

## **Subject: Application of the Polluter-Pays Principle to Shipping EU ETS**

We, the undersigned, write to express our support for the EU shipping legislative package to decarbonise the shipping sector but convey belief that to ensure the environmental integrity of the proposals the below points should be considered. In addition, we're of the view that a modal shift towards transport modes (e.g. trucking) which have a higher carbon intensity should be avoided and therefore we believe the EU ETS should be applicable to all transport sectors.

### **The gross tonnage threshold and the inclusion of other ship types must be reconsidered**

The current exemptions for ships under 5,000 Gross Tonnes (GT) and ship types not carrying cargo or passengers are set to exempt 25.7 million tonnes (Mt) of CO<sub>2</sub>. As well as being environmentally unsound, this poses a serious risk of creating a two-tier market. Labour and environmental standards may also be weakened as shipowners will have an incentive to reduce space within the ship for accommodation or safety to fit under the 5,000 GT limit thus to avoid ETS costs. We believe that GT is not the best parameter and that a ship's carbon emissions should decide its payment.

In order to include smaller cargo and passenger ships below the proposed 5,000 GT threshold, the threshold of the Monitoring, Reporting and Verification (MRV) Regulation should be moved to 400 GT for cargo and passenger carrying ships, so all ships above this size report their emissions. This would avoid market distortion for ships above 5000 GT, accelerate decarbonisation of smaller ships and cover 15.1 million tonnes more emissions than the current proposals.

Ships and maritime activities that are currently not under the scope of EU MRV (e.g. offshore, marine construction vessels, etc.) should be introduced at a later stage after a phase-in period. The phase-in period should be used to establish an appropriate EU MRV which fits for these specific maritime activities, since they don't operate between two ports and have a different operational profile compared to cargo and/or passenger trade.

Ship types that do not compete internationally, and which operate solely in EEZ waters of a Member State, should be excluded.

### **Ensure revenues are geared towards maritime decarbonisation**

Dedicated financial support is needed for the maritime sector to develop and operate zero-emission vessels. As such, a dedicated financial mechanism for shipping must be adopted by the Parliament and Council and should include support for R&D as well as the deployment of clean fuels through Carbon Contracts for Difference (CCfDs) and for the corresponding supply chain investments. CCfDs are operational subsidies that serve to bridge the price gap between dirty and clean fuels, thereby ensuring demand and deployment of clean fuels and providing investor confidence for financial investments in those fuels. The build-up of clean fuel supply chains - from renewable energy generation and electrolyzers to hydrogen, e-ammonia and e-methanol infrastructure, shore-side electricity and ship-side investments - require significant financial support. Only a dedicated financial mechanism and maritime CCfDs would ensure enough business and investor confidence to guarantee shipping's green transition.



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