



Implementing EU Emissions Trading System (ETS) from 1 January 2024

11/10/2023

Climate change is a global challenge that we must address collectively, and shipping will play its part. As with other industries, we will be reducing our greenhouse gas emissions progressively in line with global, regional and national legislation.

MSC takes its commitment to decarbonization extremely seriously. We are already reducing fleet emissions to provide a competitive shipping solution for you and remain committed to our own goal of net zero across the entire MSC ocean fleet by 2050. We continue to make progress through a robust newbuilding programme; retrofitting existing vessels; actively managing fleet performance and voyage optimisation; increased use of transitional lower carbon fuels such as biofuel; and the future adoption of alternative fuels.

As part of this, the European Union Emissions Trading System (EU ETS) will become effective from January 1st, 2024, in the shipping sector. The purpose of this customer advisory is to update you on how these changes will impact on our contractual agreements while more detailed information can be found [here](#).

What is the EU ETS?

The EU ETS, or Emissions Trading System, sets a “cap” on the emissions that companies in certain industries produce and requires them to obtain allowances that equal their emissions above the cap at the end of each year. As other industries under the EU ETS do today, MSC and fellow ship operators will now need to purchase and surrender ETS emission allowances, or EU Allowances (EUAs), for each ton of CO₂ emissions reported under the scope of the system.

Where does EU ETS apply to shipping emissions?

All emissions from ships calling at an EU port for voyages within the EU (intra-EU) as well as 50% of the emissions from voyages starting or ending outside of the EU (extra-EU voyages), and all emissions that occur when ships are at berth in EU ports will come under the remit of the EU ETS. A phased-in approach of EU ETS will be implemented for our industry over the next three years that will see 40% of total verified emissions calculated from 2024, 70% in 2025, and 100% in 2026..

How will our contracts be impacted?

As a result of the EU ETS implementation, we anticipate higher operating costs to be compliant. Customers will therefore contribute to this added cost through a manifested surcharge called ETS. The surcharge will be applied to all Spot and Long-term contracts, existing and new ones. Furthermore, given the phased-in approach decided by the EU, we expect the cost of compliance to increase over time, further impacting operating costs for the next three years. ETS will be reviewed monthly based on a benchmark public index for EUA prices. Each trade, comprising a number of MSC services, will have its own charging structure for inbound and outbound as well as roundtrip cargo. As an illustration, we have provided below an estimation of the ETS based on a market value of carbon allowances of circa EUR 90 per ton of CO₂ with the phased in approach of 40% that will apply from 1 January 2024, while future calculations will be made using the Carbon Credit Pricing Index [here](#):

Trade	EUR Surcharge per dry TEU	EUR Surcharge per reefer (TEU)
Far East to North Europe	22	33
North Europe to Far East	13	20
Far East to Mediterranean	18	27
Mediterranean to Far East	14	21
India - Red Sea - Middle East to Europe	21	31
Europe to India - Red Sea - Middle East	15	23
NAM (USA, Canada & Mexico) to Europe	18	27
Europe to NAM (USA, Canada & Mexico)	37	56
Oceania & Indian Ocean Islands to Europe	13	20
Europe to Oceania & Indian Ocean Islands	48	72
South Africa to Europe	27	41
Europe to South Africa	27	41
South America East Coast to Europe	16	24
Europe to South America East Coast	16	24
South America West Coast to Europe	31	47
Europe to South America West Coast	19	29
West Africa to Europe	44	66
Europe to West Africa	40	60
Mediterranean to North Europe	21	31
North Europe to Mediterranean	21	31
Intra Mediterranean	17	26
Intra North Europe	36	54

Please note these surcharges will be subject to change and we will ensure you remain updated on further developments concerning the implementation of EU ETS.

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