



World
Shipping
Council

**Comments of the
World Shipping Council**

Submitted to the European Commission

**Response to call for feedback on
EU ETS Shipping emissions - rules on monitoring & reporting,
Draft delegated regulation and Annex - Ares(2023)5359349**

30 August 2023

The World Shipping Council (WSC) is a non-profit trade association that represents the liner shipping industry, which is comprised of operators of containerships and transoceanic vehicle carriers. Together, WSC's members operate approximately 90% of the world's liner vessel services including more than 5,000 ocean-going vessels of which more than 2,000 vessels make more than 16,000 calls at EU ports each quarter (EuroStat and EU MRV data). The World Shipping Council (WSC) and its Member companies are pursuing ambitious global climate goals and supporting policy actions as part of our work to shape the future growth of a sustainable, safe, and secure shipping industry.¹

WSC supports the development of appropriate GHG pricing mechanisms that effectively narrows the price differential between conventional fossil fuels and renewable marine fuels. We recognize that including maritime sector in the regional EU Emissions Trading System has potential to help in this regard. **Our main requirement is that tank-to-wake pricing of GHGs for maritime inclusion in the EU ETS produce economic signals that promote the uptake of the best performing candidate fuels for reducing GHGs in shipping.**

- WSC supports the reporting of CO_{2eq} emissions as a composite of each major GHG with its respective global warming potential over a 100-year time horizon (GWP₁₀₀). Annex I of this draft delegated regulation provides explicit methodology for calculating CO_{2eq}. By requiring for maritime a single emission metric inclusive of all GHGs, the EU ETS requires maritime to monitor, report, and purchase/surrender allowances related to marine fuels that are currently fossil derived.
- We note with support that no later than 31 December 2026 the EU ETS will need to consider how to best account for the uptake of renewable and low-carbon maritime fuels on a lifecycle basis. The essential function of a CO_{2eq} price on GHG emissions is to create an economic signal aligned with the transition to renewable marine fuels with near-zero GHGs inclusive of production, supply, and consumption. When the Commission considers the full lifecycle performance of fuels in the maritime sector – importantly including renewable fuels from biomass and non-biological origins – requirements for EU ETS allowances can be adjusted so that marine fuels with the best lifecycle performance are not disadvantaged by distorted GHG pricing.
- We also support the direction provided by co-legislative agreement that implementing acts shall provide for application of sustainability and GHG-saving criteria for biomass and accounting for renewable fuels of non-biological origin (RFNBOs). Within EU ETS, this can avoid double counting while aligning allowance purchase requirements with renewable energy directive requirements for zero-rating of GHG emissions from specific fuels. WSC notes that a key advantage of lifecycle considerations to be applied after 2026 is that zero-rating can be treated as temporary, replaced by actual GHG reductions across the lifecycle for qualifying fuels.

¹ A full description of the Council and a list of its members are available at www.worldshipping.org.

Our primary suggestions for improvement focus upon two corrections in the delegated act Annex that will ensure implementation of the revised EU ETS Directive aligns with the co-legislative agreement for including maritime.

- **First, while Annex I presents an explicit methodology for calculating Tank-to-Wake CO_{2eq} emissions from maritime operations, Annex II, Part C, paragraph 1.2 fails to follow this methodology by specifying a CO₂ emission factor for computing rather than a CO_{2eq} emissions factor (inclusive of all GHGs reported by maritime).** The requirement to make “any necessary adjustments for application under this Directive,” as required by the revision of the EU ETS Directive, clearly would include all maritime GHGs in the determination of the CO_{2eq} emissions factor in Annex II, Part C, paragraph 1.2.
- **Second, in Annex II, Part C, paragraph 1.2, zero rating of GHGs as required to align with Directive (EU) 2018/2001 and Implementing Regulation (EU) 2018/2066 needs to apply to all GHGs to be reported in EU ETS.** For the maritime sector that necessary and explicitly includes all emission factors related to carbon dioxide, methane, and nitrous oxide. The agreed revisions to Directive 2003/87/EC includes in Annex IV, Part A, Calculation, the following text: ‘The emission factor for biomass *that complies with the sustainability criteria and greenhouse gas emission-saving criteria for the use of biomass established by Directive (EU) 2018/2001*, with any necessary adjustments for application under this Directive, as set out in the implementing acts referred to in Article 14, shall be zero.’ Maritime fuels in EU ETS must account for three GHGs, not only for CO₂ – as evidenced by Annex I of this delegated act. The revised ETS Directive requires “necessary adjustments for application” to apply to the CO_{2eq} emissions that are reported for maritime. Therefore, this delegated act should assign a zero rating to the CO_{2eq} emissions from renewable fuels qualifying for zero rating or other allowance discounting.

The consequences of the current text are substantial and undermine the purpose of the EU ETS to send a CO_{2eq} price signal that adds economic motivation to use renewable forms of marine fuels that can achieve near-zero GHG performance. In comparison with fossil-derived versions of ammonia, methanol, and methane, the EU ETS adjustment when properly applying a zero-rating to the allowance accounting of renewable ammonia, methanol, and methane would reduce the EU ETS costs by ~87%, ~94% and ~95%, respectively. However, because of non-CO₂ GHGs in the Tank-to-Wake phase of the lifecycle, renewable ammonia, methanol, and methane would be priced more similarly to their fossil-derived versions, with a reduction in EU ETS costs of 0%, ~91%, ~36%, respectively. For emphasis, this suggests that renewable ammonia would face the same EU ETS pricing as fossil ammonia, simply because the GHGs reported on a CO_{2eq} basis did not include carbon dioxide itself. **This outcome is certainly very undesirable and would fail to provide the necessary incentive for renewable ammonia.**

Additional suggestions to the terminology in Annex I would support longer term relevance. The term “LNG” refers by definition to “liquefied natural gas” and the term “LPG” refers by

definition to “liquefied petroleum gas”, both fossil-based fuels. This terminology is appropriate for fossil fuels in the Annex I tables, but less so for renewable fuels. Referring to Biofuels with the abbreviation Bio-LNG would be a misnomer; a more appropriate term is Bio-methane as represented (or perhaps bio-CH₄). Similarly for RFNBOs, suggested terms would be “liquefied e-methane” and “renewable liquid gas” or similar.

Should any of the above comments merit further discussion, please contact Jim Corbett, Environmental Director for Europe, World Shipping Council, at jcorbett@worldshipping.org