

## Greek Shipping Sector Could Face \$1B Compliance Cost From EU ETS



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Just ahead of the Posidonia trade show in Athens, carbon consultancy OceanScore has released calculations to show what the EU emissions trading scheme could cost Greek shipowners - and it's a big number.

As of this year, more than 2,100 Greek-owned or -operated ships and 400 Greek shipping companies will be affected by the EU ETS. They will have to buy and hand over EU allowances (EUAs) equal to a percentage of the carbon that these ships emit within European jurisdiction. According to Oceanscore, this should amount to about 12 million EUAs, based on data from 2022 and the initial rollout formula of a 40 percent liability. At current market pricing for EUAs of about \$75 per tonne of carbon, this will cost Greek owners about \$360 million. As the ETS coverage phases in, the liability will rise to 70 percent of carbon emitted in 2025, then 100 percent in 2026.

Costs will rise accordingly, reaching about \$635 million in 2025 and \$910 million in 2026.

If the price of EUAs rises in future years, as is expected, the cost of compliance will go up. Bloomberg NEF predicts that the EUA cost per tonne will rise to about \$85 by next year and breach the \$100 mark in 2026-7. This could raise the total compliance cost for the Greek shipowning sector to well above the \$1 billion mark, assuming vessel efficiency remains the same. For the typical Greek owner with 50 ships, this would amount to more than \$20 million a year.

"This will amount to significant additional liabilities related to emissions for many Greek shipping players that are active across most segments, predominantly the tanker and bulk trades, and will necessitate measures to mitigate their financial risk and limit exposure to the EU ETS," says OceanScore's co-Managing Director Ralf Garrn.

According to Garrn, most Greek shipping companies are still in a "wait-and-see" mode to watch how the regulation affects compliance requirements and relationships with charterers - just like most of the rest of the industry. This could be a mistake as compliance costs begin to ramp up, because a lot of the charges could be passed on to charterers if owners act now.

"It is therefore essential for Greek shipowners to finalize charter parties that incorporate EU ETS clauses to properly assign accountability for voyage EUA costs between themselves and the charterer so they can accurately determine their financial risk," Garrn said in a statement. "Commercial contracts need to be in place because, otherwise, the shipowner as the Document of Compliance holder can be left with having to bear the burden of EUA liabilities and possibly resorting to litigation against the charterer to recover emissions costs that are owed."

Accurate, validated emission information is also essential to minimizing financial liabilities, said Garrn. Managing and organizing that data will be essential for determining the charterer's fair share of the cost.