

# **EU ETS FOR SHIPPING:**

GETTING READY TO  
RIDE THE WAVE AND  
MASTER YOUR  
COMPLIANCE PLAN



**VERTIS**  
FACTS & FIGURES

Trusted partner

Competitiveness

Specialized team Carbon  
and Shipping markets

Carbon package

**2700**

**CLIENTS**

**1.6Bn**

**UNITS TRADED**

**4Bn€**

**ANNUAL  
TURNOVER**

**165M**

**TONNES OF CO2 REDUCED  
THROUGH INVESTMENT IN  
PROJECTS**

**140**

**PEOPLE**

**25**

**YEARS IN CARBON  
MARKETS**

# SUMMARY & TIMELINE

## EU-ETS FOR SHIPPING INDUSTRY

SYSTEM		CURRENT	2024	2025	2026	2027	2028	2029	2030
VESSELS TYPES	MRV	cargo/passengers			cargo/passengers + offshore vessels				
	ETS	-	cargo/passengers			cargo/passengers + offshore vessels*			
VESSELS SIZES	MRV	+5000 GT			+5000 GT + 400 GT				
	ETS	-	+5000 GT			+ 5000 GT + 400 GT*			
GHGS	MRV	CO2			Co2 + CH4 + N20				
	ETS	-	CO2			Co2 + CH4 + N20			
EMISSION COVERAGE	MRV	100 % within and in/out of the EU/EEA							
	ETS	-	100% within the EU/EEA 50% in/out of the EU/EEA.					100% within and in/out the EU/EEA**	
PHASE- IN	MRV	100%							
	ETS	-	40%	70%	100%				

\* to be decided by Q4 2026 with another triologue discussion.

\*\* depends on IMO decarbonisation actions and an EU review before 2028.

# SPECIAL CASES

## EU-ETS FOR SHIPPING INDUSTRY

<b>OUTERMOST REGIONS</b>	A temporary exemption from certain obligations can be provided for emissions of activities between a <b>port located in an outermost region of a Member State</b> and a port located in the same Member State.
<b>SMALL ISLANDS</b>	Member States can request that islands with a <b>permanent population of less than 200 000 inhabitants</b> and with no road/rail link, be exempt from the ETS. This would include national voyages to/from a port of the island, performed by passenger ships (other than cruise passenger ships) and by ro-pax ships.
<b>PUBLIC SERVICE</b>	Two Member States, that are geographically closest and without land border, can request a temporary exemption from certain obligations of surrendering EUAs. This only includes passenger or ro-pax trips performed in the <b>framework of a transnational public service contract or obligation</b> .
<b>ICE CLASS SHIPS</b>	The EU will allow for a reduction of 5% of the required surrendered allowances for ships with the <b>ice-class IA or IA Super</b> (or an equivalent ice class). This will be applied until the 31st of December 2030 and thereafter reviewed.
<b>PORT OF CALL</b>	A selection of non-EU <b>transshipment ports</b> within 300nm of EU will be included in EU ETS port call (published before 31st of December 2023).

# EUROPEAN EMISSION ALLOWANCE (EUA)

## PRICE EVOLUTION 2021-2023

EUAs Dec-23 price development chart

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# EUROPEAN EMISSION ALLOWANCE (EUA)

## PRICE EVOLUTION MAY – JUNE 2023 / When Volatility means Opportunity

1 The **energy complex** was bearish with the year ahead German power and TTF contracts settling down to 118.5€/MWh and 42.97€ respectively.

2 The **Commitment of Traders** report for the week ending June 2<sup>nd</sup> showed a net short position of 25 million EUAs, the largest since the data collection started in 2018.

1 **The energy complex** with year ahead TTF and German power contracts was subject to bullish engulfing due to outages of several gas fields in Norway, as well as from the announcement of the Dutch government that the Groningen gas field will be permanently closed next October.

2 **The Commitment of Traders** for the week ending June 23 showed a net long position of 1 million EUAs, confirming the end of the short squeeze that had been governing the market for the past three weeks.

EUAs Dec-23 price development chart  
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# ADDING SHIPPING TO THE EU ETS

## BULLISH EFFECT OF SHIPPING ON THE EU ETS SUPPLY AND DEMAND

- **81.1m supply** vs 90m emissions
  - 78.4m earmark for the shipping extension
  - Additional 3.5% (or 2.7m) earmark for most impacted countries
- However, due to phase in of compliance obligation, actual demand
  - **2024**: 40% or **41m**
  - **2025**: 70% or **74m**
  - **2026**: 100% or **107m**
- To match the phase-in of demand, supply gets cancelled ex-post for each respective year

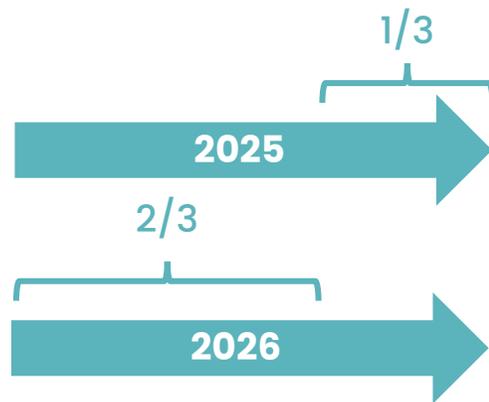
### CANCELLATION SCENARIO FOR 2024 VE

#### Cancelled with a delay

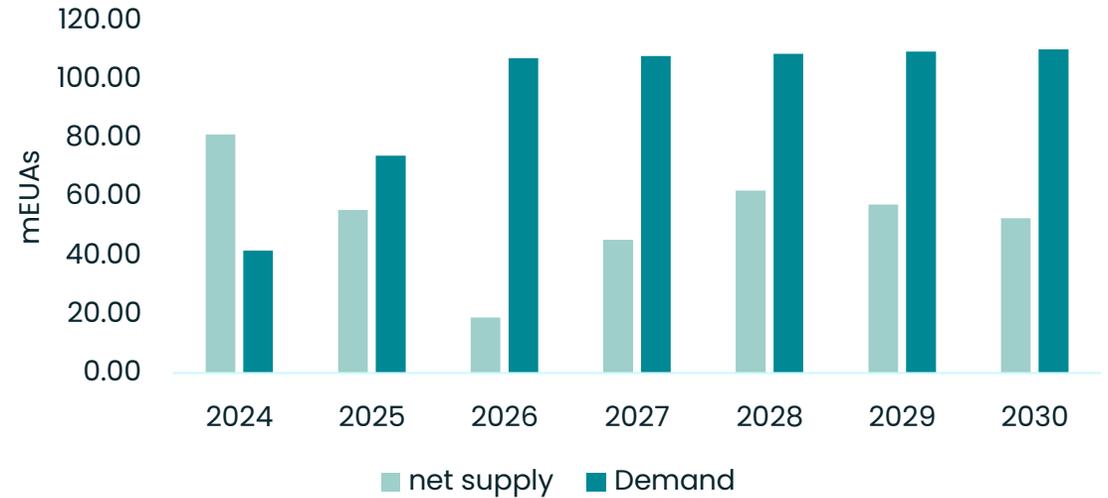
to make up for the lower demand

Same schedule as TNAC/MSR

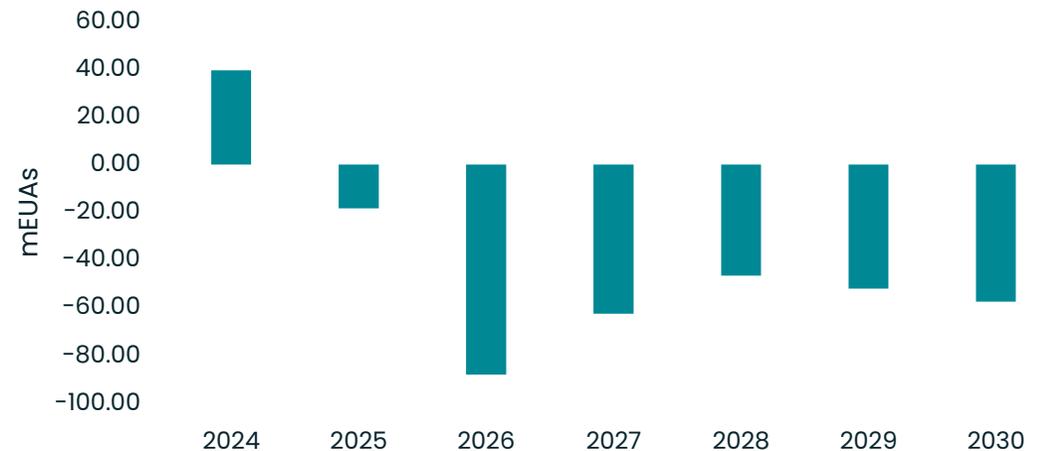
Important impact on the supply demand balance



NET SUPPLY AND DEMAND OF SHIPPING IN EU ETS



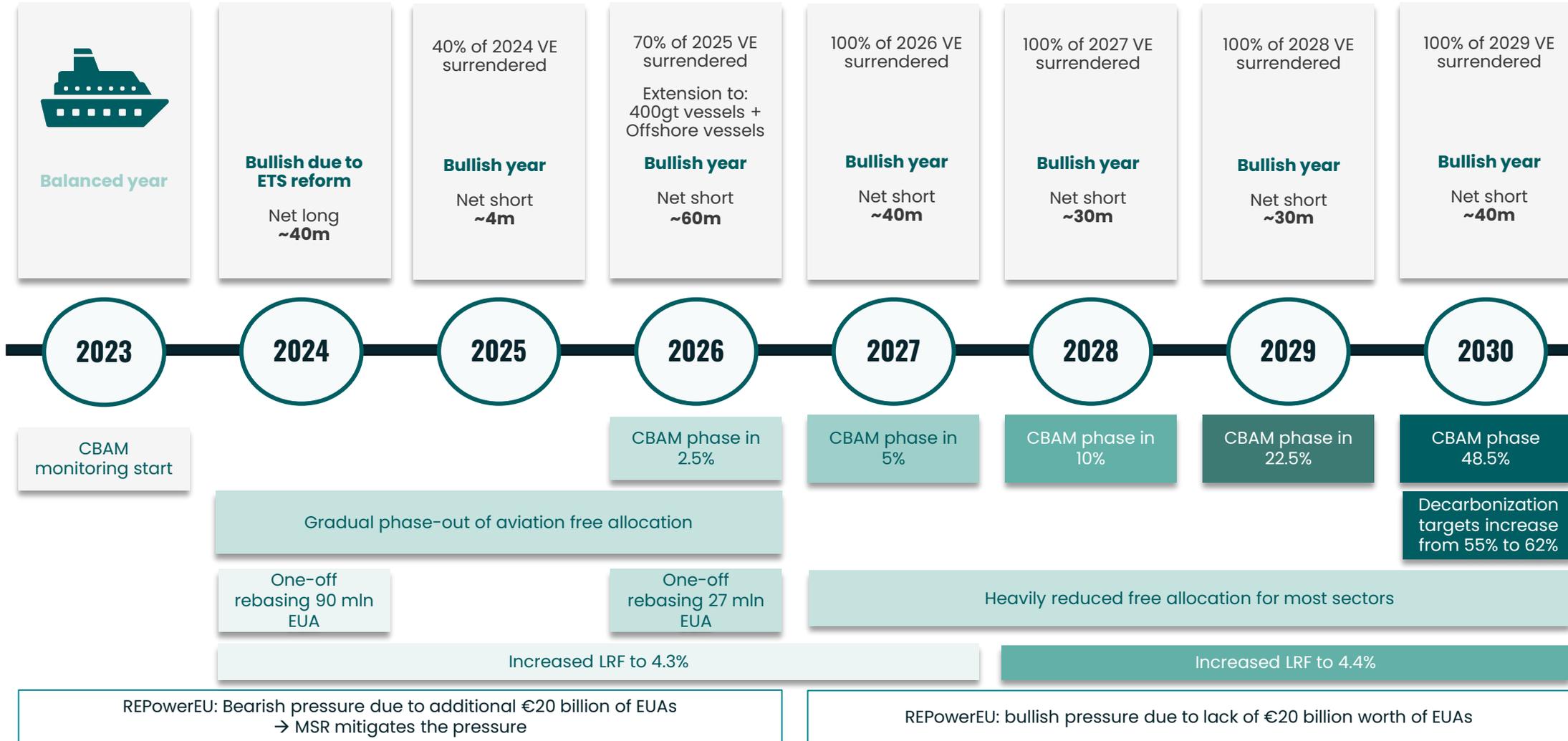
Fundamental balance



# WHEN SHOULD YOU START PREPARING YOUR COMPLIANCE?

## PARTIAL EQUILIBRIUM OF ETS EXTENSION TO THE MARITIME SECTOR

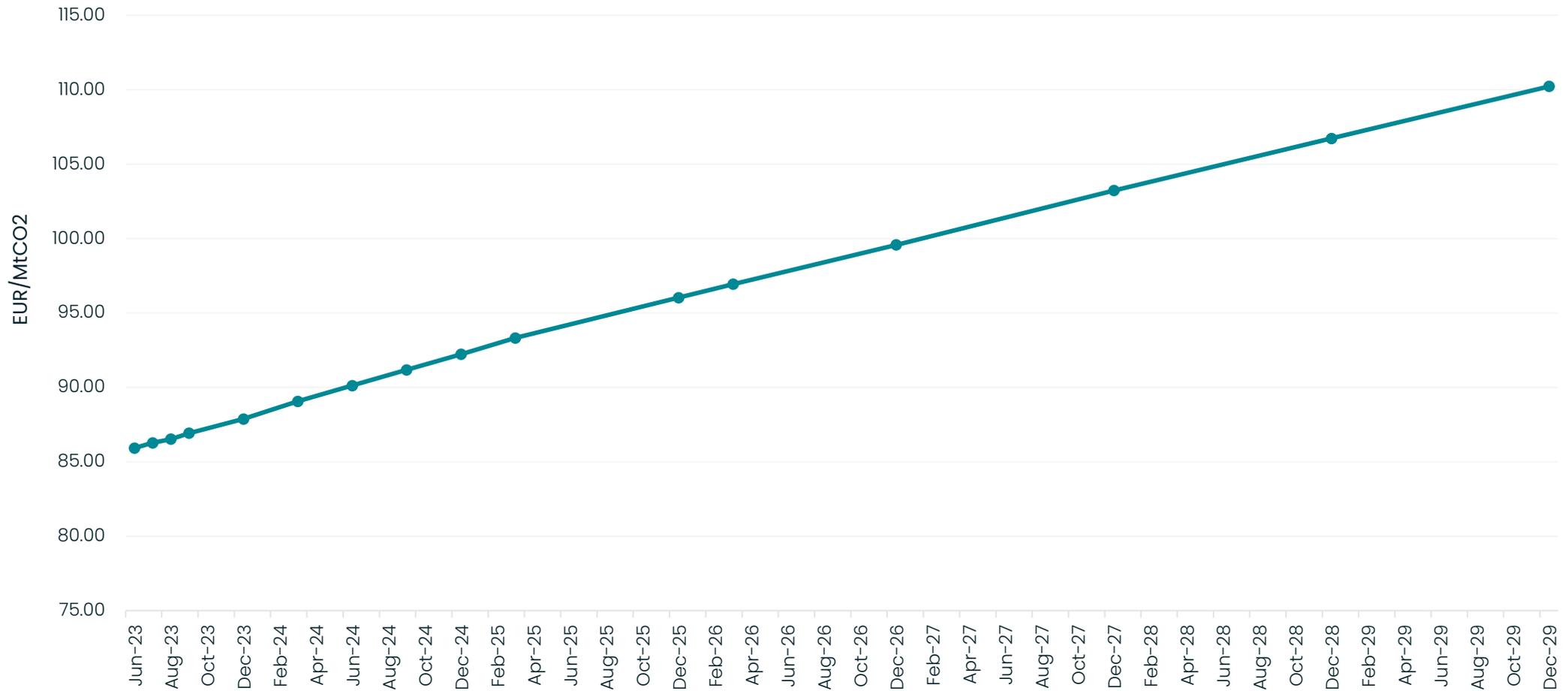
Optimal start year for trading



# EUA FORWARD CURVE

'IN CONTANGO'

Carbon contracts commodity curve  
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# FINANCIAL IMPACT OF THE EU-ETS

## CASE STUDY OF PANAMAX DRY BULK ROUND VOYAGE

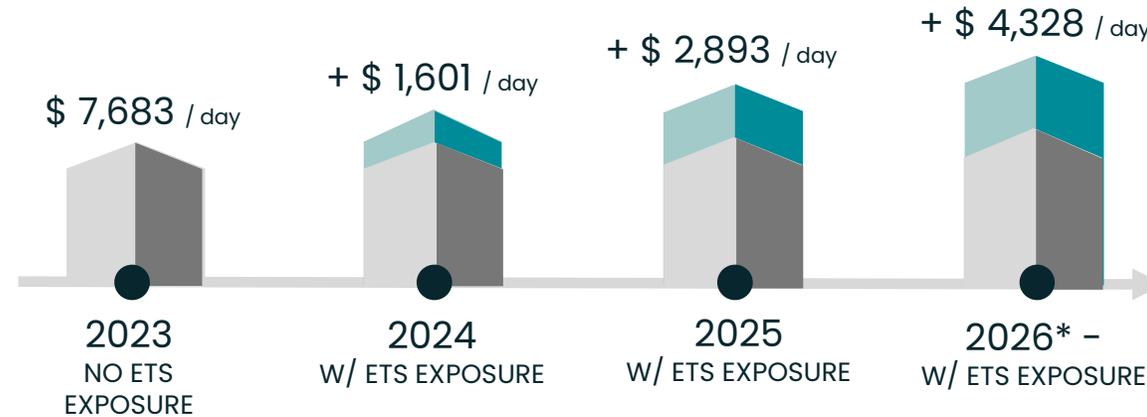


	VESSEL DESCRIPTION
DWT	82,500 MT
AGE	12 yrs
LOAD	229m, beam 32.25m, TPC 70.5
CARGO	97,000 cbm grain
SPEED	Laden: 13.5 kts Ballast: 14 kts
FUEL	Laden: 33mt fuel oil (380cs t) Ballast: 31mt fuel oil (380cs t)
SCRUBBER FITTED	NO
	ROUTE DESCRIPTION
FROM / TO	EU / US GULF (round trip)
DURATION	40 DAYS
TOTAL CO2 EMISSIONS	3 181 tonnes (round trip)
CO2 EMISSIONS IN EU ETS	<b>1 590 tonnes</b> (50%* - extra EU)

\* Disregarding phase-in period

# FINANCIAL IMPACT OF THE EU-ETS

## CASE STUDY OF PANAMAX DRY BULK ROUND VOYAGE



<b>EU ETS PHASE-IN</b>	0 %	40 %	70 %	100 %
<b>EUA DEC PRICE** (€)</b>	85.80	92.32	95.35	99.58
<b>ADDED COST FOR VOYAGE (\$)</b>	-	\$64,040	\$ 115,720	\$ 173,120
<b>ADDED COST FOR VOYAGE (%)</b>	-	+ 21%	+ 38%	+ 56%

\* This is taking into account only CO2 emissions. There will be an added cost after 2026 as the EU-ETS will include methane slippage (CH4) and nitrous oxide (N2O).

\*\* DEC is currently the most liquid month contract. The liquidity of the contracts might vary with the change of compliance deadline.

Data is taken on the 26/06/23

# FINANCIAL IMPACT OF THE EU-ETS

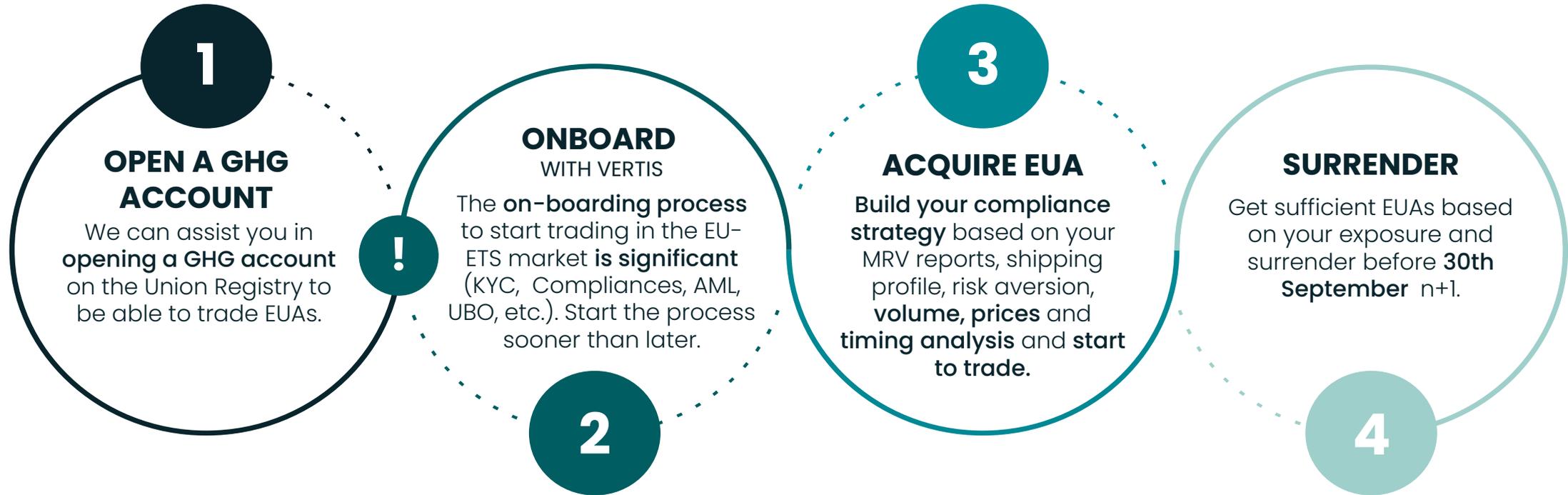
## GREEN INDEXES – IMPACT ON DRY INDEX & FFA

	CAPE SIZE	PANAMAX	SUPRAMAX
<b>Current Baltic Index</b>	1492	1193	748
<b>2024: 40% EU ETS</b>	▲ 221 1713	▲ 74 1267	▲ 38 787
<b>2025: 70% EU ETS</b>	▲ 406 1898	▲ 135 1328	▲ 70 818
<b>2026 – : 100% EU ETS</b>	▲ 639 2131	▲ 190 1383	▲ 110 858

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# HOW TO GET PREPARED?

## VERTIS COMPLIANCE SERVICES



Ensure that the **commercial documentation** (CP / Shipman / ...) between the different parties is agreed.

# ACQUIRE EUA

## STRATEGY & TOOLS

1

### VOLUME

Based on your previous year's MRV report, the required volume of EUAs will be acquired to ensure your company's compliance. Depending on your profile, this **volume can be spread** throughout the year.

2

### PRICE

Optimising the price of purchase of EUAs based on our market expertise and research, taking advantage of **the market volatility** by buying dips.

3

### TIMING

Your company profile and operation will determine the optimal timing strategy for acquiring EUAs. This could entail the **cost pass through** to the charterer on a back to back basis.



Market Seasonality



Fundamental Analysis



Monte-Carlo Simulation



Price Alert



Technical Analysis



Policy Analysis



Financial Products



Price Corridor

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