



Fit for 55 and the ETS extension to maritime transport

T.NOËL - DG Climate Action

EuDA workshop on ETS and other Fit for 55 initiatives

16 February 2022

Delivering the European Green Deal



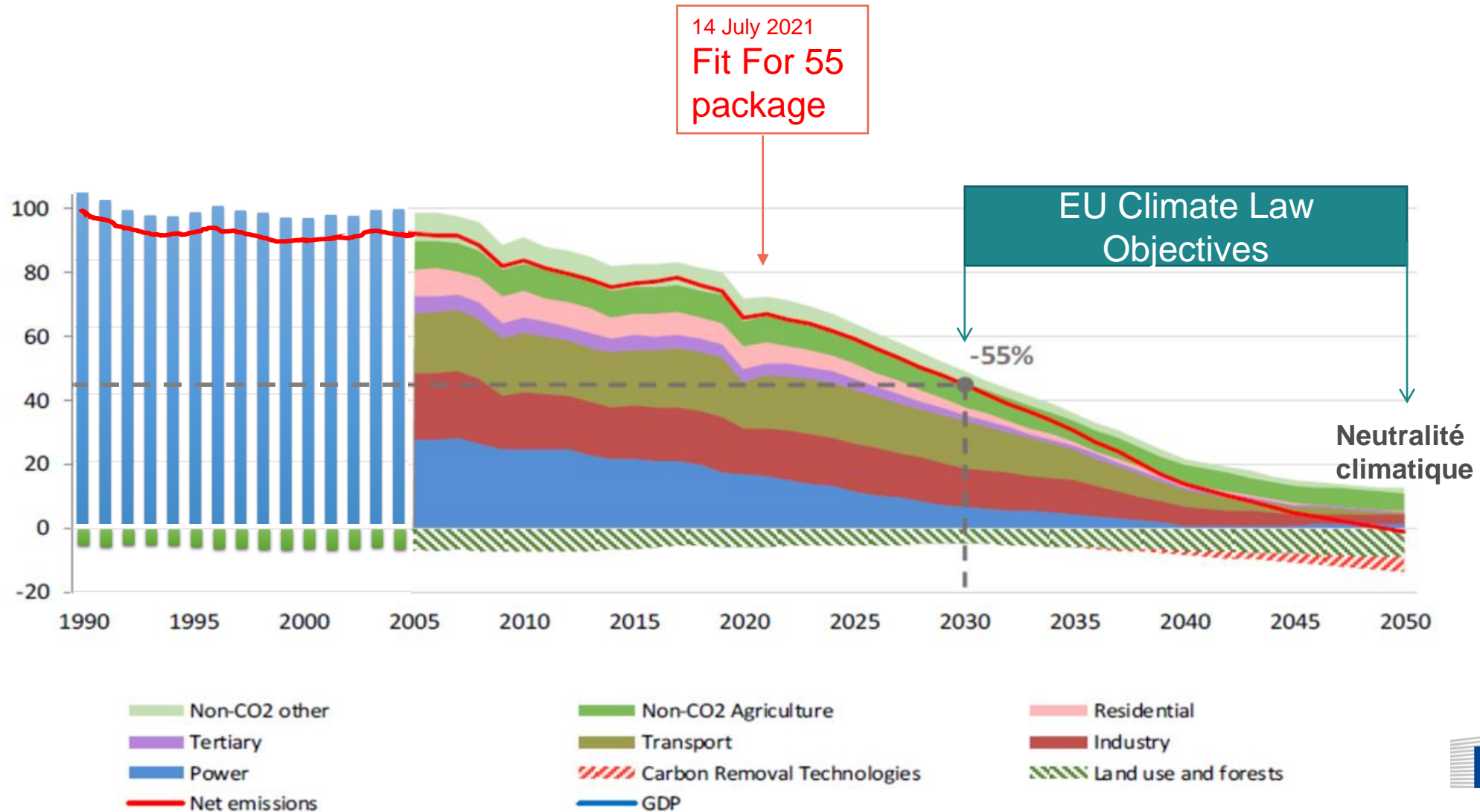
A socially fair transition
A competitive transition
A green transition



The European Climate Law

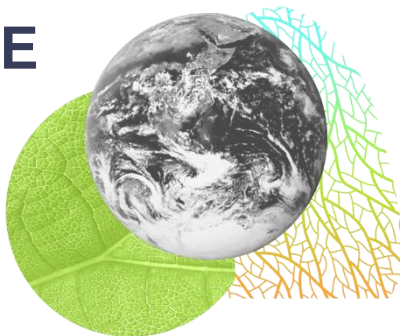
- Union-wide **climate-neutrality objective 2050**
- New **2030** target of at least **55% net** greenhouse gas emissions reduction
- Recognition of the need to enhance the EU's **carbon sink**

EU pathway to climate neutrality



Delivering on the 2030 commitment

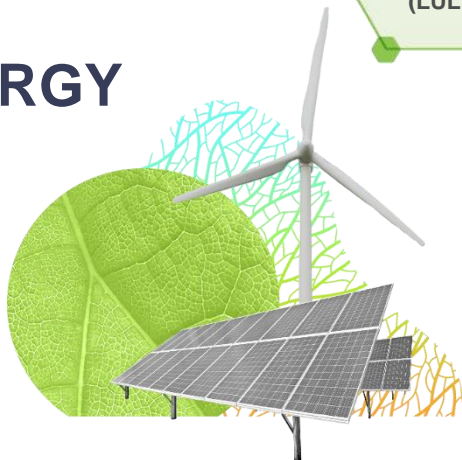
CLIMATE



TRANSPORT



ENERGY



TAXATION AND TRADE



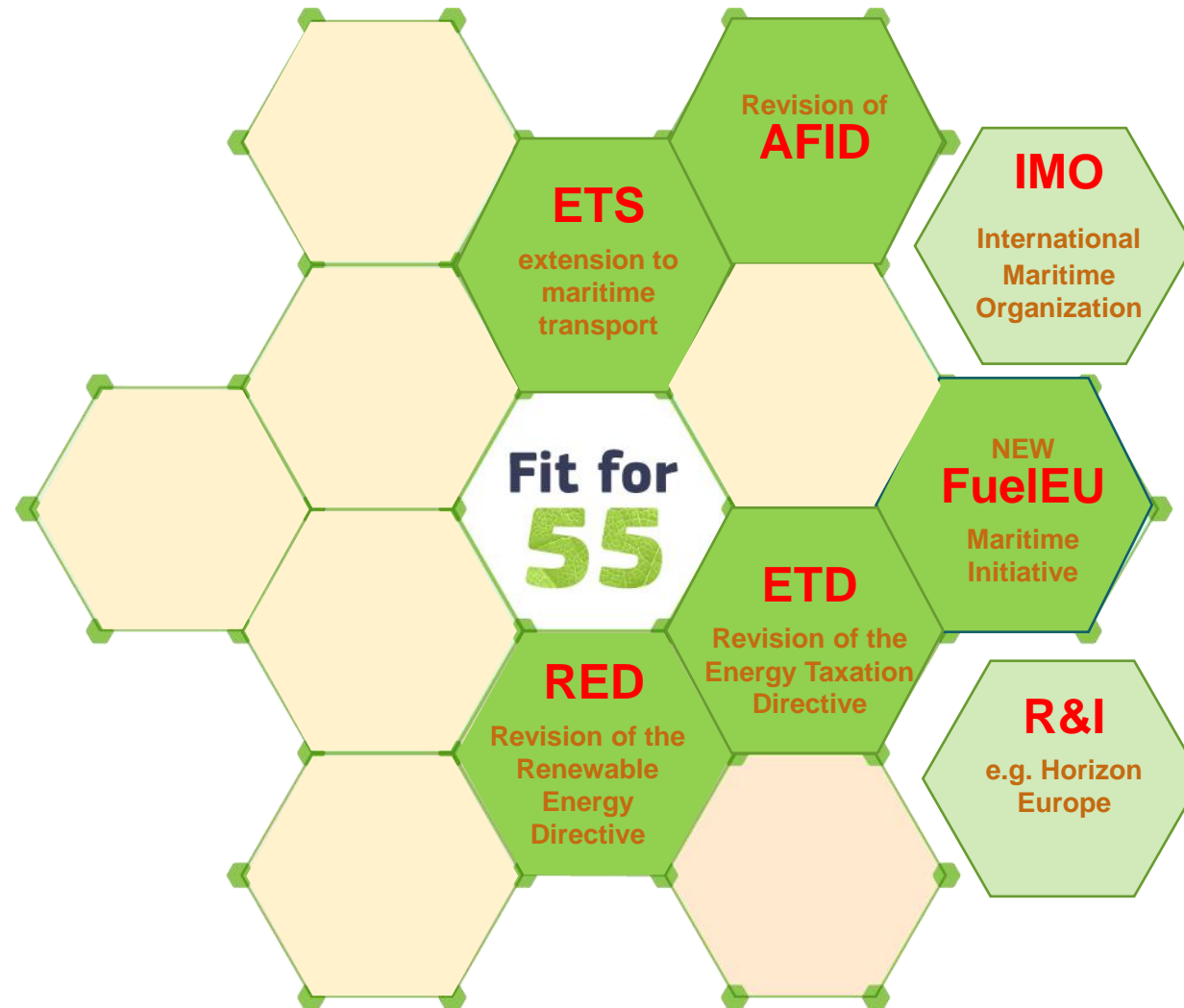
Fit for 55: addressing maritime emissions

Objectives



- Ensure that maritime transport contributes to the increased EU climate effort and to the Paris Agreement commitments
- Put in place the right incentives to drive the decarbonisation of the sector, which requires:
 - **Improving energy efficiency** – i.e. using less fuel
 - **Greater use of renewable and low carbon fuels** – i.e. using cleaner fuels
- Address various barriers through a basket of measures (Market and economic barriers, technological barriers, lack of a strong enabling regulatory framework)
- Coordination at global level & ensuring fair competition and the proper functioning of the EU maritime transport market.

Initiatives that concern waterborne transport (“basket of measures”)



MARITIME

EU Emissions Trading System

➤ 'Cap-and-trade' system:

- Puts a **quantity limit (cap)** on emissions for installations and activities under the ETS
- This overall cap is **reduced** each year
- a fixed number of ETS **allowances** is issued
- and ETS participants monitor emissions and surrender allowances to cover all their annual emissions.

➤ Key benefits:

Capping and reducing GHG emissions

Price signal

Flexibility and **cost-effectiveness**

Generate revenues to tackle climate change

Extending the ETS to maritime (I)

- **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%).
- **Equal treatment on routes, flag neutrality**
- **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

Extending the ETS to maritime (II)

- Builds on existing EU Monitoring, Reporting and Verification system in terms of:
 - Responsible entities
 - Covered ships (above 5000 GT)
 - Greenhouse gases covered
- 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

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 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)



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