



January 12, 2024

## EU ETS Directive & Implementation as of February 15, 2024

Maersk Line, Limited would like to inform you of the next steps in the EU Emissions Trading System (ETS) and the impact compliance will have on your supply chain. As of **February 15, 2024** shipping will be included in the EU ETS, which sets an annual absolute limit on emissions of certain greenhouse gases (GHG) and requires the purchase of allowances for emissions. Therefore, the inclusion of shipping in the EU ETS puts a price on GHG emissions. The additional cost incurred to comply with the EU ETS directive will be applied to bookings under the EU ETS scope as a standalone surcharge, known as 'Emissions surcharge', defined on trade basis. Only bookings where the Load Port and/or Discharge Port of the ocean journey is located in the EU/EEA (European Economic Area) countries in EU ETS scope will be charged with the emissions surcharge.

Example: For a Cargo moving from Country of Receipt as Malaysia to Country of Delivery as Switzerland:

- If the Discharge Port (Ocean) of the Booking is Netherland (EU/EEA Country), we will apply an emissions surcharge.
- If the Discharge Port (Ocean) of the Booking is Turkey (Non EU/EEA country), we will not apply an emissions surcharge.

For bookings under contracts with validity more than 31 days, surcharge codes will be presented on invoices as "EMS", while for Spot bookings and Contracts with validity less than or equal to 31 days the surcharge will be presented as "ESS" (Emission Surcharge for Spot and Contracts with validity equal to or less than 1 month). Emission surcharge will be applied on top of the contracted rates. Emission surcharge will be updated every quarter based on latest EUA price. To ensure that invoices are processed correctly and all payments are settled on time, we ask for your collaboration in updating your invoice registration systems to reflect the new surcharge.

For all bookings into & from Djibouti and Ethiopia, exceptional pay terms will apply due to regulatory reasons. EMS surcharge for imports into Djibouti and Ethiopia will be on a prepaid basis. EMS surcharge for exports from Djibouti and Ethiopia will be on a collection basis.

For more information and frequently asked questions, please visit the FAQ section below. Should you have any further questions, please contact your local Sales representative. Our teams are always available to support should you need assistance.

Sincerely,  
Maersk Line, Limited

## **Frequently Asked Questions**

### **What is EU ETS?**

The EU Emissions Trading System (ETS) was initially established in 2005 as a market-based mechanism to tackle greenhouse gas emissions within the European Union. While it primarily targeted energy-intensive sectors like power generation and manufacturing, regulators have recently decided to include shipping in the EUETS. As of 2024, the ETS will encompass shipping activities within the European Economic Area (EEA), consisting of EU Member States, Iceland, Liechtenstein, and Norway. As a result of this, shipping companies will be required to monitor and report their emissions and surrender allowances for every ton of CO<sub>2e</sub> they emit. For every 1 ton of reported CO<sub>2e</sub>, 1 European Union Allowance(EUA) must be purchased and submitted to the EU each year.

### **How does it impact me as a customer? And how can I prepare for implementation?**

EU ETS introduces carbon pricing for shipping from 2024. The cost of compliance is expected to keep increasing with the phased implementation. It will be passed on to the customer in the form of a standalone surcharge known as 'Emissions Surcharge' to all bookings with Price Calculation Date January 1st 2024 and beyond. It will be applied on top of contracted rates at the booking stage to ensure we charge only bookings where the Load Port and/or Discharge Port of the ocean journey is located in the EU/EEA countries in EU ETS scope.

We seek customer's support to make sure that all relevant teams (booking, invoicing etc.) in their organization are aware of EU ETS Directive and its impact. We also request customers to update their invoice registration systems (and other applicable systems) to reflect the emissions surcharge to ensure that invoices are processed correctly, and all payments are made on time.

### **What is the scope of implementation of Emission Surcharge?**

Emissions surcharge will be applied to all bookings with Load Port and/or Discharge Port country part of EU/EEA.

### **How will emission surcharge be shown on invoices?**

It will be shown as Emissions surcharge in the invoice with surcharge code as 'EMS' for all bookings.

### **Is the Emission surcharge going to be a fixed amount for the contracting period?**

We cannot charge a fixed amount because the cost of European Union Allowance (EUA) is extremely volatile. To ensure fair pricing, we will update the Emissions surcharge on quarterly basis to ensure alignment to latest EUA price.

### **How are the liable emissions calculated?**

Liable Emissions are derived from the EU legislator.

The below formula shows how GHG emissions from a vessel is derived and reported as part of EU MRV Regulation (for Monitoring, Reporting, Verification).

GHG emissions = Actual bunker consumption \*Emission factor

- Currently EU MRV covers only CO<sub>2</sub> emissions. However, from 2026 emissions of methane and nitrous oxide will also be covered.
- Emission factor for HFO and VLSFO for CO<sub>2</sub> emissions is 3,114 T CO<sub>2</sub>/MT of fuel.

The geographical scope of the EU ETS Regulation is as follows:

- 50% of emissions from voyages which start or end outside of the EU
- 100% of emissions from intra-EU voyages
- 100% of emissions at berth in the EU

Example of Emissions scope for EU ETS on a multi-stop voyage:



As the extension of the ETS to maritime transport activities increases shipping costs, there are concerns about the risk of evasion and transshipment activities moving outside the EU. To mitigate this, the law specifically targets non-EU ports near the EU with a high share of transshipments. For these ports, the ETS effectively extends the length of voyages to address concerns about carbon leakage. Currently, Port Said and Port Tanger Med are the non-EU ports identified and confirmed by the authorities and will be included in the EU ETS surcharge. For example, if a vessel is moving from West Africa to EU via Tanger Med, the shipment will be liable for 50% of emissions performed during the full voyage from port of loading to the destination port in the EU.

The system is introduced with a phase-in period, meaning that 40% of emissions in 2024 and 70% of emissions in 2025 are subject to carbon pricing. From 2026 onwards all emissions (100%) are subject to carbon pricing. In addition to CO<sub>2</sub> emissions, emissions of methane and nitrous oxide are included from 2026 onwards.

### Can carriers use their own methodology to calculate liable emissions in ETS?

The EU ETS Directive and the accompanying legislation introduces specific legal requirements for how to calculate, report, and pay for emissions. Carriers must follow these requirements and cannot decide on an alternative methodology for calculating liable emissions in EU ETS.

### What is the European Union Allowance (EUA) and how does it affect the EU ETS surcharge?

European Union Allowances (EUAs) are a type of carbon allowance that let companies covered by the EU ETS to emit 1 ton of CO<sub>2</sub>e. The EU ETS is the world's first major carbon market and remains the biggest one. For every 1 ton of reported CO<sub>2</sub>e, 1 European Union Allowance (EUA) must be purchased from EU ETS. It applies to all shipping companies, who are responsible for buying EUAs. For sake of transparency, we refer to EUA price from a public Index [EUA Futures | ICE \(theice.com\)](#) to calculate emissions surcharge.

The price of EUAs is expected to be change with time. To support customers in planning their supply chain effectively through fair and stable pricing, we will perform quarterly reviews and updates of emissions surcharge based on last 3 months average price for European union allowance (Daily futures) using the public index i.e., ICE website: [EUA](#)

[Futures | ICE \(theice.com\)](#). Please find below the date ranges to be referred for average EUA price(Daily Futures) to be used for EU ETS surcharge calculations.

EU ETS surcharge for	Reference Period for Average EUA price (Daily Futures)
Q1: Jan 1 to March 31	Aug 16 to Nov 15
Q2: April 1 to June 30	Nov 16 to Feb 15
Q3: July 1 to Sep 30	Feb 16 to May 15
Q4: Oct 1 to Dec 31	May 16 to Aug 15

### Where can I see the cost of the EU ETS surcharge for Q1 of 2024?

Please find below the emissions surcharge for Q1 2024 calculated based on average EUA price of EUR81.54 for period of 16 August to 15 November 2023.

Trade	All rates are in EUR per FFE	
	Dry	Reefer
West Coast South America to Europe	69	103
Europe to West Coast South America	81	122
North Europe to Far East	26	39
Far East to North Europe	39	58
South Europe to Far East	12	18
Far East to South Europe	21	31
North Europe to Middle East & Indian Subcontinent	43	65
Middle East & Indian Subcontinent to North Europe	33	49
Mediterranean to Middle East & Indian Subcontinent	29	44
Middle East & Indian Subcontinent to Mediterranean	19	28
Mediterranean to North Europe	30	45
North Europe to Mediterranean	32	47
Intra Mediterranean	18	27
Intra North Europe	10	16
North America to Mediterranean	43	65
Mediterranean to North America	74	110
Oceania - Europe, Middle east & Africa	17	25
Europe, Middle east & Africa to Oceania	30	45
South Africa to Europe	68	103
Europe to South Africa	52	77
Canada to North Europe	29	44
North Europe to Canada	46	69
USA to North Europe	33	49
North Europe to USA	43	65
West Africa to Europe	101	152
Europe to West Africa	166	248
Europe to East Coast South America	51	76
East Coast South America to Europe	41	61
East Africa to Europe	26	38
Europe to East Africa	37	55
Europe to Indian Ocean Islands	50	75
Indian Ocean Islands to Europe	30	45

### Where can I learn more about EU ETS?

There are several resources with more information about EU ETS: watch the [introduction video](#), read more in our [ETS article](#), or visit the [official EU ETS pages](#) of the European Commission.

Click here to view the [PDF Emissions Surcharge, Customer Advisory](#).