

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

8.7.3921 IN	Official Journal of the Duropean Union	
	ï	
	(Legidatiw arti)	
	REGULATIONS	
REGULATION (E	13 2021/1119 OF THE EUROPEAN PARLIAMENT AND OF THE	COUNCIL
	of \$0 June 2021	
escablishing the frame	esework for achieving clinate neutrality and amending Rep No 401(2009 and (01) 2018/2999 (Tampson Clinate Law')	palations (EC)
THE ECHOPENN PORTLANDY? A	ND THE COUNCIL OF THE ELBOREAN UNION.	
Having regard to the Totaty or	s the Paraetiening of the Dampson Union, and in particular Article 192	(i) thereof.
Maring regard to the proposal	from the European Commission,	
After transmission of the deal	t legislative act to the national parliaments.	
Having regard to the opinious	of the Baropean Bennomic and Social Committee ().	
Having regard as the opinion of	of the Camprimes of the Regimes ().	
Acting in accordance with the	ordinary legislative procedure ().	
Whereas		
Union and the Mendo delivering on the im- Conversion on Clanar	peoed by climate change requires enhanced anthrhises and increased or feases. The Union is committed to suppring up efform to tackle a phenomeniates of the Tetro Agreement's Applied tackes the Union of Chang (the Tetro Agreement'), Cy galade by its periociples and on wholge, in the common of the long-term temperature gail of the Perio A	Sirvate change and Nations: Brancwoo the basis of the br
Tampean Green Deal's society, with a mode prevalence gases in H also atms to prevent, o	in its compression of 11 Discreden 2019 restilled The Energy , on out, new generity prange that area to complete the Union into r, monoco-efficient and competitive accounty, where these are 1010 and where consensing proved in descended from resource are. The more and education the Union's count capati, and protects the has needed to be a structure of the same time, this manifester more transition rates and impacts. At the same time, this manifester more	a fair and prospero no net emissions fravopean Grees De alth and well-being
	(Fand on Claware Change (1953) provides in its 2018 Special Report or re pre-aduated looks and related gold growthence gas entraines put of concenters or the firster of claware change, surrounded development, offer basis low tackling classics change and filterenary the cond to rapidly	
0 00 C 344 28 78 2020 y 140 0 00 C 124 1.16 2020 y 140	Land OFC 10, 113, 2021, p. 69.	
(5) Postane of the European Per 24 how 2021.	famori of 24 June 2023 (see yet published in the Official Journal) and de	ction of the Cound

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





Delivering on the 2030 commitment



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")



EU Emissions Trading System

'Cap-and-trade' system:

- Puts a quantity limit (cap) on emissions for installations and activities under the ETS
- This <u>overall</u> 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 <u>shall</u> 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 <u>already</u> 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)







© European Union 2020

Unless otherwise noted the reuse of this presentation is authorised under the <u>CC BY 4.0</u> license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.



Slide xx: element concerned, source: e.g. Fotolia.com; Slide xx: element concerned, source: e.g. iStock.com