European Shipowners
ECSA | European Community Shipowners' Associations

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ES|ECSA position paper on the EU ETS geographical scope and derogations

Key recommendations

In the context of the revision of the EU Emissions Trading System (EU ETS) Directive, European Shipowners | ECSA call on the Commission to make the **EU ETS derogations permanent after 2030**.

The EU ETS derogations **should also apply mandatorily in all EU Member States**, when the Directive is transposed into national law.

Furthermore, ES|ECSA recommend the following **improvements to the derogations** to make them fit for purpose:

- The current **derogation on small islands** should be maintained and extended to cover **all EU islands**, including those with populations above 200,000 permanent residents, as well as island states. The derogation should also apply to **all vessels** (passenger and cargo).
- The **derogation for ice-classed ships** under the EU ETS should be made permanent, and aligned with FuelEU Maritime, which covers **sailing in ice conditions** in addition to ice-classed ships.
- The derogation for **outermost regions** should be made permanent beyond 2030 and **extended to cover all voyages from and to outermost regions**, irrespective of the Member State concerned, as well as **voyages between these regions**.
- The derogation on **transnational public service obligations** should be maintained.

If the above conditions are met, the current geographical scope of the EU ETS could be maintained.

1. Introduction

The 'Fit for 55' package introduced ambitious measures for Europe to reduce emissions by at least 55% by 2030 and become carbon neutral by 2050. Maritime transport has been covered by the EU Emissions Trading System (EU ETS) since 2024 and by FuelEU Maritime since 2025. Despite only being covered for a short time, shipping has shown extremely high level of compliance[1].

European shipping is an asset for Europe and a cornerstone of its energy, food and supply chain security. European shipping controls 34.5% of the global tonnage, across all key shipping segments. Shipping carries around 76% of the EU's external trade. European shipowners are leading global investments in sustainable fuel-powered vessels, accounting for 44% of the global orderbook for such vessels, but Europe's fuel availability is not keeping pace.

[1] Shipping companies surrendered allowances for more than 99% of their emissions in the first year of inclusion in EU ETS, showing a high compliance rate. European Commission: Directorate-General for Climate Action, Climate action progress report 2025, https://data.europa.eu/doi/10.2834/0963577

A thriving European shipping sector is Europe's gateway to global markets. In recent years, European shipping has seen strong, sustained growth across key economic indicators reflecting a resilient sector that is vital to Europe's economy. **It is therefore essential that the EU continues to support the competitiveness of European shipping and make the derogations of the EU ETS permanent after 2030 at EU level in the upcoming review. The derogations should automatically apply and not depend on the Member States' decision to activate them. Furthermore, the derogations should be strengthened to be fit for purpose to ensure that commercial routes remain economically viable. If these conditions are ensured, the current geographical scope of the EU ETS could be maintained.**

European Shipowners | ECSA recommend improvements to the derogations to make them fit for purpose.

2. Islands

Until 31 December 2030, emissions from passenger ships (other than cruise ships) and ro-pax ferries on voyages between a Member State's ports and its islands are exempt from surrendering allowances, provided the Member State requests the derogation and the islands have fewer than 200 000 permanent residents and no road or rail link to the mainland. **ES|ECSA believe that the derogation concerning small islands should cover all EU islands, including those with populations above 200,000 permanent residents, as well as island states. This derogation should apply to all vessels (passenger and cargo).** Since the current EU ETS directive imposes strict limits - and depends on EU Member States to activate it - there are many islands falling outside the scope of the existing derogation.

A population threshold of 200,000 is a subjective cut-off that does not reflect the actual degree of energy and transport isolation. It is also difficult to draw a line between a "large" and "small" island, especially since both categories face similar structural specificities - no road or rail connection to the mainland, limited bunkering infrastructure, and near-total dependence on maritime transport for essential goods and energy supply. **To ensure connectivity, competitiveness of local economy and regional cohesion, it will be essential to provide a derogation to all islands.**

Furthermore, Ceuta and Melilla should be added to the list of islands. Although they are not island ports by nature, their geographical position in mainland Africa and absence of land links with Spain means that, in relation to mainland Europe - and in particular to Spain - those ports are comparable to island ports. This would align this derogation with the current derogation under FuelEU Maritime.

3. Ice-classed vessels

Under the current EU ETS, ships of ice class IA, IA Super or an equivalent ice class, established based on recommendation of the Baltic Marine Environment Protection Commission (HELCOM), may surrender 5% fewer allowances than their verified emissions released until 31 December 2030. These ships are treated differently due to their design and require more fuel to cover the same distance when traveling in the open sea or under ice conditions.

As acknowledged by the current derogation, the higher emissions of ice classed ships, does not represent a commercial choice, but a choice of safety and navigational necessity. The current derogation is essential for ships operating in e.g. Baltic or Arctic waters. Vessels certified for ice navigation require reinforced hulls and more powerful engines, which inherently means higher fuel consumption. **Penalising ships with additional EU ETS costs for emissions they cannot avoid, would be inequitable and contrary to the polluter-pays principle on which the EU ETS is built upon.**

ES|ECSA supports an alignment between the derogations for ice-classed vessels under EU ETS and FuelEU Maritime, which covers sailing in ice conditions in addition to ice-classed ships. The derogation for ice-classed vessels in the EU ETS Directive is currently in force until 31 December 2030, while the exact same derogation for ice classed ships is permanent under the FuelEU Maritime Regulation. Furthermore, **a permanent derogation in the EU ETS** for voyage of ice-classed ships sailing in ice conditions would be in line with the International Maritime Organization's (IMO) Operational Carbon Intensity regulation for ships above 5000 GT, which recognised the correction factors for ice-classed (ice-strengthened) ships (IA and IAS), as well as adjustments for sailing in ice conditions.

In addition, **some ships incorporate voluntary structural enhancements for operational reasons**, such as safe navigation in challenging environments. These design features add weight and increase energy consumption relative to standard vessel designs and may include *inter alia*, but not limited to, vessels certified under internationally recognised ice-navigation standards. This includes those certified under the IMO Polar Code, where reinforced hull structures and enhanced propulsion capabilities result in permanently higher fuel consumption requirements. The 2022 IMO *Guidelines on the Method of Calculation of the Attained Energy Efficiency Design Index (EEDI) for New Ships* (Resolution MEPC.364(79)) recognise such characteristics through a specific factor applicable to vessels incorporating these structural enhancements. The European Commission should therefore consider introducing the same derogation in the EU ETS directive, where equivalent technical characteristics and operational constraints can be demonstrated, to align with the IMO framework's rationale of recognising unavoidable emissions arising from safety-driven design requirements.

4. Outermost regions

Until 31 December 2030, no allowances need to be surrendered for emissions from voyages between a Member State's outermost regions and its other ports, including voyages within or between those regions, nor for emissions released in ports during such voyages.

ES|ECSA believe that the current limitation, requiring the port of calls to be within the same Member State should be removed. A derogation that applies selectively undermines the legal- and policy rationale. Restricting the derogation to voyages between a Member State and its own outermost regions create an internal inconsistency, as all outermost regions share the same status under article 349 TFEU and face the same structural realities. They form part of the single market, regardless of which Member State they are part of.

The derogation on outermost regions should be extended to cover all voyages from and to outermost regions, irrespective of the Member State, to ensure competitiveness of the local economy, enhancing connectivity, fairness and regional cohesion. The derogation on outermost regions should also apply to voyages between these regions, in line with the derogation of FuelEU Maritime.

The derogation should also cover the entire commercial route when the purpose of the voyage is to trade with these regions, even if the vessel makes intermediate calls at mainland ports, where such calls are exclusively linked to the loading, unloading, consolidation or redistribution of cargo originating from or destined to outermost regions. Shipping services linked to outermost regions, where no direct and economically viable road alternative exists supplies necessary cargo and passenger flows. Unlike routes where road or rail alternatives exist, there is no modal substitution possible for ships serving outermost regions. Imposing full EU ETS compliance costs on these routes risks making them economically unviable or forcing cost pass-throughs that hit the local communities.

Finally, ES|ECSA calls for this derogation, with the proposed amendments, to be extended to the EU Overseas Countries and Territories (OCTs). Although not classified as outermost regions, OCTs face the same remoteness-related challenges, and in some cases border outermost regions directly.

5. Transnational public service obligations

Until 31 December 2030, emissions from passenger ships and ro-pax ferries operating under transnational public service obligations or contracts - between a Member State with no land border to another Member State and the nearest one - are exempt from surrendering allowances. A list of concerned routes was established. **ES|ECSA believes that the derogation on transnational public service obligations should be made permanent after 2030 at the EU level**. The derogation should be aligned with FuelEU Maritime's derogation on national public service obligations. The derogation should also apply automatically when the required conditions are met rather than depending on Member States' decision to activate it; as these routes ensures regional cohesion, providing economic and social stability and connectivity where no alternative route exists.

6. Search & Rescue operations

Finally, voyages related to Search & Rescue (SAR) operations must also be exempted, because vessels engaged in SAR operations are acting under a binding legal obligation. They do not constitute commercial voyage, so companies should not have to surrender allowances for emissions directly linked to SAR operations.

Contact
Fanny Lossy
Senior Director for Climate, Environment & Maritime Safety
European Shipowners | ECSA
fanny.lossy@ecsa.eu +32 2 510 61 30