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Law Firm

THE IMPLEMENTATION OF THE EU ETS FRAMEWORK TO THE GREEK SHIPPING SECTOR



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- **This Memo Concerns:** Ship owners, charterers, verifiers and administering authorities.
- **The Reports Benefits:** Reducing Greenhouse Gas Emissions cost-effectively.
- **Entry into Force:** As of 1 January 2024, shipping companies should monitor their maritime emissions.

I. Introduction

The recent extension of the European Union Emissions Trading System (EU ETS)¹ to incorporate shipping companies is a pivotal development in environmental regulation, significantly impacting the maritime transport sector. This extension is especially pertinent for Greek shipping companies, which constitute a

¹ European Commission, Climate Action, more information about the EU Emissions Trading System (EU ETS) can be found here: https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets_en



major part of the EU's fleet. Understanding the nuances of both the EU and Greek legal frameworks in this context is essential for compliance and strategic navigation of the new regulatory landscape.

II. EU ETS Framework for Shipping Companies

The EU ETS's extension to shipping introduces a comprehensive system for monitoring, reporting, and verifying (MRV) greenhouse gas emissions. Since 2018, shipping companies have been mandated to report emissions through the THETIS-MRV platform,² a requirement that will continue under the revised MRV Maritime Regulation³ and ETS Directive.⁴ This systematic approach to emissions reporting underscores the EU's commitment to reducing maritime transport's environmental footprint and aligns with global efforts to combat climate change.

With the inclusion of shipping in the EU ETS starting from January 1st, 2024, shipping companies will enter a new era of environmental accountability. This integration signifies a major shift in the maritime industry, mandating comprehensive emissions reporting, verification, and the purchase of emissions allowances. The regulations apply to **all cargo and passenger ships over 5.000 gross tonnages**, encompassing both intra-EU voyages and a portion of international voyages linked to the EU.

In this context, shipping companies are required to purchase and surrender (utilize) EU ETS emission allowances for each ton of reported CO₂ (or CO₂ equivalent) emissions within the EU ETS system's scope. In order to ensure a seamless transition, during the initial phase-in period, shipping companies are obligated to surrender allowances for only a portion of their emissions. More specifically, for the year **2025** they must surrender allowances for 40% of their emissions reported in 2024, for the year **2026** they must surrender allowances for 70% of their emissions reported in 2025. Subsequently, starting from **2027 onwards** they must surrender allowances for 100% of their reported emissions.

III. Greek Legal Framework and Industry Response

The Greek shipping sector, a significant part of the EU's maritime fleet, faces both challenges and opportunities with these changes. Greek shipowners and operators are expected to navigate this transition, balancing compliance with strategic adaptations. The emphasis on the "polluter pays" principle signifies a more accountable and environmentally conscious maritime industry. The Greek shipping community's proactive engagement with these regulations will be vital in shaping their effective implementation and in contributing to the global effect of maritime decarbonization.

² The EU-MRV system to report CO₂ emissions from ships according to the EU Regulation 2015/757 can be found here: <https://mrv.emsa.europa.eu/#public/eumrv>

³ Regulation (EU) 2023/957 of the European Parliament and of the Council of 10 May 2023 amending Regulation (EU) 2015/757 in order to provide for the inclusion of maritime transport activities in the EU Emissions Trading System and for the monitoring, reporting and verification of emissions of additional greenhouse gases and emissions from additional ship types (Text with EEA relevance), PE/10/2023/REV/1, available at [<https://eur-lex.europa.eu/eli/reg/2023/957>].

⁴ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (Text with EEA relevance), OJ L 275, 25.10.2003, p. 32–46, available at [<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32003L0087>].



Furthermore, the establishment of a sector-dedicated Ocean Fund has been a significant positive development.⁵ This fund is envisioned to reinvest a portion of the revenues from EU ETS allowances into the decarbonization of the shipping industry, a move that aligns with the Greek shipping community's commitment to environmental sustainability.

IV. Implications for Greek Shipping Companies

For Greek shipping companies, the extension of the EU ETS necessitates a reevaluation of operational strategies, focusing on emission reduction and efficient fuel usage. Compliance with these new regulations is not just a legal necessity but also an opportunity to contribute to the global effort of decarbonizing maritime transport. Financial planning will be essential to accommodate the costs associated with purchasing allowances and potential penalties for non-compliance.

V. Conclusion

This pivotal juncture in the shipping industry demands a proactive stance, particularly from Greek shipping companies. The regulatory shifts call for a reevaluation of operational strategies, emphasizing emission reduction, optimal fuel usage, and adoption of sustainable maritime practices. The shipping industry shall comply with the abovementioned legal framework but also contribute significantly to advancing the broader environmental objectives of the EU and the global community. This includes reducing GHS emissions and achieving decarbonization within the shipping sector by 2050.

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⁵ REPORT on the proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757, 24.5.2022 - (COM(2021)0551, available at [https://www.europarl.europa.eu/doceo/document/A-9-2022-0162_EN.htm]).

