



SEMAPHORE

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Insights on EU ETS Application

P&I Club Gard has issued insights on the application of the European Union's Emissions Trading Scheme (EU ETS).

As of 1 January 2024, vessels over 5000 gross tonnes operating within EU waters are subject to the EU ETS. A recent implementing regulation has clarified how a shipowner may transfer responsibility for compliance – but some important questions still remain.

Launched in 2005, the EU ETS is a “cap and trade” scheme where carbon emitters in certain sectors have to purchase allowances to cover their emissions during the relevant trading period. The number of allowances at any one time are fixed, but they generally reduce each year, so that emissions covered by the scheme gradually decrease.

Allowances can be bought and sold within the scheme, depending on who has a surplus and who has higher emissions.

The key features of the EU ETS's application to shipping include:

- a phased-in implementation, with 40% of emissions covered in 2024, 70% in 2025 and 100% in 2026
- all emissions from voyages within the EU must be completely covered by the scheme, whereas EU inbound/outbound voyage emissions must be covered at 50%
- the system covers carbon dioxide, methane and nitrous oxide
- ships covered by the EU ETS must submit a revised and verified monitoring plan for those three gas emissions to the administering authority by 1 April 2024
- 30 September is the deadline for surrendering allowances for the previous calendar year – for example, 30 September 2025 is the deadline for 2024 emissions
- non-compliance can lead to penalties and expulsion orders

Since 1 January 2018, ships of 5000 gross tonnes and above, loading or unloading cargo or passengers at ports in the European Economic Area (EEA), have been required to monitor and report related carbon dioxide emissions and other relevant information to the European Commission (EC) under its Monitoring, Reporting and Verification of Maritime Transport (MRV) Regulation (2015/757).

In order to ensure the effective functioning of the EU ETS at an administrative level, the scope of the EU MRV Regulation has been amended and now includes requirements for additional greenhouse gases and emissions from additional ship types.

A [consolidated version](#) of the amended EU MRV Regulation is available on the EC website. A [questions and answers page](#) further guides shipping companies in understanding the application of the regulation.

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