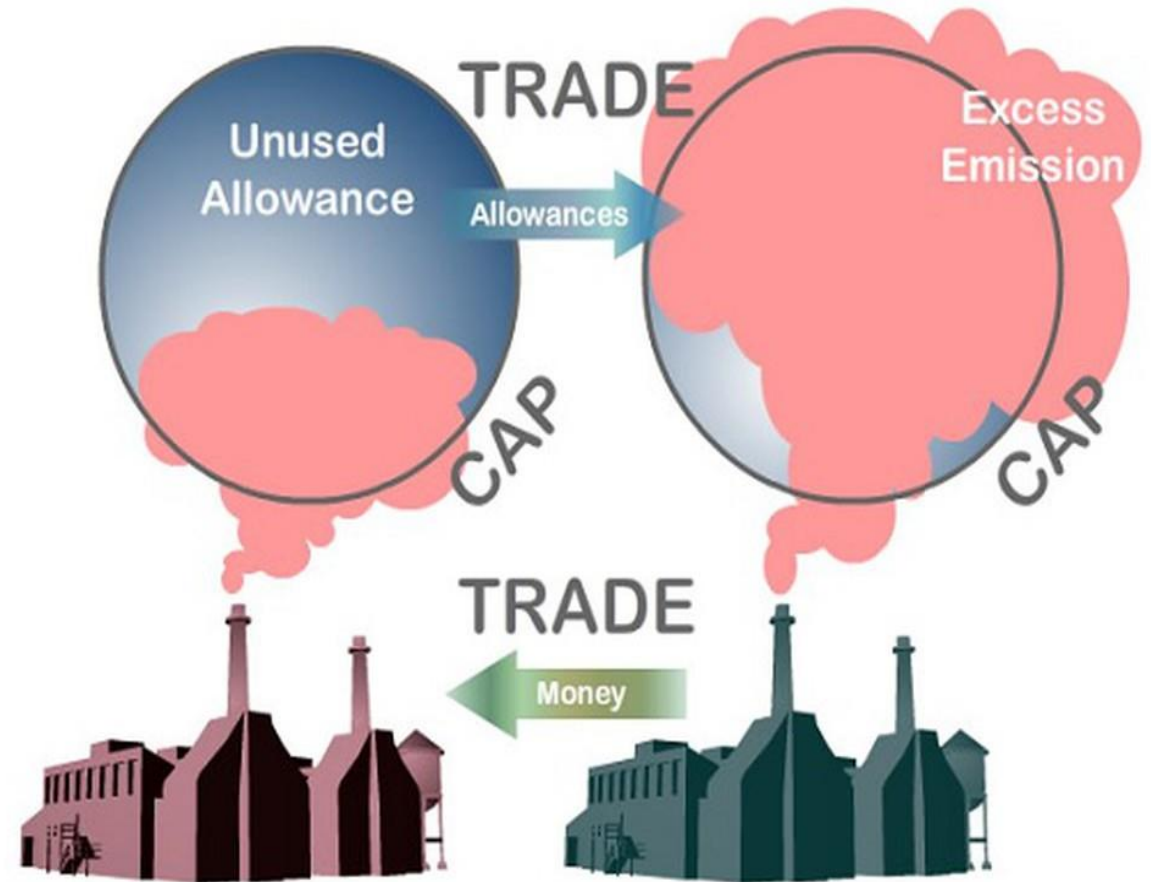


EU ETS - a corner stone of the EU's climate policy

- **The Emission Trading System**
- World's first major carbon market
- Covers 40% of EU's greenhouse gas emissions
- Limits emissions from approx. 10000 installations in the power sector and manufacturing industry, as well as airlines operating within the EU
- Governed by **Directive 2003/87/EC** on establishing a system for greenhouse gas emission allowance trading within the Union
- [EUR-Lex - 32003L0087 - EN - EUR-Lex \(europa.eu\)](#)

A "cap and trade" system

- A cap is set for the total amount of certain greenhouse gases that can be emitted by the entities covered by the system.
- The maximum is reduced over a period.
- The members of the system can buy (auction) or receive emission allowances which they can trade with one another as needed.
- Important that the emissions can be measured, reported and verified with a high level of accuracy.



Licence to emit

- It is **obligatory** for the sectors covered by the system to participate
- The operator of an installation covered by the directive **needs a permit** issued by a competent authority to legally undertake activities covered by the directive (art 4)
- The permit gives the operator allowance to emit which is coupled to an obligation to **surrender allowances** equal to the total emissions of each calendar year.



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- An allowance means allowance to ***emit one tonne of carbon dioxide equivalent*** during a specified period
 - The allowance is only valid for the purpose of meeting the requirements of the directive and shall be transferable.
 - From **2021 onwards 57% of the allowances are auctioned** in line with Annex II of the ETS-directive and the auctioning regulation
 - [EUR-Lex - 32010R1031 - EN - EUR-Lex \(europa.eu\)](#)

Penalties

Infringements

Emitting without permit

Not complying with permit conditions

Not submitting report

Not monitoring according to plan

Penalties set by the Member States

Fines, jail, shut down of installation





The extension of EU ETS to shipping



A regulatory framework needed - two main legal instruments

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 (Text with EEA relevance).

EU-ETS directive

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 (Text with EEA relevance).

MRV-regulation

The MRV regulation

- Applies to ships of **5 000 gross tonnage (GT) and above** in respect of the greenhouse gas emissions released during their voyages from or/and to ports in the European Economic Area (EEA) for transporting for commercial purposes **cargo** or **passengers**.
- As of 1 January 2025, the MRV Maritime Regulation will also apply to
 - **offshore ships** of and above 5 000 GT
 - offshore ships and general cargo ships below 5 000 GT but not below 400 GT.
- Ships are subject to the MRV Maritime Regulation regardless of their flag.

-
- A limited number of categories of ships are excluded from the [MRV regulation](#):
 - warships
 - naval auxiliaries
 - fish-catching or fish-processing ships
 - ships not propelled by mechanical means
 - government ships used for non-commercial purposes

EU MRV obligations

- **Monitoring plan (MP)**
- The content of the MP is predefined by the EU MRV regulation and includes a description of the method chosen to *monitor and report* emissions.
- **Emissions Report**
- The Emissions Report contains information about the *amount of consumed fuel* and the *distance travelled*, as well as the *cargo carried* on voyages to, between and from EU ports.
- **Verified - Document of Compliance (DoC)**
- Upon submission of the aggregated Emissions Report, the report must be verified by an *independent verifier*. The verified Emissions Report for a year must be submitted by the shipping company to the European Commission by 31 March the following year. By 30 June, the DoC on the Emissions Report must be downloaded by the shipping company from EU's THETIS-MRV and carried on board.

The MRV regulation - information to be submitted in THETIS

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 (Text with EEA relevance).

The information is submitted in an electronic inspection database called THETIS and used for calculating the number of allowances each ship must surrender. The needed data is in other words already available.

<https://mrv.emsa.europa.eu/#public/eumrv>

EU - a transparent system

- MRV - reports are public
- Commission to establish a **list of shipping companies** covered by the Directive and their respective administering authority.
- Administering authority
 - The Member State where a ship is registered, or
 - The Member State with the greatest estimated port calls within the last four years

A template

- Commission Implementing Regulation (EU) 2023/2449 of 6 November 2023 laying down rules for the application of Regulation (EU) 2015/757 of the European Parliament and of the Council as regards **templates for monitoring plans, emissions reports, partial emissions reports, documents of compliance, and reports at company level**, and repealing Commission Implementing Regulation (EU) 2016/1927
- [Implementing regulation - EU - 2023/2449 - EN - EUR-Lex \(europa.eu\)](#)

IMO not interested in sharing emission information

IMO Data collection system

Adopted October 2016, by MEPC
278(70)

Applies to ships of 5000 GT and above

Since 2024 used to calculate ships
operational carbon intensity (CII)

Not transparent

The information is reported to the flag
State that registers the information in
the IMO Ship Fuel Oil Consumption
Database

The IMO summarises the information



Accessing the IMO Ship Fuel Oil Consumption Database in GISIS

- The IMO Ship Fuel Consumption Database is a module on the Global Integrated Shipping Information System (GISIS) platform to which **Member States have access**.
- Fuel oil consumption data can only be submitted by the Administration, or an organization authorized by the Administration to submit data on their behalf.
- During the early discussions on the IMO DCS, MEPC agreed that data collected by the Organization, particularly related to transport work, needed to be **confidential** and **not publicly available** (MEPC 68/21, paragraph 4.12).
- Based on the reported data submitted to the IMO Ship Fuel Oil Consumption Database, the IMO Secretariat produces an annual report to MEPC which is publicly available. **The report and database are anonymized in such a way that identification of a specific ship is not possible.**

EU - NEW rules applicable from 2024

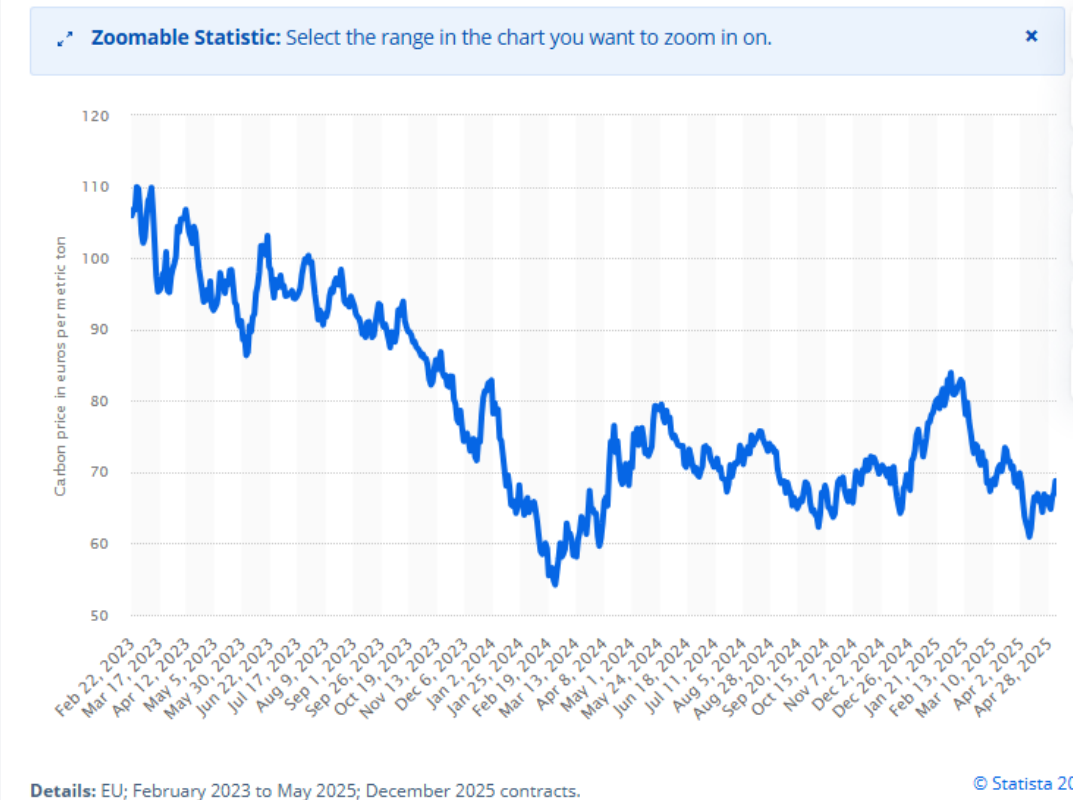
- **Consolidated text: Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (Text with EEA relevance)Text with EEA relevance**
- Shipping companies **calling at EU ports** must surrender their first ETS allowances by 30 September 2025 for emissions reported in 2024.
- The share of emissions that must be covered by allowances gradually increases each year:
 - 2025: 40% of emissions reported for 2024 must be covered by emission allowances
 - 2026: 70% of emissions reported for 2025
 - 2027 and beyond: 100% of reported emissions

Price

The price of emissions allowances (EUA) traded on the European Union's Emissions Trading Scheme (ETS) reached a record high of **100.34 euros per metric ton of CO₂** in February 2023.

Today 67,02 euros

[EUA Futures Pricing \(ice.com\)](https://ice.com)



Not a minor question - expensive for shipping companies



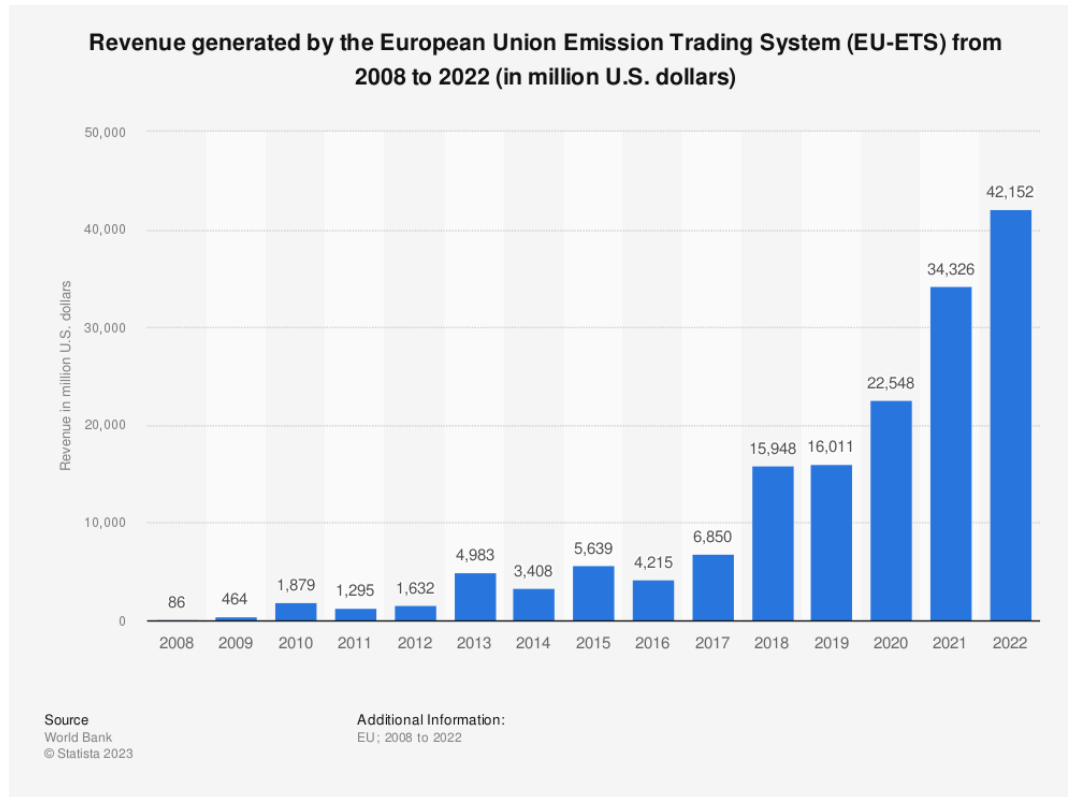
Ex: Ropax Ferry in North Europe

- EU ETS price **80 USD** per 1 tonne CO2 approx. **3.8 million USD per annum**
- EU ETS price **120 USD** - 5.8 million USD p.a.
- EU ETS price **150 USD** - 7 million USD p.a.

Penalties for infringements

- Art 16 of the Directive
- Member States are responsible for laying down rules - the penalties must be effective, proportionate and hindering
- Directive imposes a fee of **100 EUR** on all responsible entities that do not comply with the rules, **for each tonne of carbon dioxide equivalent** emitted for which the responsible company has not surrendered allowances.
- Directive provides for a “name and shame” list of companies not complying with the directive
- The Member States have a right to refuse entry to the ships under the responsibility of the shipping company concerned - except for the Member State whose flag the ship is flying, which should be able to detain that ship.

How will the revenues be deployed?



- 20 million allowances (i.e. about €1.6 billion with a price of €80 per allowance) should be deployed up to 2030 via the **Innovation Fund**.
- Besides the Innovation Fund, all auction revenues attributed to **EU Member States**
- Climate-related purposes

What greenhouse gas emissions are covered?

The EU ETS covers

- Carbon dioxide (CO₂) as of 2024
- Methane (CH₄) as of 2026
- Nitrous oxide (N₂O) as of 2026

The EU MRV covers

- Carbon dioxide (CO₂) as of 2024
- Methane (CH₄) as of 2024
- Nitrous oxide (N₂O) as of 2024

Appliacable to ships that call on EU ports

•To which ships do the EU ETS directive apply?

- From 2024: cargo and passenger ships of or above 5000 gross tonnage (GT)
- From 2027: offshore ships of or above 5000 GT



To which ships do the EU MRV maritime regulation apply?

As of 1 January 2025, companies must report emissions for the following ships:

- Cargo and passenger ships of or above 5000 GT;
- Offshore ships of or above 5000 GT;
- Offshore ships and general cargo ships below 5000 GT but not below 400 GT.

Which emissions & routes are included?

- **100% of emissions** from ships performing voyages departing from a port under the jurisdiction of an EU Member State and arriving at a port under the jurisdiction of an EU Member State (e.g. Hamburg to Marseille and Marseille to Hamburg);
- **100% of emissions** from ships within a port under the jurisdiction of an EU Member State (e.g. in the port of Antwerp), i.e. emissions released at berth and during movements within such a port;
- **50% of emissions** from ships performing voyages departing from a port under the jurisdiction of an EU Member State and arriving at a port outside its jurisdiction (e.g. Rotterdam to Shanghai);
- **50% of the emissions** from ships performing voyages departing from a port outside the jurisdiction of an EU Member State and arriving at a port under the jurisdiction of an EU Member State (e.g. Shanghai to Rotterdam)

Applies to Commercial Vessels

The EU ETS is **currently limited** to ships *transporting cargo or passengers for commercial purposes*.

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 are exempted



Political discussion on the scope of the rules



Exceptions - certain voyages

- Until 31 December 2030, shipping companies must not surrender allowances for emissions released by
- **passenger ships, other than cruise passenger ships, and ferries** (ro-pax ships),
- **between a port of an island under the jurisdiction of an EU Member State, with no road or rail link with the mainland, and a port under the jurisdiction of that same EU Member State.**
 - This derogation can only apply, upon request of each EU Member State, to islands with a population of fewer than 200 000 permanent residents.
 - The Commission shall publish a list of the islands referred to in the first subparagraph and the ports concerned and keep that list up to date
 - The list of ports will be published by the end of 2023.

Exceptions - voyages in an outermost region

- Until 31 December 2030, shipping companies must not surrender allowances for emissions released from
 - voyages between a port located in an **outermost region** of an EU Member State and a port located in the same EU Member State (e.g. Lanzarote-Valencia),
 - including voyages between ports within an outermost region (e.g. Lanzarote-Fuerteventura) and
 - voyages between ports in the outermost regions of the same EU Member State (Guadeloupe-Martinique).
- These exemptions include emissions within these ports in relation to such voyages.

Exceptions- ferries operating under a public service obligation

- Until 31 December 2030 shipping companies must not surrender allowances for emissions released by
- passenger ships or ferries (ro-pax ships) operating under a **public service obligation** established by two EU Member States, one having no land border with another EU Member State and the other being the closest.
- The list of concerned route(s) will be published by the end of 2023.

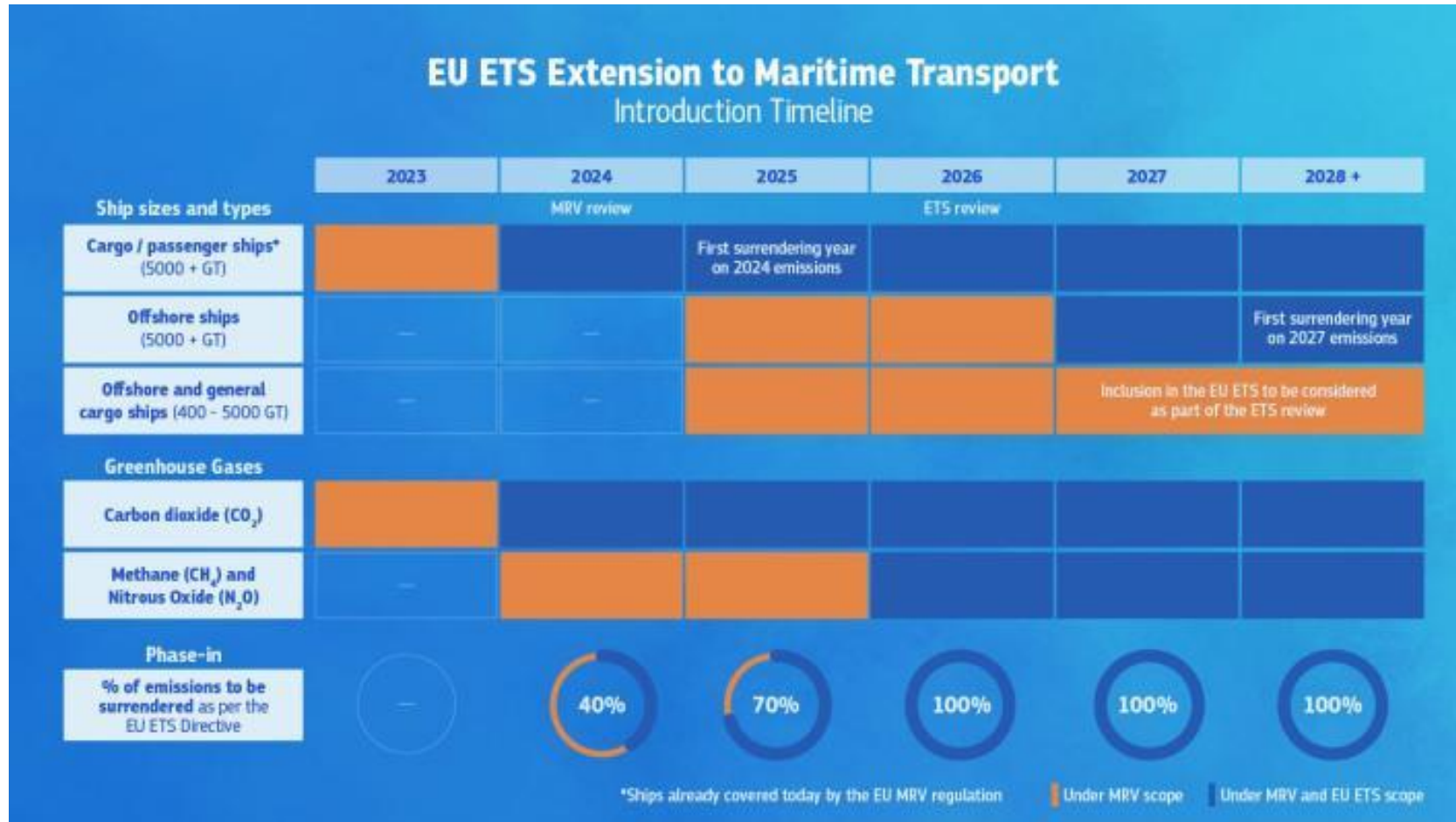
Special rules for ice class vessels

- Until 31 December 2030
- Ships of **ice class IA, IA Super or an equivalent ice class**, established based on recommendation of the Baltic Marine Environment Protection Commission (HELCOM), may surrender **5% fewer allowances** than their verified emissions released.
- The reason for the difference in treatment is that such ships, due to their design, require more fuel to cover the same distance when traveling in the open sea or under ice conditions.

Neighbouring transshipment ports within 300 nautical miles

- By 31 December 2023 and every two years thereafter, the Commission will publish an implementing act on neighbouring container transshipment ports.
- Stops of containerships in the identified ports should not be considered as port of calls for the purposes of the MRV Maritime Regulation and ETS Directive.
- A port will be considered a ‘neighbouring container transshipment port’ when its share of transshipment of containers exceeds 65% of its total container traffic and when that port is located outside the Union but less than 300 nautical miles from a port under the jurisdiction of an EU Member State.
- A port will not be considered a ‘neighbouring container transshipment port’ if it is located in a third country for which that third country effectively applies measures equivalent to the ETS Directive.

EU ETS timing and scope





Most important question - who pays?



The “Shipping Company”

- According to the proposed article 3 (w), the term includes the
- “...*shipowner or any other organisation 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 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 set out in Annex I to Regulation (EC) No 336/2006 of the European Parliament and of the Council.*”
- ISM-Code

ISM Code

- The purpose of the ISM Code is to provide an international standard for the safe management and operation of ships and for pollution prevention.
- The ISM Code applies directly in the EU
- It requires that companies *establish safety objectives* as described in the Code and, in addition, *develop, implement and maintain a safety management system* which includes functional requirements as listed in the Code.
- The intention is that the ISM Code should support and encourage the development of a safety culture in shipping

Proposal

- **Any entity that has assumed responsibility for the operation of the ship from the shipowner,** according to the ISM code, has simultaneously, “assumed responsibility for the obligation to taken on the so-called ETS-obligations, which is to surrender allowances under Article 3gb and 12 of the 2023-amendments
- This implies that both the **Owners** and the **Bareboat Charterers** can be responsible for surrendering allowances to the Authorities.
- Both will, however, often allocate the responsibility for the ship to a **Ship Management Company**. This is done under a ship management agreement, such as SHIPMAN 2009,

What about the Charterer?

- The responsibility allocated to the Ship Management Company is however normally limited, leaving the **commercial operation** of the vessel to a third party, the **Charterer**
- The **time Charterer** has quite wide authority and can use the vessel for almost any purpose and route. Under a voyage charter the authority of the Charterer is more limited as the voyage that the vessel will perform is agreed. In both situations, however, the Charterer will make all decisions on fuel, rout, speed, and amount of cargo and/or passengers.
- This means that **the (legal) person who decides on the parameters that influences on the amount and quality of fuels** (and hence of emissions) spent by the vessel, and the person responsible for surrendering the allowances, will not always be the same.
- **A solution that is not in line with the *polluter pays principle***

EU solution - to be solved by contractual arrangements

- The EU landed as a first step on a solution where the problem is to be solved by contractual agreements.
- According to **the preamble of the 2023 amendments**, the EU suggests that “...the shipping company should [...] be entitled, under national law, to claim reimbursement for the costs arising from the surrender of allowances from the entity that is directly responsible for the decisions affecting the greenhouse gas emissions of the ship. And furthermore, “... such a mechanism of reimbursement could be subject to a ***contractual arrangement***”.
- It was in other words up to the parties to negotiate the terms of these contracts.

BIMCO's contractual arrangement, the ETS- Clause for Time Charter Parties

- ETS - Emission Trading Scheme Allowances Clause for Time Charter Parties 2022 (bimco.org)
- The purpose of the clause is to **allocate costs and responsibilities** for obtaining, transferring, and surrendering greenhouse gas emissions allowances for ships operating under an emissions scheme, such as the EU Emissions Trading System (ETS).

The basis of the clause is that **the party providing and paying for the fuel under the time charter is the party that is responsible for providing and paying for emissions trading allowances**. The owners must monitor the ship's emissions and provide the relevant emissions data and the basis of calculations to the charterers. Using this information, the charterers transfer the appropriate allowances to the owners monthly. The clause addresses the adjustment of allowances due to offhire events and what happens if the charterers fail to transfer allowances when due.

The EU final solution

- The shipping company always remains the **default responsible entity** for surrendering allowances.
- What is a '**registered owner**'?
- The term 'registered owner' refers to **the owner specified on a ship's certificate of registry. The registered owner is assigned an IMO Unique Company and Registered Owner Identification Number.**
- In respect of a given ship, a bareboat charterer cannot be considered as the shipowner within the meaning of the ETS Directive. This consideration also applies in the case where the ship is subject to a 'parallel registration' in the registry of two administrations.

Commission Implementing Regulation (EU) 2023/2599 of 22 November 2023 as regards the administration of shipping companies by administering authorities in respect of a shipping company

Article 1

1. Where the organisation 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 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, set out in Annex I to Regulation (EC) No 336/2006 has also assumed responsibility for the obligations **to comply with the national measures transposing Directive 2003/87/EC and the obligation to surrender allowances under Article 3gb and 12 of that Directive (the 'ETS obligations')**, Member States shall ensure that this organisation or person has been duly mandated by the shipowner to comply with the ETS obligations.
2. For the purposes of paragraph 1, the organisation or person shall provide its administering authority in respect of a shipping company with a **document clearly indicating that it has been duly mandated** by the shipowner to comply with the ETS obligations.
 - The document shall be signed by both the shipowner and that organisation or person.

What is next? EU FuelEU Maritime FEM

- Part of the European Commission's Fit for 55 legislative package,
- The FuelEU Maritime Regulation promotes the use of renewable, low-carbon fuels and clean energy technologies for ships, essential to support decarbonisation in the sector.
- The Regulation is fully applied from 1 January 2025 except for Articles 8 and 9 on monitoring plans that are applied from August 2024.
- Regulation - 2023/1805 - EN - EUR-Lex

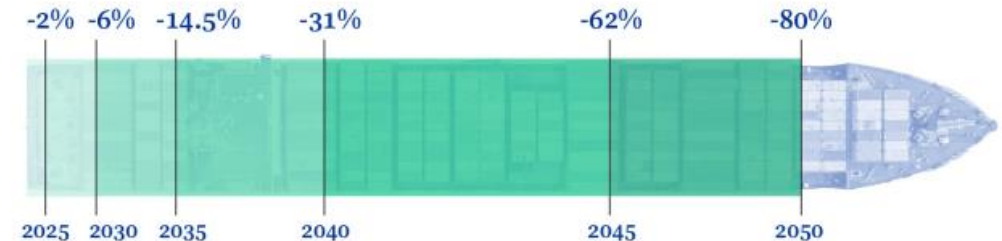


The FuelEU maritime regulation will oblige vessels above 5000 gross tonnes calling at European ports
(with exceptions such as fishing ships):

→ to reduce the greenhouse gas intensity of the energy used on board as follows



Annual average carbon intensity reduction compared to the average in 2020



→ to connect to onshore power supply for their electrical power needs while moored at the quayside, unless they use another zero-emission technology



Banking, Borrowing, and Pooling

- Flexible compliance mechanisms—such as **banking**, **borrowing**, and **pooling**—can support shipping companies in meeting stringent requirements.

1. Compliance Balance and Responsibility

Under FuelEU Maritime, the **ISM company**, which is the entity that is responsible for compliance of the ship with the International Safety Management Code, is the responsible entity.

The ISM company is entitled to **transfer compliance costs associated with FuelEU Maritime to the shipowner**. Subsequently, the shipowner may pass these costs onto the charterer. To streamline this process, BIMCO has developed **standard contractual terms** that address the allocation of compliance costs.

FuelEU Maritime entered into force on 1 January 2025 and applies to ships that fall within the scope of the regulation and which call at a port under the jurisdiction of a Member State of the EU.

Norway and Iceland are currently exempt, as FuelEU Maritime has not yet been incorporated into the EEA Agreement. The timeline for incorporation remains unclear. As a result, their ports remain, for the time being, treated as third-country ports under the regulation

2. GHG Intensity Reduction Targets

FuelEU Maritime imposes limits on the GHG intensity of energy used on ships, with targets for gradual reduction:

- 2% reduction by 2025
- 6% reduction by 2030
- 14.5% reduction by 2035
- 31% reduction by 2040
- 62% reduction by 2045
- 80% reduction by 2050

Banking and borrowing

- **Banking**

- Ships with a positive compliance balance can "bank" the surplus for future years (Art 20)
- The banking must be verified and approved by the verifier before the compliance certificate is issued, by 30 June (Art 22)
- Banked surplus cannot be transferred to another ship. Only the same ship can use the banked surplus.
- No expiry — Banking can occur over one, two, or more successive years, and the banked compliance surplus does not expire.

- **Borrowing**

- Ships with a small compliance deficit (within 2% of the limit) can "borrow" from the next year's balance (Art 20).
 - Deficit must be within 2% of GHG limit.
 - Borrowed amount must be repaid with a **10% surcharge** the following year.
 - Ships cannot borrow for two years in a row.
 - Borrowing must be verified by 30 April of the verification period.

Pooling

- Allows vessels to share their compliance balances **within a group of vessels** in the same shipping company or across different companies (which includes different ISM companies as well as shipowners), allowing over-performing vessels to compensate for other under-performing ones (Art 21)
 - Must be registered and verified in the FuelEU Maritime database by 30 April of the verification period.
 - **No restriction on the number of ships** that can be included in a pool. A ship's compliance balance cannot be part of more than one pool within the same reporting period.
 - There is **no cost** on companies that choose to comply through pooling - financial arrangements are left to private agreements between the companies involved.
 - The overall pool has a positive compliance balance.
 - Ships with a surplus do not end up with a compliance deficit after pooling.
 - Ships with a compliance deficit before pooling do not have a larger deficit afterward.
- Ships participating in pooling will not be able to borrow advance compliance surpluses.
- Ships that use the borrowing mechanism in a given year cannot participate in pooling during the same reporting period.

IMO: Net-Zero Framework & Global fuel standard?

Under the draft regulations, ships will be required to comply with:

1. **Global fuel standard:** Ships must reduce, over time, their annual **greenhouse gas fuel intensity (GFI)** – that is, how much GHG is emitted for each unit of energy used. This is calculated using **a well-to-wake approach**.
2. **Global economic measure:** Ships emitting above GFI thresholds will have to acquire remedial units to balance its deficit emissions, while those using zero or near-zero GHG technologies will be eligible for financial rewards.

IMO approves net-zero regulations for global shipping

Thank you for your attention!

