

# ECASBA European Seminar 2022



## EU ETS – FIT for 55

**A White Knight for environment and a Black Knight for EU based transhipped cargoes?**

**International Maritime Union in Greece**



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## Background on EU ETS – Fit for 55

- Human activities raised the average global temperature by 1.07C compared to 1900 AD
- In 2015, the Paris Agreement set an ambitious target for keeping global warming below 1.5C
- If global temperature is increased by 1.5C, mean sea level will rise to between two and three meters above current levels, flooding a vast number of sea side or near sea side cities
- The International Maritime Organization (IMO) and the European Union (EU) considered mandatory measures to reduce emissions of greenhouse gases (GHG) from international shipping
- On July 2021, the European Commission presented its Fit for 55 package which included shipping in the EU Emissions Trading System (ETS), a proposal that is still being negotiated between the EU members
- Several EU port authorities and shipping associations, International Maritime Union in Greece included, have expressed serious concern about the Fit for 55 EU package
- **Concern is not for its necessity but for the, so far, proposed way of its application**



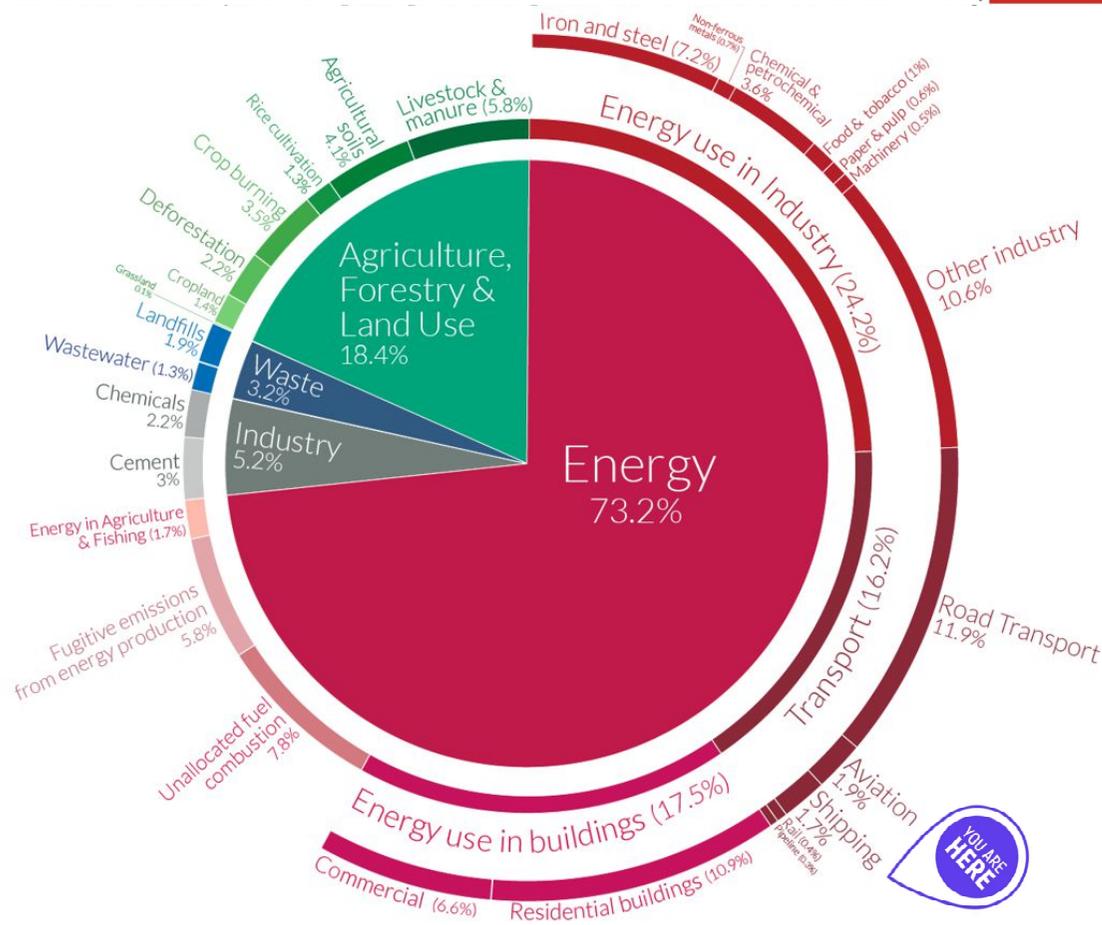
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# Global greenhouse gas emissions by sector

Our World in Data

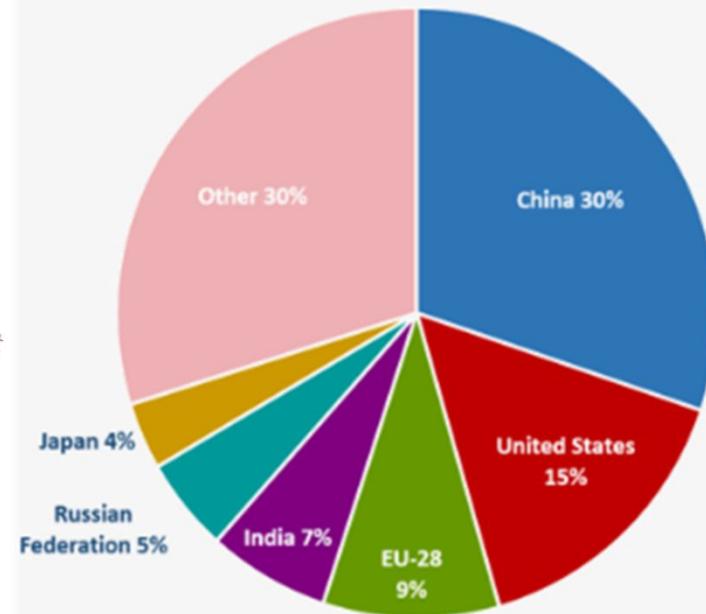


OurWorldinData.org – Research and data to make progress against the world's largest problems. Source: Climate Watch, the World Resources Institute (2020).

# Who is who on pollution

According to Oceana Organisation, three percent (3%) of global carbon dioxide emissions can be attributed to ocean-going ships that carry over 90% of world's trade

If Shipping was a nation would be just after Japan and same as Germany in pollution terms



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## Key points of European Commission proposal on EU ETS – Fit for 55

- The Commission's ETS proposal **follows vessels and not cargo**. This means that it requires that shipping companies purchase allowances for:
- 50% of emissions from voyages departing from an EU port to a non-EU and via versa  
100% of emissions from voyages between EU ports and from ships at berth in an EU port
- European Commission proposed a phase-in period, meaning that shipping companies would be required to hand in allowances according to this schedule: 20 % of verified emissions reported for 2023, 45 % for 2024, 70 % for 2025 and 100 % for 2026 and each year thereafter. **But no protection whatsoever for an EU port at risk of cargo flows carbon charges related leakage to a non EU port nearby**
- IMU together with Piraeus Port Authorities have vividly expressed their worries and made the following proposal to be adopted by the Greek participant in the EU negotiations on Fit for 55:
- Adoption of **"polluter pays"** principle, ie the ETS charges to follow the cargo and not the vessel, minimizing in that way potentiality of carbon leakage
- 800 nautical miles radius ports of call prior to Piraeus not to be counted as ETS zeroing out factor
- 100% of emissions from a non EU port to EU port to be charged as a carbon leakage protection
- Extra charges on feeder vessels calling an EU port from a non EU port so to keep Transshipment in EU



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## Key points of European Parliament adoption on EU ETS – Fit for 55

- On June 2022, the European Parliament adopted its version of the legislation with changes to the proposal of the European Commission
- It suggests changes to voyages between EU and non-EU ports, where the percentage is increased to 100%. This significantly increases the reach of the EU ETS beyond Europe.
- Furthermore, the version of the European Parliament abolishes the phase-in period, instead applying the ETS for 100% of emissions from 2024.
- The position of Parliament **also introduces the concept of a port at risk of carbon leakage, de facto applying the ETS carbon price to ports within 300 nautical miles with a transshipment share exceeding 60%**. Meaning the cost of shipping could also increase for voyages to/from ports that meet these criteria, **even if they are further outside the EU**, in essence pushing the geographical spread of the last/first port before/after the EU.
- Piraeus to Port Said distance is 590 nm, to Damietta is 572 nm, even from the most southern part of Greece, Egyptian ports are well over 300 nm.
- We have requested a written explanation on what is considered as the starting point for counting these 300 nmiles. Actual port? National borders? Or last EU soil? The latter case is our savior since Cyprus is less than 300 nautical miles from the major Transshipment ports of Egypt



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## **Next actions of IMU on EU ETS**

- **Crystal Clear Clarification on these ambiguous 300 nautical miles**
- **Greek ports have a combined (import & export) containerized volume of apprx 7 million Teus per year**
- **Out of these 7 million Teus handled in Greek ports, only 500,000 Teus are local Greek cargoes**
- **Piraeus Port is a major transshipment center for the Mediterranean basin and with all due respect to the environment and to the good cause of decarbonization, Piraeus should remain a big T/S port**
- **Together with Piraeus Port Authorities and Hellenic Ports Association we will continue to push Greek government to ensure that EU Parliament will finally adopt a legislation that will both protect the environment and will at the same time safeguard the EU countries' financial interests**
- **EU Parliament has shown even lately that decisions taken with a good cause in reasoning may actually backfire and shoot EU in the leg, while failing to achieve the origin good cause**



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