Cape diversions see box shipping EU ETS outlays leap by 191%

Sam Chambers

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Piet Sinke / Maasmond Maritime

Persistent missile attacks by Houthi rebels on ships plying the Red Sea route have led to soaring emissions liabilities for shipping companies under the recently introduced emissions trading scheme for shipping created by the European Union (EU ETS) as lengthy voyage diversions for Europe-bound vessels have multiplied fuel consumption, according to Hamburg-based maritime technology firm OceanScore.

An increasing number of ships have been taking the alternative route to Europe via the Cape of Good Hope – adding around 9,000 nautical miles, or 80%, to the distance sailed – to avoid the Houthi threat as over 60 vessels passing through the Bab-el-Mandeb strait have so far been targeted by the Iran-backed militant group despite protective measures by a broad multi-national coalition.

The EU ETS imposes liability for 50% of emissions for voyages to and from the EU and 100% for port calls and transits within the bloc.

OceanScore has estimated the route via the Cape has tripled bunker consumption due to the longer distance and an approximate 25% increase in sailing speed from 16 to 20 knots, based on its AIS tracking of mainly container vessels.

“We have observed increased speeds to compensate for at least some of the longer distance – to keep sailing times and the need for additional tonnage to be deployed at acceptable levels – and this has an inevitable impact on fuel consumption and emissions,” OceanScore’s co-managing director Albrecht Grell said.

Modelling analysis conducted by the firm, based on the case of a 14,000 teu containership, has shown the number of EU Allowances (EUAs), or carbon credits, necessary to cover emissions would rise from 1,800 per voyage to 5,200 per voyage with the current 40% liability requirement under the three-year phase-in of the EU ETS from 1 January 2024, rising to 70% next year and 100% in 2026.

This would translate into a near-threefold increase in EUA costs from €98,000 to €285,000 per voyage this year, based on the current carbon price of around €55 per tonne of CO_2, or a hike of €18 per teu, according to OceanScore.

Grell pointed out that, if the volatile carbon price returns to the level of around €100 that it reached a year ago, these costs would nearly double. “With complete phase in of the EU ETS to 100% of emissions, we would see another 250% increase that would bring the cost mark-up per box to around €80,” he said.

The new EU ETS regulations were branded as “bullshit” and “a complete waste of effort” by one of Greece’s largest shipowners, George Procopiou, while speaking at an event in Cyprus in October.

“We always go to the shipyard, and we try to improve — through air lubrication and new engines, for example. Although our ships are 11 years old, we order a huge number of assets because the new models are 35% or 40% better in consumption. These are the little steps. The rest is just bullshit,” Procopiou said.

Latest Clarksons data shows total Gulf of Aden vessel arrivals are 67% below the early December levels, while specifically for containerships the number is around 90% down.

In terms of CO2 emissions, researchers at Danish consultancy Sea-Intelligence have been able to quantify the extra pollution on a per teu basis in recent study which factors in the longer sailing distances, as well as increased speeds, and the likelihood of smaller ships being deployed on the alternative southern African route. CO2 emissions per teu could rise from anywhere between 31 to 575%, the study suggested.

The longer journeys are also having an impact for a ship’s Carbon Intensity Indicator (CII).