

EU Emissions Trading System (ETS)

As from 1 January 2024 maritime emissions will be included in the EU ETS, a trading system for emissions allowances, which has been in effect since 2008 for other industry sectors. Initially, the directive will only apply to vessels over 5,000 gross tonnage (GT) that have been monitoring and reporting their carbon dioxide (CO₂) emissions under the European monitoring, reporting and verification system (EU MRV) since 2019.

The main obligation imposed by the EU ETS is that shipping companies must acquire and submit allowances (**EUAs**) for their carbon dioxide (CO₂) emissions. This must be done for all emissions on trips between EU and EEA (European Economic Area) ports (including emissions while ships are at berth), as well as 50% of the emissions from trips between the European Union or the EEA and third countries. Trips between the EU and UK will be treated as intra EU trips. If a company does not submit sufficient allowances, a fine will be imposed.

The EU ETS application to shipping will follow a staggered approach. Shipping companies must submit allowances for 40% of their emissions in 2024, rising to 70% in 2025. The directive will apply in full force from 2026. From then onwards, shipping companies will also have to submit allowances for emissions of methane (CH₄) and nitrogen oxide (NO_x), in addition to carbon dioxide (CO₂).

The price of the allowance, the EUA, is variable, and determined by the market. The available amount of emission allowances will gradually be reduced to support the goal of net zero emissions in 2050.

Transfennica is committed to minimizing the effects to our customers and is evaluating the effects of all the operational and technical measures to achieve the correct and fair cost of the **Emission Adjustment Factor (EAF)** in different trade routes. These additional costs will have an impact on the shipping rates.

As from 1.1.2024 Transfennica will charge a Separate **EAF** based on projected average carbon dioxide (CO₂) emissions per cargo unit and the variable cost of the EUA.

There will be an observation period, an announcement and a period of validity, in line with the present BAF.

We will keep you informed of further developments.

More details on the EU ETS on the following website:

[EU Commission website](#)

<https://tradingeconomics.com/commodity/carbon>

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