

Framework conditions for an MBM for shipping

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The framework conditions for an MBM presented hereby are aimed at bringing forward the requirements under which the international negotiations at IMO are not derailed and all segments of the sector are provided with all flexibility needed to adapt.

I. General comments

1. A global approach remains the cornerstone of ECSA's engagement in the technical discussions with the Commission and the consultants. An EU ETS for shipping would undermine the international negotiations at the IMO level. It would increase political tension with third countries, potentially leading to trade disputes.
2. An EU ETS for shipping would have relatively little impact on the sector's global GHG emissions and, if they delay further progress at IMO, could impact negatively on their current downward trajectory.
3. An EU ETS for shipping as designed for other sectors, is not fit for purpose and does not take into account the special characteristics of the sector. It would increase the operating costs and the administrative burden especially for small and medium-sized enterprises (SMEs).
4. The revenues from the EU ETS as designed for other sectors, will not facilitate the energy transition of the sector. Revenues should instead support R&D and innovation projects for low- and zero-carbon fuels and propulsion technologies, taking into account that such fuels/technologies do not currently exist for shipping. Revenues should also contribute to bridging the price gap between conventional and low- and zero-carbon fuels.
5. An EU ETS for shipping as designed for other sectors, will have a disproportionate impact on the competitiveness of European shipping sector.

Notwithstanding these remarks, the following framework conditions should be considered by the Commission if it proceeds with the development of proposals for an EU MBM.

II. Framework conditions

1. An MBM should be scalable, consistent and compatible with a future IMO MBM. It should be fully aligned with an IMO MBM once it is introduced.
2. An MBM should provide a level playing field across all companies of the sectors and should not lead to a distortion of competition and a two-tier market. In this regard, lowering the GT threshold for international trade of cargo and/or passengers under the EU ETS is supported. Ships, which do not compete internationally, or which operate solely in coastal waters of a Member State and/or

fulfil public service obligations (such as dredgers, domestic island ferries, tugs and other specialised shipping services) shall be exempted from the scope.

3. An MBM should not incentivise or lead to a shift of cargo and passenger transportation activities from sea to road.
4. An MBM should prevent carbon leakage in shipping, i.e. an emissions increase outside its scope.
5. An MBM should not penalise early movers and companies that have invested in more efficient ships.
6. An MBM should not result in an increase of administrative costs especially for SMEs.
7. A fund under an MBM for CO₂ emissions should be set up as recommended by the ECSA/ICS study¹. All revenues generated should also support R&D and innovation projects for low- and zero-carbon fuels and propulsion technologies taking into account that such fuels/technologies do not currently exist for shipping. Revenues should also contribute to bridging the price gap between conventional and low- and zero-carbon fuels, that are not currently eligible for EU funding.
8. The geographical scope of an MBM should be limited compared to the EU MRV scope in order to avoid political tension with third countries, which could lead to trade disputes and discriminatory measures against EU vessels by other jurisdictions.
9. The baseline for any emissions reduction target should use 2008 emissions as the baseline year consistent with the Initial IMO Strategy on GHG emissions.
10. A phase-in period will be necessary to provide investment signals and allow learning from participants. It would also allow regulators to identify potential errors in the design of the scheme. During the first phase, only a certain part of a ship's emissions should be covered by an MBM, gradually increasing to 100%.
11. The commercial operator should bear the costs of the EU ETS.
12. Special conditions should apply to ice-classed vessels due to their special characteristics that may increase fuel consumption and emissions when sailing in open water and in ice conditions. Therefore, compliance costs may increase significantly, penalising ships carrying goods and passengers in regions with ice conditions.

¹ <https://www.ecsa.eu/sites/default/files/publications/ECSA-ICS-2020-Study-on-EU-ETS.pdf>