

EU ETS – WE ARE READY – ARE YOU?

What is the EU ETS?

The EU Emission Trading System (EU ETS) is part of the EU's strategy to combat climate change. The ETS is built on the cap-and-trade-principle, where the EU sets a limit on total greenhouse gas (GHG) emissions and issues a limited number of emission allowances which can be bought or traded. Each year, the cap is progressively lowered, ensuring that the EU's goal to achieve a 55% reduction in total GHG emissions by 2030 compared to 1990 levels is met, while ultimately working towards climate neutrality by 2050.

As of January 1st, 2024, the shipping industry will be included in the EU ETS. This entails:

Shipping companies with ships trading in the EU/ EEA are required to surrender emission allowances corresponding to a certain amount of its GHG emissions emitted over a calendar year, starting in 2024.

Applies for all vessels of 5.000 gross tonnage and above entering EU ports, regardless of flag.

100% of emissions on voyages and port calls within the EU/EEA and 50% of emissions on voyages into or out of the EU/EEA are subject to the EU ETS

There will be a three-year phase-in for shipping, where 40% of the emissions reported in 2024 must be paid for in 2025, 70% of the emissions reported in 2025 must be paid for in 2026 and 100% of emissions reported in 2026 must be paid for in 2027.

By 31 March each year from 2025, a verified company emission report must be submitted to the administering authority. The company emission report aggregates the emissions within the scope of the EU ETS reported.

EU ETS - Utkilen AS

We are strongly committed to and are continuously working on how to reduce our impact on the environment. Our main goals are:

- Improve our environmental performance every year.
- Zero-emission technology on all newbuildings ordered after 2030.
- Reduce the CO2 per transport work by 50% by year 2030 compared to baseline year 2008.
- Become climate neutral by year 2050.

The inclusion of the shipping industry in the EU ETS will provide an important incentive for shipping companies to cut the emissions in the supply chain. Each customer will be responsible for the emissions associated with the transportation of their cargo. Utkilen is already providing many customers with the CO2 footprint for their cargoes. Our systems provide accurate CO2 accounts after each voyage, and we prefer to work with our customers on a transparent and open book principle. In our business there are various factors influencing the emissions on each voyage – however we can assure you that we aim to find the best solution that optimize efficiency for our entire fleet and our customers while minimizing the carbon footprint. In addition, we want to work with each of our customers to find a flexible and efficient way to settle due allowances or the cost for such allowances.

Further details will be provided in due course. Our goal is to offer a transparent, eco-friendly, and cost-effective service in line with our sustainability objectives.

Utkilen is deeply committed to sustainability. We are currently working on a project to invest over USD 10 million in various energy-saving technologies on board our vessels to reduce emissions from 5 to 15% per ship. In addition, we are investing in LNG propulsion on four of our existing vessels as well as four newbuilds reducing the emissions significantly. Going forward we will be able to offer further emission reduction and lower ETS cost to our customers by supporting blending in of biodiesel and/or biogas.

You can read more about the inclusion of the shipping industry into the EU ETS [here](#).