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**BY EMAIL ONLY**

TBD January 2024

**Consultation reference: UK ETS scope expansion to maritime sector**

Dear Emissions Trading Scheme,  
  
Thank you for the opportunity to respond to the proposals for expanding the UK Emissions Trading Scheme (UK ETS) to the maritime sector, published on 28 November 2024.

The UK Chamber of Shipping is the trade association for UK shipping, representing over 200 members across the maritime industry, including shipowners, ship operators, insurers, classification societies, law firms, and other maritime service providers. Collectively, our members operate more than 800 vessels globally across all sectors of the industry, including dry (container and bulk) and wet (tanker) trades, passenger transport (cruise and ferry), offshore supply and construction, towage, and specialist vessels (hydrographic and cable-laying).

We support this consultation as representing an important step towards the decarbonisation of the UK’s shipping industry. The UK Chamber fully supports the UK’s commitment to achieving net zero by 2050 and its leadership on domestic and international climate goals. We warmly welcomed the launch of the Government’s Clean Maritime and Transport Decarbonisation Plans and were proud to work closely with the UK Government and international partners in 2024 to secure the International Maritime Organisation’s commitment to a net-zero GHG emissions target by 2050, consistent with the Paris Agreement goal of limiting global temperature rise to 1.5°C above pre-industrial levels.

In preparing for the expansion of the UK ETS to maritime, we would like to highlight our *Lessons Learned* document, shared with HM Treasury, DESNZ, DfT, and the MCA in October 2024. This document draws on industry insights from the ongoing implementation of the EU ETS and outlines recommendations to help the UK Government anticipate and address challenges during the rollout of the maritime sector's inclusion in the UK ETS. A copy of this document is included as Annex 1 as a supplement to our response, as its recommendations underpin many of the points we raise in this submission. Drawing on this experience, our response aims to offer practical, evidence-based solutions to mitigate potential challenges as the scheme expands to maritime.

It is critical to recognise that shipping remains the most carbon-efficient mode of transportation and a vital part of the solution to achieving the UK’s climate goals. Domestic maritime emissions account for approximately 1% of UK emissions, having successfully decreased by 45% between 1990 and 2020 despite increased shipping activity. These reductions reflect significant investments in alternative fuels, technology, and operational efficiency improvements by our members. As an island nation dependent on shipping— facilitating 95% of trade by volume and contributing £116 billion in turnover annually, as well as over 1 million UK jobs—it is essential that the industry be supported to remain competitive while driving decarbonisation forward.

Our response to the consultation below aims to reflect the consolidated views of our diverse membership, with a focus on aligning the UK ETS with international frameworks, ensuring operational feasibility, and maintaining the competitiveness of UK shipping. We look forward to continuing our collaboration with the government to ensure that the UK ETS supports both national decarbonisation goals and the long-term success of the maritime industry.

Yours sincerely,

Francesco Sandrelli

Environmental Policy Director

UK Chamber of Shipping

# Section A: Implementing the UK ETS for maritime

***Definition of a domestic voyage***

**1. Do you agree with the proposed definition of a domestic voyage? (Y/N) Please explain your response, providing evidence where possible.**

The UK Chamber supports the proposed application of the UK ETS to domestic voyages and welcomes the government’s commitment to addressing emissions from international shipping through the International Maritime Organization (IMO). The proposed definition of domestic voyages—journeys that start and finish in a UK port (e.g., Southampton to Dover, but not Dover to Calais)—is consistent with IMO GHG Study inventories and the Intergovernmental Panel on Climate Change (IPCC) guidelines.

We welcome the clarification concerning journeys that return to the same port, and the amendment to include “one-port” journeys within the definition. However, while we understand the intention to capture emissions from all domestic voyages, including those to offshore installations, using a definition based around the concept of “ports of call” may not be appropriate for the offshore sector and other specialised vessels. We consider that certain elements of the proposed approach—such as the inclusion of emissions from offshore vessels and activities at berth—also exceed what is reasonable for the intended domestic scope of the scheme.

1. **Offshore Vessels**

The offshore sector includes a wide range of vessel types engaged in activities such as servicing offshore energy installations, hydrographic research, aquaculture, dive support, construction, cable laying, and decommissioning. These vessels typically do not carry cargo or passengers, nor do they operate between ports; instead, they travel from a port to offshore fields or developments. Using "ports of call" as the basis for reporting emissions from these vessels fails to account for their unique operational profiles and could result in compliance challenges.

The UK Chamber has raised these concerns with DESNZ, DfT, and HM Treasury on multiple occasions, as well as in our *UK ETS: Lessons Learned* document, shared with the government in October 2024. This document, attached as Annex 1 to this consultation response (and linked here:<https://www.ukchamberofshipping.com/sites/default/files/2024-11/UK%20ETS%20Lessons%20Learned.pdf>) highlights practical recommendations to address challenges, including those affecting offshore vessels.

In the EU, the inclusion of offshore vessels in the EU MRV system (effective from January 2025) followed extensive consultation in 2024. Stakeholders, including shipowner associations, classification societies (e.g. as verifiers), and national administrations, highlighted two primary challenges:

1. The diversity of vessel types within the offshore sector.
2. The operational complexity of vessel movements and using ports of call as the reporting basis.

A comprehensive overview of the responses to this consultation can be found here: <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14330-Greenhouse-gas-emissions-from-offshore-ships-and-zero-rating-of-sustainable-fuels-monitoring-and-reporting-update-_en>.

In particular, the UK Chamber would like to highlight the European Community Shipowner’s Associations (ECSA) response and the UK Chamber’s response, attached separately to the email submission of our response for reference and further detail on the above issues.

Additionally, the CE DELFT Report on ‘Extension of the EU ETS to the Offshore Sector) provides an in-depth analysis of the challenges facing the offshore sector with the current approach (<https://cedelft.eu/wp-content/uploads/sites/2/2024/02/CE_Delft_230387_Extension_of_EU_ETS_to_the_offshore_sector_Def.pdf>).

The European Commission has acknowledged these challenges and is establishing a sub-group within the European Sustainable Shipping Forum (ESSF) in 2025 to develop fairer, more practical rules for the offshore sector under the EU MRV and ETS frameworks that limit market distortion (<https://transport.ec.europa.eu/transport-themes/sustainable-transport/european-sustainable-shipping-forum_en>).

The UK Chamber makes the following recommendations in relation to the application of the UK ETS to the offshore sector:

* **Alignment with the EU:** The UK ETS extension to offshore vessels should align with the EU ETS start date of 1 January 2027 to avoid market distortions and ensure a level playing field for UK-based operators. All else being equal, an earlier start date in the UK risks incentivising evasive behaviour, such as operators avoiding UK ports. Alignment on timing will help with certainty and clarity on how, where and when offshore vessels will need to comply for their operations and for which ETS. Otherwise, there is a clear risk of double payments and evasive behaviour of the system(s).
* **Harmonisation of Rules:** The UK government should continue discussions with EU officials to ensure consistent and fair regulations for offshore vessels, minimising the risk of double payment or compliance overlaps.
* **Clear Guidance:** Provide targeted guidance for offshore vessels to reduce administrative burdens and clarify compliance. This guidance should be harmonised with European regulations to avoid market distortions and overlaps, ensuring consistent application across jurisdictions.

Please refer to Questions 3, 4, 15, and 26 for additional details.

**2. Emissions at Berth**

The proposed inclusion of emissions at berth for vessels over 5000 GT, which would encompass emissions from all vessel movements within UK ports, requires careful consideration of the following issues:

**A. IMO Primacy and Fragmentation**  
 The IMO is currently developing a global economic measure which is expected to include emissions at berth (as these are already recorded in the IMO Document of Compliance - DCS). With the UK actively participating in these discussions, introducing unilateral requirements in the UK from 1 January 2026 risks sending an unhelpful signal, undermining international cooperation efforts (see, for example, the IMO’s reaction in 2017 to the EU ETS: https://www.imo.org/en/MediaCentre/PressBriefings/Pages/3-SG-emissions.aspx ) The UK should prioritise alignment with the IMO process to avoid setting a precedent that encourages other administrations to act unilaterally and cause further regulatory fragmentation.

**B**. **Administrative Burdens**  
To cover emissions at berth, the UK ETS will require the establishment of UK MRV systems, compliance plans, and Maritime Operator Holding Accounts (MOHA) for all international ship operators with vessels of 5,000 GT or above entering UK ports. This will impose a significant and disproportionate administrative burden on ship operators, government agencies, and regulators.

As noted in Questions 25, 26, 30, and 35, there are already concerns regarding the capacity of the UK’s environmental regulators to manage these additional responsibilities. It is critical that all required systems are fully operational well before 1 January 2026, and that specific guidance is issued to stakeholders to ensure clarity and compliance. Additionally, the UK Government will have to ensure that international operators are made aware of these requirements through targeted information dissemination at the international level.

**C. Infrastructure and Incentives**  
In its current design, the scheme risks being perceived as a “pay-to-go" system due to the absence of complementary measures, such as a comprehensive “Fit for 55” package that includes provisions for fuel infrastructure and shore power at ports. Without such measures, the system may fail to achieve its stated environmental objectives and could instead resemble a mechanism for financial penalties without offering operators meaningful opportunities to improve their environmental performance.

The Government should critically assess whether this policy, in isolation, will effectively incentivise the uptake of shore power and alternative fuels. Clarity on what supporting measures will accompany the UK ETS is essential to ensure the scheme drives genuine environmental progress. (See Questions 37 and 38 for further details.)

**D. Tramp Vessels and Emergency Calls**  
The Government should consider introducing a “de minimis threshold” for tramp vessels (i.e. vessels with no scheduled routes or fixed ports of call) and for vessels making emergency calls to UK ports. Similar provisions exist under the EU MRV and EU ETS Regulations, where certain stops are not classified as “ports of call” and are therefore excluded from compliance requirements.

To avoid evasive behaviour, the EU MRV has set strict criteria for defining these stops that are not considered “ports of call.” The UK should align its approach with the EU system as far as possible to maintain consistency and prevent regulatory distortion.

By means of example, Article 3(b) of the EU MRV Regulation specifies that the following stops are not considered as “ports of call”:

* Stops for the sole purposes of refuelling or obtaining supplies (including fodder for vessels transporting animals as cargo);
* Stops for relieving the crew of a ship other than an offshore ship;
* Stops for going into dry-dock or making repairs to the ship and/or its equipment;
* Stops in port because the ship is in need of assistance or in distress;
* Ship-to-ship transfers carried out outside ports;
* Stops made solely to take shelter from adverse weather or rendered necessary by search and rescue activities.

Adopting a similar approach in the UK ETS will ensure fairness for operators and alignment with EU practices while reducing the administrative burden for vessels making occasional or necessary stops.

Please refer to Questions 11 and 12 for further consideration of this issue.

**E. Double Reporting and Payment Risks**  
If, as proposed, the inclusion of emissions at berth intends to cover all emissions at UK ports, including all movements within port limits, there is a risk of overcharging operators when vessels are subject to both the UK ETS and EU MRV/ ETS.

For example, ferries operating between UK and European ports already report emissions under the EU MRV and surrender allowances for 50% of their voyages (to and from the UK). If the UK ETS includes 100% of emissions at berth, these same emissions could be charged again under the UK system, leading to an effective overcharge of emissions beyond 100%.

While emissions related to movements within ports are often minor, in some cases—such as vessels at anchor for extended periods—it may be difficult to accurately distinguish port limits. These situations could amplify the risk of double reporting and overpayment.

The UK Chamber urges the government to investigate this issue further to assess the potential impact on operators and to identify solutions that ensure fairness and consistency between the UK ETS and EU MRV/ETS.

**F. Offshore Installations and EEZs**

The UK Chamber further notes the UK Government’s suggestion that emissions at berth could include those associated with Exclusive Economic Zone (EEZ) activities, such as operations at wind farms or offshore installations. We strongly recommend that the government does not implement this proposal.

As outlined in our responses to Questions 3,4,15, and 26, the inclusion of offshore installations under the scope of emissions at berth would be inconsistent with the operational realities of offshore vessels and the intended domestic scope of the scheme and may result in evasive behaviours.

**2. Do you agree that the proposed definition will capture all relevant domestic emissions? (Y/N) Please explain your response, providing evidence where possible.**

Yes, the UK Chamber believes that the above definition will capture all relevant domestic emissions (see response to question 1 above for a few initial points on the aspects of the scheme pertaining to international voyages, and related concerns). The proposal to conduct a review in 2028 is both reasonable and pragmatic, providing an opportunity to assess potential improvements to the scheme and consider any future expansions.

**3. Do you envisage this definition leading to any loopholes or perverse incentives? (Y/N) Please explain your response, providing evidence where possible.**

Yes, the proposal may lead to several loopholes and perverse incentives within the proposal - The UK Government needs to consider the following:

1. **Emissions at Berth**: Looking to this requirement in isolation it could be seen as a ‘pay-to-go' system as currently the UK does not have, for example, a complete ‘Fit for 55’ package (which includes a Fuel Infrastructure/ Shore power Package for Ports). Without these packages of measures the system does not achieve the environmental objectives proposed but risks operating as a “pay-to-go” exercise with no real possibility for operators to improve their performance. The government should assess whether this policy will improve in practice the uptake of shore power and alternative fuels. Without any other measure, clarity and funding in the UK’s net zero package proposed, the UK Chamber considers it highly unlikely that this policy will have a meaningful impact on shore power uptake (see Questions 37 and 38 for more details).
2. **Offshore Vessels:** As the definition of 1) Vessel type and 2) Vessel Movements required further clarification both at EU and UK level – starting the UK scheme on the 1 January 2026 one year before the EU and with uncertain rules might cause market distortion pushing operators to consider whether or not their voyage needs to start and finish in a UK ports. Please find here a link to the CE DELFT Report ‘[CE\_Delft\_230387\_Extension\_of\_EU\_ETS\_to\_the\_offshore\_sector\_Def.pdf](https://cedelft.eu/wp-content/uploads/sites/2/2024/02/CE_Delft_230387_Extension_of_EU_ETS_to_the_offshore_sector_Def.pdf)’ which explains the issue with current rules.

We suggest to the UK government to wait for the EU to develop fairer and certain rules in 2025 and align with them with a starting date of 1 January 2027**.** It would be useful for the UK government to continue the discussion with their European counterparts about the challenges to ensure a fair use of the rules on offshore vessels. The UK chamber is in discussions with different operators, national associations, classification societies, ECSA which raised issues during the initial consultation. (Please refer to questions 1, 4, 15 and 26).

1. **Administrative Burden on Tramp Vessels:** Considering that the scheme will apply to UK emissions at berth and movement in ports for international voyages, the UK should consider its effect on Tramp vessels (i.e. no scheduled routes or fixed ports of call) which are essential for UK energy security and materials. For example, an oil or gas tanker calling in a UK port for a few voyages bringing gas and oil (or a Dry bulk vessel loading and unloading any cargoes). In these cases, the UK government should establish an appropriate ‘De Minimis Threshold’ (see questions 11 and 12 below) and not require these vessels to be subject to UK Monitoring Plan, MOHA Account and paying of allowance as the administrative burden for both operators and the administrator would be substantial.
2. **Remote Communities and Small Islands:** The consultation recognises that ferry services that serve the Scottish islands and isolated peninsular communities ‘essential life line services’ to these communities. These services will be exempted, and a proposed review will be carried out in 2028 to check whether or not this exemption should be supported. The UK Chamber welcomes this exemption for which they have campaigned, however, for a level playing field and to avoid market distortion, this same derogation needs to be given to all services in the UK (including England and Wales) which will be impacted by the ETS and further risks the continued operation of these routes. Many of these operators (Internal note: further examples are desired!) also have significant plans to electrify their fleets subject to sufficient grid capacity.

* For instance, CalMac has committed to [reducing their fuel consumption](https://corporate.calmac.co.uk/en-gb/sustainability/our-environmental-commitment/) as part of their wider environmental strategy, while a tender was recently launched for seven new electric ferries to serve Scotland (please see here <https://corporate.calmac.co.uk/en-gb/sustainability/our-environmental-commitment/>). WightLink have further pledged to remove [25,000 tonnes of carbon from their operation by 2030](https://www.wightlink.co.uk/community/environment/zero-carbon), having already reduced their carbon footprint by a third since 2007 (please see here <https://www.wightlink.co.uk/community/environment/zero-carbon>).
* Many of our members also have significant plans to electrify their fleets subject to sufficient grid capacity, such as Northlink Ferries who have already [converted two ferries to be able to plug into shore power](https://www.portofaberdeen.co.uk/news/port-of-aberdeen-sailing-towards-net-zero-with-ferry-shore-power-project), cutting emissions while in Aberdeen port helping save over 1300 tonnes of carbon dioxide each year.

Given that the infrastructure for shore power and alternative green fuels is not yet in place, the UK Chamber is calling for a derogation for all lifeline domestic ferry services under the UK ETS, so that they can continue to deliver essential services while making investment decisions for a decarbonised future. The derogation could further be reassessed periodically to ensure that it is still appropriate.

Without an exemption, the increase in costs (up to 25-30% of annual fuel costs) would mean that:

* Domestic ferry operators will be limited in their capability to invest in green technology and decarbonisation measures, such as shore power.
* There will be fewer services for island communities, reducing their ability to reach essential goods and services.
* Operators will need to raise ticket prices to remain commercially viable, creating a significant social cost for customers.

The Chamber proposes that the derogation in place for Scotland should be extended to include all lifeline ferry services. Proposals to subject this derogation to future review are sensible and should be maintained, with the 2028 threshold review marking the first opportunity to review it.

The key factor in determining whether an extension should be granted will be the availability of alternative low or zero-carbon fuels and infrastructure. With some domestic lifeline ferry services seeing electricity as a viable alternative fuel, the availability of shore power to enable the charging of ferries will be essential. Equally for those services where electricity is not suitable reliable and cost-effective, access to alternative fuels, such as hydrogen, will be important.

As indicated in other part of this consultation response, for the UK ETS to fulfil its role for domestic lifeline ferries by helping to bridge the pricing gap for alternative fuels, the UK ETS needs to be part of a more complete package of net zero incentives, levers and power infrastructure to stimulate more sustainable innovations (such as the EU’s “Fit for 55” package), rather than hinder them. Some domestic ferries will need significant roll out of electricity to be powered on shorter journeys, whilst those with longer voyages will require alternative fuels and the associated infrastructure being put in place at both ends of the route.

**5) EEZ Zone Port of calls**: The UK Chamber further notes the UK Government’s suggestion that emissions at berth could include those associated with Exclusive Economic Zone (EEZ) activities, such as operations at wind farms or offshore installations. We strongly recommend that the government does not implement this proposal.

As outlined in our responses to Questions 3,4,15, and 26, the inclusion of offshore installations under the scope of emissions at berth would be inconsistent with the operational realities of offshore vessels and the intended domestic scope of the scheme and may result in evasive behaviours.

**6) Northern Ireland:** The UK chamber recommends Government to consider 50% of emissions between Northern Ireland and Great Britain as indicated in questions 5, 6, 7 and 8).

In general, the cumulative effect of these issues, if not sufficiently addressed, may serve as an immediate disincentive for vessel operators and may create a risk of re-routing to avoid calling at UK ports.

**4. Do you agree with the inclusion of emissions at berth in a UK port from ships performing both domestic and international voyages? (Y/N) Please explain your response, providing evidence where possible.**

***Emissions at Berth*** – The Consultation includes the idea to make the system applicable to ‘Emissions at berth’ for any vessels above 5000 GT. This will include All Emissions at Berth at UK Ports, and all emissions from movement within UK ports.

This approach needs to consider the following issues:

1. ***Undermine IMO Primacy and Increase Fragmentation in the regulation*** – As IMO is currently working on an International economic measure (which is likely to include emissions at berth because these emissions are recorded in the IMO DCS) and the UK is now participating in these discussions actively. Imposing this requirement from the 1 January 2026 sends an unhelpful signal, undermining both the international cooperation efforts as well as undermining IMO primacy; imposing this requirement prematurely suggests to other national administrations that can do the same and undermine the IMO process (see e.g. reaction of the IMO in 2017 to the EU ETS at https://www.imo.org/en/MediaCentre/PressBriefings/Pages/3-SG-emissions.aspx). ***Administrative Burden both for Operators and Governments*** – In order to cover emissions at berth, this will require UK MRV, compliance plans and Maritime Operator Holding Accounts (MOHA) will be required for ALL international ship operators with ships that are 5000 GT or above entering UK ports. This will entail a huge and disproportionate administrative burden both for the ship operators, agencies and governments (Please note in questions 25,26 and 30 35 some concerns on the UK’s environment agencies in doing so) which will need to ensure that all of these systems are in place and working before 1 January 2026. This will require specific guidance for different stakeholders, all systems will need to be in place well before 1 January 2026 and information disseminated at an international level by the UK government to ensure awareness of international operators.
2. ***Infrastructure and Administrative Gaps*** – looking to the requirement in isolation this could be seen as a ‘pay-to-go' system as currently the UK does not have, for example, a complete ‘Fit for 55’ package (which include a Fuel Infrastructure/ Shore power Package for Ports). Without these packages of measures the system does not achieve the environmental objectives proposed but risks acting as a pay-to-go exercise with no real possibility for operators to improve their performance. The government should ask if really this policy will do anything for improving the uptake of Shore power and Alternative Fuels? Without any other measures and be clear in the packages proposed. (
3. ***Tramp Vessels / Emergency Calls*** – Government to consider a ‘De Minimis Threshold’ See questions 11 and 12 for detailsfor vessels in Tramp (i.e. no scheduled routes or fixed ports of call) and doing Emergency Calls in a UK ports. For example, The EU MRV/EU ETS system recognises certain stops which do not qualified as port of calls in the regulation**.** However, it should be noticed that to avoid evasive behaviour, the way in which these stops are not considered Port of Calls is stringent – the UK should have an aligned approach on this. To give few examples:

* Stops for the sole purposes of refuelling; obtaining supplies (including fodder for vessels transporting animals as cargo); relieving the crew of a ship other than an offshore ship; going into dry-dock or making repairs to the ship and/or its equipment; 
* Stops in port because the ship is in need of assistance or in distress;
* Ship to ship transfers carried out outside ports;
* Stops for the sole purpose of taking shelter from adverse weather or rendered necessary by search and rescue activities

***Double Payment/Double Reporting –***

If, as proposed, the inclusion of emissions at berth intends to cover all emissions at UK ports, including all movements within port limits, there is a risk of overcharging operators when vessels are subject to both the UK ETS and EU MRV/ ETS.

For example, ferries operating between UK and European ports already report emissions under the EU MRV and surrender allowances for 50% of their voyages (to and from the UK). If the UK ETS includes 100% of emissions at berth, these same emissions could be charged again under the UK system, leading to an effective overcharge of emissions beyond 100%.

While emissions related to movements within ports are often minor, in some cases—such as vessels at anchor for extended periods—it may be difficult to accurately distinguish port limits. These situations could amplify the risk of double reporting and overpayment.

The UK Chamber urges the government to investigate this issue further to assess the potential impact on operators and to identify solutions that ensure fairness and consistency between the UK ETS and EU MRV/ETS.

1. **EEZ Zone Port of calls –** The UK Chamber noted the UK Government suggestion that emissions at berth might include EEZ Zone in Wind farm/ Offshore installations – we will strongly recommends the UK government to not implement this due to all points raised regarding Offshore vessels in this consultation(questions 1, 3, 15 and 26).

***Disparity in carbon pricing obligation through differing emissions coverage on routes between Northern Ireland and Great Britain, and Republic of Ireland and Great Britain***

**5. Do you agree with our position that routes between Northern Ireland and Great Britain should face equivalent carbon pricing obligations to that between the Republic of Ireland and Great Britain? (Y/N) Please explain your response, providing evidence where possible.** The UK Chamber remains concerned on the continued medium-to-long-term viability of trade and passenger routes between Northern Ireland and Great Britain (GB), if carbon costs are imposed without a corresponding package of net zero incentives and levers (such as shore power at berth, sustainably certified biofuels and other fuel sustainability standards/alternative infrastructure) in place for that market (and more widely). As a collection of vital supply chain routes (see e.g. https://www.nisra.gov.uk/system/files/statistics/NI-Ports-Traffic-2023.pdf) supporting the implementation of the Windsor Framework/Northern Ireland Protocol to the UK-EU Trade and Cooperation Agreement (due to the UK Internal Market (UKIM) regime’s complexity as additional non-tariff trade barriers, this route could incur more trade costs for some types of trade), it is important that there is an economic impact assessment in place to assess the economic and sector decarbonisation impacts (as opposed to absolute reductions due to reduced activity) before and after the policy is in place. This approach should also be extended to other domestic shipping routes post-implementation.

The UK Chamber agrees with the position that routes Northern Ireland (NI) and GB should face equivalent carbon pricing obligations to that between the Republic of Ireland (RoI) and the UK, due to:

* the market distortions that it would create to drive trade away from competitor trade routes between GB and RoI;
* the importance of those routes facilitating both domestic trade and international trade (i.e through Northern Ireland into Ireland by road – hence the creation of the authorisation regime for goods for the UK Internal Market Scheme (<https://www.gov.uk/guidance/apply-for-authorisation-for-the-uk-internal-market-scheme-if-you-bring-goods-into-northern-ireland)>). Given the focus on the UK ETS on domestic voyages, the regionally-hybrid nature of these trade routes and the importance of not undermining the IMO negotiation processes, the approach of only applying 50% of emissions having a surrender obligation would be strongly preferred.

The UK Chamber notes that participants are expected to monitor and report all emissions, but only 50% of the allowances will have a surrender obligation. There needs to be clarity on how this is to be administered:

* will the Manage your ETS reporting service (METS) facilitate 100% reporting and allow for 50% surrendering with no reference to UK MRV, or
* will the 100% reporting have to take place under the UK MRV regime (DfT), but then only 50% of the reporting take place under METS?

**6. Do you agree that subjecting in-scope ships on voyages between Northern Ireland and Great Britain to 50% (as opposed to 100%) of their carbon pricing obligation under the UK ETS would be suitable for ensuring carbon pricing obligation equivalence and emissions coverage equivalence between Northern Ireland and Republic of Ireland? (Y/N)**

Notwithstanding the concerns on the lack of a net zero maritime package to support infrastructure to reduce costs, the UK Chamber agrees with the position that routes Northern Ireland (NI) and Great Britain (GB) should face 50% (equivalent) carbon pricing obligations to that between Republic of Ireland (RoI) and UK, due to

* the market distortions that it would create to drive trade away from competitor trade routes between GB and RoI;
* the importance of those routes facilitating both domestic trade and international trade (i.e through Northern Ireland into Ireland by road – hence the creation of the authorisation regime for goods for the UK Internal Market Scheme (<https://www.gov.uk/guidance/apply-for-authorisation-for-the-uk-internal-market-scheme-if-you-bring-goods-into-northern-ireland)>). Given the focus on the UK ETS on domestic voyages, the regionally-hybrid nature of these trade routes and the importance of not undermining the IMO negotiation processes, the approach of only applying 50% of emissions having a surrender obligation would be strongly preferred.

**a. Should this option be time limited or exist for as long as there remains a disparity in the carbon pricing obligation on these routes?**

As part of the UK government’s growth ambition, this option should exist for as long as there remains a disparity in the carbon pricing obligation with the EU to the disadvantage of the UK on these routes. This may in practice have an in-built time limit anyway, based on IMO/political developments, which is a more rational basis to decide based on competitive market distortion, than imposing a time limit for the sake of it.

The UK Chamber anticipates that IMO’s equivalent economic measure will be approved at the meeting of the Maritime Environmental Protection Committee in April 2025, with the measure coming into force in early 2027. The EU has committed under its ETS Directive to review its scope to maritime if an IMO global market-based measure is adopted by 2028 [Article 3gg of Directive 2003/87/EC (consolidated text)]. If the IMO measure is adopted in time, and the EU reviews its regulation so that international shipping no longer has 50% obligation, but then as GB-NI routes are still considered domestic shipping, any severe disparity to the detriment of the domestic route (carrying both domestic and international goods/passengers) in both carbon pricing obligation and value of carbon price needs to be avoided by the UK government. It is likely to be in the UK’s interest to provide special considerations for GB-NI routes to ensure that the carbon pricing imposed on the GB-RoI international routes do not undermine the competitiveness of the GB-NI routes, taking into account the implementation of the Windsor Framework, the viability of those vital supply chain routes and the impact of the measures on those routes’ decarbonisation progress.

**7. Do you believe expanding the scope of the UK ETS to include 50% emissions coverage on UK-EEA routes could a) lead to better decarbonisation outcomes for the sector and b) be a suitable alternative approach to ensuing equivalence in carbon pricing obligations to that outlined in Question 6 above? (Y/N) Please explain your response, providing evidence where possible.**

A. No, at this stage the UK Chamber does not believe that it will lead to better decarbonisation outcomes for the sector. This is because there is little to no evidence that this UK ETS expansion is being brought in the right sequence to allow operators to divert the value of those allowances to alternative fuels/emission savings through available marine clean technologies – that they probably would have already done anyway due to the forthcoming IMO regulations (crossing the Irish Sea requires ships to be suitable for international voyages, and it is in the shipowner’s interest to comply with technical IMO regulations in case that ship has to be rerouted/chartered to another international route).

Unlike the EU’s “Fit for 55” package (encompassing the EU Innovation Fund, alternative fuels infrastructure regulation, etc), in absence of any future funded announcements, at present there is inadequate funding and regulation package of net zero incentives and levers that international shipping operators servicing the UK market can access – especially with the lack of electricity supply (for shore power at berth or renewable energy generation as feedstock for alternative fuels) that is critical for most of the UK’s net zero delivery for nearly all sectors. Just because this issue is not solely in DESNZ’s remit does not mean the timing/sequencing of this measure should not be considered as part of the UK’s potential package.

B. No, the UK Chamber does not believe that expanding the scope to include 50% emission coverage on EU-EEA routes is a suitable alternative approach, because:

- it is geographically disproportionate in its impact (i.e. impacting routes/markets that have nothing to do with the Irish Sea) to the issue being addressed with regards to Northern Ireland and Great Britain trade. The option to expand pricing to 50% of the voyage (but 100% of the reporting) is a far more proportionate response to address that market challenge;

- Any further expansion of the ETS to UK-EEA voyages encroaches into capturing a significant number of international voyages, with the proliferation of international short sea shipping activity in the UK. Such an expansion will continue send political signals to in the international maritime community that the UK is seeking to undermine the IMO’s progress on a global market-based measure/economical measure, despite the UK being part of the negotiations and recently co-signing a submission to IMO to support that measure (see https://www.ft.com/content/db5b6f52-8f10-40e1-b61b-28a32c439d7b)

As written into the EU ETS Directive (article 3gg) for the EU ETS, if the IMO does not reach an agreement on an economical measure by 2028, the UK Chamber would then support the idea of the UK government mirroring the EU ETS System that

* covers with 50% all international routes (including EU/EEA ports, especially with the need for alignment for offshore vessels in the North Sea and Celtic Sea); and
* is part of a similar package of funding (akin to the EU Innovation Fund), regulation and obligations to build alternative fuel infrastructure

**8. Are there any other alternative approaches we should consider? Please explain your response, providing evidence where possible.**

No other alternative that the one indicated in our response to questions 5, 6 and 7.

**9. Do you consider that there are differing impacts of these two approaches which we should consider when making a final decision? (Y/N) Please explain your response, providing evidence where possible.**

As indicated above, between the two approaches proposed in this consultation, the UK Chamber recommends the government to implement the 50% of submission requirements of the UK ETS only for the Northern Ireland to other part of the UK routes. Any other proposal impact other routes which have nothing to do with the issue being addressed and will undermine international efforts at IMO.

In addition, the UK will need to implement IMO regulations when an economic measure is agreed for international voyages, which EU/EEA voyages are considered to be post Brexit. (see our responses for questions 5, 6, 7 and 8).

**10. Do you foresee any additional consequences of this policy intervention that we should be aware of? (Y/N) Please explain your response, providing evidence where possible.**

No.

**11. Should we consider a de minimis threshold for operators with very low emissions to avoid a compliance burden? (Y/N) If so, what should this de minimis threshold be? Please explain your response, providing evidence where possible.**

As regarding a ‘De minimis Threshold’ the UK Chamber highlights the following points:

First of all, It is important to have rules which are uniform and currently the EU MRV and EU ETS system –

This system recognises certain stops which do not qualified as port of calls in the regulation**.** However, it should be noticed that to avoid evasive behaviour, the way in which these stops are not considered Port of Calls is stringent – the UK should have an aligned approach on this. To give few examples:

* Stops for the sole purposes of refuelling; obtaining supplies (including fodder for vessels transporting animals as cargo); relieving the crew of a ship other than an offshore ship; going into dry-dock or making repairs to the ship and/or its equipment;
* Stops in port because the ship is in need of assistance or in distress;
* Ship to ship transfers carried out outside ports;
* Stops for the sole purpose of taking shelter from adverse weather or rendered necessary by search and rescue activities

Secondly, to cover ‘Emissions at Berth’ from International Operators will create a high level of administrative burdens both for the vessel operators and the Administration.

The UK ETS considers for aviation a ‘De Minimis Threshold’ which is based at Operator Level (Not vessel level) OR ‘Point of Obligation’/’responsible Entity’ (in the EU system). Such as, who emit less than 10,000 tonnes of CO2 per year or run fewer than 243 flights each of the periods from January to April, May to August and September to December within one year for commercial operators, (or less than 1,000 tonnes of CO2 per year for non-commercial operators) are not subject to the UK ETS. Aircraft operators that have emitted less than 25 000 tonnes of CO2 within the full scope can also apply a simplified reporting procedure in accordance with Article 28a paragraph 6 of the ETS Directive (2003/87/EC) in the EU.

The UK Chamber was unable to decide a specific ‘Threshold’ but considering Tramp Vessels which might have during one year of the scheme few voyages in the UK – a solution based on a ‘DE Minims Threshold’ might reduce any Administrative Burdens both for the International Operators and the Administration.

On the other hand, we UK Chamber considers the proposal of covering ‘Emissions a berth’ form International operators not only an Administrative Burdens, but as indicated in questions 2, 4, 12 it undermine IMO Primacy and increase Fragmentation in the regulation, without comprehensive packages to cover Fuel Infrastructure/Shore Power and Innovation also risks functioning as a ‘pay-to-go' system in practice without environmental benefit imposed to International operators.

**12. If you support a de minimis threshold, should a simplified process apply or should the requirements of the UK ETS not apply at all? (Y/N) Please explain your response, providing evidence where possible.**The UK Chamber supports the idea of a ‘De minimis Threshold’ as indicated in the above answer to reduce administrative burden both for the Administration and operators. However, we should highlight that as indicated in Questions 1 to 4, 47 to 49 – it would be better not to include ‘Emissions at Berth within the proposal.

***Inclusion of methane and nitrous oxide emissions***

**13. Do you agree with the inclusion of emissions from the combustion or slippage of methane and nitrous oxide emissions from maritime activity within the scheme? (Y/N) Please explain your response, providing evidence where possible.**

Yes, the UK Chamber supports the inclusion of methane (CH₄) and nitrous oxide (N₂O) emissions within the scheme. Expanding the scope of the scheme to include these greenhouse gases will improve its ability to capture the full environmental footprint of maritime activity and contribute to more accurate emissions reporting and reduction efforts.

However, it is important that this inclusion is aligned with the frameworks of other international market-based measures, particularly the European Union's (EU) ETS. Methane and nitrous oxide emissions are already included in the EU MRV for shipping and will be integrated into the EU ETS from January 1, 2026. Aligning the UK's approach with the EU's timeline and methodologies for inclusion will avoid duplication of efforts and improve consistency for operators active in both jurisdictions.

To achieve this alignment, the UK should follow the precedent set by the EU in adopting a ‘tank-to-wake' methodology for emissions factors and accounting. This approach is currently employed by the EU and provides a clear and consistent framework for monitoring and reporting. As elaborated in responses to questions 14, 29, and 30, this should also adopt a similar approach to the EU regarding fuel certification, which further allows certain fuels such as biofuels and RFNBOs that meet specific sustainability criteria and lifecycle emission reduction thresholds on a ‘well-to-tank' basis to be zero-rated to promote the use of cleaner energy sources. Mutual recognition of EU-recognised certification schemes (of which several operate internationally), used to prove compliance with these requirements, will further help ensure the effective implementation of the UK ETS while maintaining a level playing field with EU operators.

Additionally, as the International Maritime Organization (IMO) develops its Life Cycle Assessment (LCA) and accompanying certification systems, it will be necessary for the UK to remain adaptable and prepared to align with these global standards in the future.

In summary, while we support the inclusion of additional GHGs within the UK ETS, we underline the importance of ensuring this measure remains compatible with the international regulatory framework.

**14. Do you agree with our proposal for how to calculate an operator’s greenhouse gas emissions on a carbon dioxide equivalent (CO2e) basis? (Y/N) Please explain your response, providing evidence where possible.**

As indicated in Question 13 above (and in addition Questions 29 and 30 below) – The UK Chamber strongly suggest to align with the EU system if the UK system will start on the 1 January 2026 and then when IMO agreed and finalised LCA and certification of Fuel System to align with their system of calculation of GHG Co2e.

**15. Do you have any views on the exemption of Government non-commercial maritime activity, or the activity covered by this term? (Y/N) Please explain your response, providing evidence where possible.**

The UK Chamber does not have a general view on the exemption proposed by the Government as they are standard Non-Commercial Activities exclusion of maritime activities.

However, the UK Chamber highlights:

1. the need for a reviewable exemption for life-line ferry services for the rest of the UK’s remote and small island communities, extending the exemption as proposed for the Scottish Islands and peninsulas (as indicated in different questions of these consultation (see questions 3, 16 and 20). This is important because some of those life line routes are run both by government and commercial entities. There could be competitive market distortion if the exemption is based on state activity/ownership as opposed to the life line service being provided to those communities. The EU ETS has a similar exemption;
2. the need for the UK government to recognise that the current proposal to include offshore vessels will cause market distortion, as the EU ETS will start a year later (from 1 January 2027) for these vessels, and currently the EU rules are in discussion (as indicated in different questions of this consultation SEE QUESTIONS 1, 3, 4 and 26);
3. that there is the potential for significant and disproportional administrative burden in setting up the system for monitoring, reporting and verifying and paying for emissions at berth for international voyages.

In addition, the UK Chamber recommends that UK support for maritime decarbonisation needs to be integrated with the government’s Industrial Strategy, Trade Strategy and any future DfT-specific maritime strategy that gives adequate consideration to the critical importance of the maritime sector to the UK economy and, most importantly, an updated Clean Maritime Plan setting out intermediate decarbonisation targets and a package of measures similar to a ‘Fit for 55’ with plan for developing Shore power/ Alternative Fuel infrastructures, more innovation funding etc..

As elaborated in our response to question 37, without addressing these gaps, the UK ETS might have a limited effect on decarbonisation efforts. As many non-major ports lack the necessary shoreside infrastructure to facilitate a switch to cleaner fuels or reliance on shore-power, the scheme risks functioning as a ‘pay-to-go' system with limited environmental benefits.

***Further possible exemptions***

**16. Do you think an exemption is necessary for specific ferry services serving island communities in Scotland? (Y/N) Please explain your response, providing evidence where possible.**

Yes, the UK Chamber is grateful for the Government’s recognition of this exemption for the Scottish Islands Community. As the UK’s domestic ferry network is the lifeblood of many communities across the UK mainland with vessels transporting hundreds of thousands of people annually to and from islands and remote regions around the UK coastline. They are often the only way to commute to work, access medical assistance and educational institutions, as well as the main delivery method for critical supplies.

Many of these operators (EXAMPLES) also have significant plans to electrify their fleets subject to sufficient grid capacity, subject to the infrastructure for shore power and alternative green fuels being made available at the right time.

For instance, CalMac has committed to [reducing their fuel consumption](https://www.calmac.co.uk/article/6875/CalMac-Environmental-Strategy-2021-2023) as part of their wider environmental strategy. WightLink have further pledged to remove [25,000 tonnes of carbon from their operation by 2030](https://www.wightlink.co.uk/community/environment/zero-carbon), having already reduced their carbon footprint by a third since 2007.

Many of our members also have significant plans to electrify their fleets subject to sufficient grid capacity, such as Northlink Ferries who have already [converted two ferries to be able to plug into shore power](https://www.portofaberdeen.co.uk/news/port-of-aberdeen-sailing-towards-net-zero-with-ferry-shore-power-project), cutting emissions while in Aberdeen port helping save over 1300 tonnes of Carbon Dioxide each year –

In order to do so, as indicated in other part of this consultation the UK government needs to put in place a more complete package of net zero incentives, levers and power infrastructure within the Industrial Strategy, Trade Strategy and any future DfT -specific maritime strategy and new Decarbonisation Map to stimulate more sustainable innovations (such as the EU’s ‘Fit for 55’ packages), rather than hinder them.

Without an exemption, the increase in costs (up to 25-30% of annual fuel costs) would mean that:

1. Domestic ferry operators will be limited in their capability to invest in green technology and decarbonisation measures, such as shore power.

2. There will be fewer services for island communities, reducing their ability to reach essential goods and services.

3. Operators will need to raise ticket prices to remain commercially viable, creating a significant social cost for customers.

Such islands and remote regions include not only Orkney, Shetland as well as other Scottish Islands, but the Isle of Wight, the Isles of Scilly etc.. which they need to be provided with an exemption as well, and the measure applied uniformity in the UK.

The UK Chamber recommends a similar approach of the EU – where a temporary derogation for passenger ships has been granted of the ETS requirements until 31 December 2030 for certain voyages between ports of certain islands of a Member State and ports located in the same Member State. This derogation will only apply in respect of specific ports and islands that fulfil the conditions established in the ETS Directive, and upon request of the relevant Member State. For example, an eligible island must have a population of fewer than 200 000 permanent residents and must not have any road or rail link with the mainland. Similar EU derogations have been provided for

* + voyages between a port located in an outermost region of a Member State and a port located in the same EU Member State (e.g. Lanzarote-Valencia), and voyages between ports in the outermost regions of the same EU Member State (Guadaloupe – Martinique)
  + transnational public service obligations (or transnational public service contracts) established by two EU Member States, one having no land border with another EU Member State and the other being the closest, shipping companies are not obliged to surrender allowances for emissions released by passenger ships or ferries (ro-pax ships) operating under such a public service obligation or public service contract until 31 December 2030.

On transnational public service obligations, care must be taken by the UK not to discriminate against commercial operators providing services which are also serviced through public service contracts. Crucially, the EU ETS is part of the EU’s wider “Fit for 55” package, which also imposes obligations on ports to facilitate ships to plug into electricity whilst in port by 2030

**17. Do you think an exemption is necessary for specific ferry services serving peninsular communities in Scotland? (Y/N) If so, what would be a suitable definition of remote peninsular communities? Please explain your response, providing evidence where possible.**

Yes - once the GT threshold is lowered, there will be need for an exemption for specific ferry services serving peninsular communities in Scotland. Without such an exemption,

* those communities using those services face similar issues as island communities; and
* if the costs cannot be abated through access to greener infrastructure (such as charging) and results in services being more expensive and/or reduced, this could lead to an increase in emissions on the road network, reduce connectivity and increase congestion on local roads to reach other coastal areas of Scotland.

**18. If these services are exempted, do you think they should be subject to UK ETS MRV regulations? (Y/N) Please explain your response, providing evidence where possible.**

Yes (above 5000 GT) to build data for a review in 2028.

. However, if life-line ferry services for remote and small island communities for the rest of the UK were to be exempted, if this were to be reviewed together with the GT threshold in 2028, then the UK Chamber only considers it reasonable for the UK ETS MRV regulations to be extended to those life line services vessels above 5000GT in tandem with the lowering of the GT threshold, to pave the way for improved data collection and reporting for the purposes of apportioning more accurate emissions data to the overall ETS cap for those services. If the UK ETS MRV regulations are not brought in tandem with the lowering of the GT threshold for life-line ferry services, then those operators with the 5000GT vessels will be incurring administrative costs that those operators with lower GT vessels will not.

The UK Chamber would recommend that, as part of the review of the GT threshold, if the decision is made to lower the threshold, that UK ETS MRV regulations should first be extended, before there is any liability for UK allowances to be surrendered. This has three advantages for stakeholders and for the UK government:

* the first being that it allows those operators to set up those systems for monitoring, reporting and verification for such systems, as well as allowing that data collected to mature (which increases its reliability and useability etc) over the short term;
* this in turn allows the UK government to assess the volume of data collected to better estimate the actual volume of emissions, as well as use this data to more accurately adjust the UK ETS allowances cap; and
* this will also better align with the EU ETS approach in terms of MRV data collection and subsequent ETS implementation; using the data collected from 1 January 2025, the EU Commission will be reviewing its position on lowering of the GT threshold for offshore vessels and general cargo ships in 2027-2028 for allowances. This data will be used by the EU to review and plan its future expansion of the EU ETS scheme.

The UK Chamber would also find it helpful to understand if the Manage your ETS reporting service (METS) facilitate 100% reporting (where there is no obligation to surrender allowances) or if the 100% reporting will have to take place under the UK MRV regime (DfT).

**19. Do you have any further comments to make on an exemption for ferry services serving island and/or peninsula communities in Scotland?**

No

**20. Do you consider that there are any further subsectors which might be unduly impacted by the policy and require exemption? (Y/N) Please explain your answer, including on whether UK ETS MRV regulations should apply, and provide evidence where possible.**

The UK chamber recommends the necessity to recognise:

1. a derogation on **remote communities and small islands operators for all UK** as proposed for the Scottish Islands (As indicated in different questions of these consultation SEE QUESTIONS 3,15,16 );
2. recognises that currently **offshore vessels** inclusion will cause Market distortion as the EU ETS will start from 1 January 2027 for these vessels and currently the rules are in discussion (as indicated in different questions of this consultation SEE QUESTIONS 1,3 4, 15, 16);
3. Recognises that there will an **Administrative Burden in charging Emissions at Berth** and set up a system to cover international vessels on this purpose – especially considering some Tramp vessels which might berth in a UK Ports only for few voyages during the year.

In addition, the UK Chamber recommends that UK support for maritime decarbonisation should be integrated with the government’s Industrial Strategy, Trade Strategy and any future DfT -specific maritime strategy to give adequate consideration to the critical importance of the maritime sector to the UK economy, and most importantly, an updated Decarbonisation Strategy setting out intermediate decarbonisation targets and a package of measures similar to a ‘Fit for 55’ with plan for developing Shore power/ Alternative Fuel infrastructures, with more innovation funding etc.

Without addressing these gaps, the UK ETS might have a limited effect on decarbonisation efforts. As many non-major ports lack the necessary shoreside infrastructure to facilitate a switch to cleaner fuels or reliance on shore-power, the scheme risks operating as a ‘pay-to-go' system without any significant environmental benefits. (SEE QUESTIONS 37 and 38)

There are sectors and vessel sizes (below 5000GT) that are less likely to have the same maturity in data quality than other vessels, primarily due to not being in scope at all or being in scope at a much later date/in the future of both or either the IMO Data Collection System or EU MRV. If the UK government wishes to understand the quantity of allowances that might be needed in the future to cater for these sectors/vessel sizes, it might be better to require an UK MRV first as a phasing in mechanism, in order to monitor the Emissions and receive more data for further future review and potential inclusion into UK ETS on a case-by-case basis (i.e. if extending the ETS would be truly additive as part of the UK’s net zero package of regulations, incentives and funding).

**TUGS:** With the scope of the UK ETS applying to vessels <5,000gt the towage sector is not presently impacted. Should the tonnage threshold subsequently be lowered, perhaps to 400gt as it is planned in the EU, then distinct difficulty and undue impact would likely affect the sector that warrants consideration of an exemption.

The harbour towage sector has a range of characteristics that separate it from other sectors within scope.

Most tugs operating in UK waters do not perform voyages from and to another UK ports in regular conditions but deliver a service to vessels/others entering ports and terminals.

It should be recognised that harbour towage doesn’t lend itself to an emission report per trip. It is common for busy ports to see tugs undertake 6-7 “voyages”/ movements per day, these are completed predominantly with minimal fuel consumption (<150ltr MGO) and thus the emissions per voyage are within the same port.

If the UK ETS were to require that tugs need to monitor, report and verify their emissions, this would create an enormous administrative burden on the operator given the number of “voyages” carried out per day.

Furthermore, for the purposes of emission control and monitoring, it should be noted that a tug cannot be assimilated to a cargo/passenger transport ship or offshore vessel because of its specific nature and function. A tug’s primary scope to assist in ensuring the safety of port manoeuvres under the strict direction of whoever coordinates such manoeuvres (be it the ship's master, port pilot or harbour master) and, consequently, a tug’s activity does not operate in an autonomous or self-referential way. Due to this, the power used and, consequently, the emissions do not depend on the choice of the tug’s master but are in (mandatory) compliance with external orders. Any mechanism for measuring emissions, even the most accurate and straightforward, will only be a record of what is asked of the tug and will not be of an incentive to curtail them, as a tug will always have to continue to obey the requests of the ship's manoeuvre coordinator.

By far the majority of tugs, even those vessels with escort capabilities and with specification to provide auxiliary support services, in their actual use and application, and most of the time, they are intrinsically port tugs and not ocean towing vessels. The number of jobs done outside ports by tugs <400gt is rare, and comparatively insignificant relative to the rest of the fleet configuration doing the majority of tug moves within the ports.

When tugs are used through function and application for salvage and antipollution operations, they effectively assist in ensuring the safety of life and property at sea and the protection and preservation of the maritime environment in situations of emergency, including firefighting, oil spill control, and salvage and wreck removal. In this context, it is ironic to capture tugs deployed for such incidental circumstances and subject them to a carbon emissions levy. By the very nature of their application, they are assisting in preserving the environment.

**21. Do you agree that the proposed approach, of adding allowances equivalent to emissions in scope per emissions trajectories aligned to the CBDP, is the most appropriate approach to adjusting the cap and to ensure the emissions reductions required to deliver climate targets? (Y/N). Please explain your response, including by proposing an alternative approach if appropriate.**

Yes, the UK Chamber of Shipping broadly supports the proposed approach of adjusting the UK ETS cap to include allowances equivalent to a maritime emissions trajectories aligned with the Carbon Budget Delivery Plan (CBDP). This approach ensures that the cap reflects the inclusion of maritime emissions while maintaining alignment with the UK’s net zero commitments.

The Carbon Budget Delivery Plan (CBDP) sets out assumptions for the quantity of low-carbon shipping fuels needed for compliance with the carbon budgets: 1% of all UK shipping fuels used in 2030 must be low-carbon, increasing in 2035 to 28% for UK international shipping and 42% for UK domestic shipping. However, it is noted that the CBDP does not set out an actual emissions reduction pathway for UK shipping, which brings the value of the indicative proposed cap adjustment pathway into question, particularly as it is unclear if this is also factoring in transport emissions from fishing vessels which should not be in scope of the scheme.

At the time of writing, the Government has not yet published or committed to a decarbonisation pathway for UK shipping, which the UK Chamber sees as necessary to set an appropriate trajectory for the cap adjustment. The UK Chamber urges the UK to expedite the delivery of a decarbonisation pathway for UK shipping and policy framework to achieve it as a matter of priority.

It is important that any maritime emissions model used to underpin ETS cap adjustment take an inclusive, evidence-based approach to the sector’s decarbonisation and long-term emissions projections. The Chamber strongly recommends a fuel-and-technology neutral approach to comprehensively account for all possible abatement technologies such as shore power, nuclear options, and carbon capture, which are critical to achieving long-term emissions reductions. Including all these options in the model would better reflect the potential pathways to decarbonisation, particularly given the stated aim of the scheme to incentivise the uptake of shore power at berth.

The Chamber further cautions that projections based on NAEI shipping inventory estimates are unlikely to provide an accurate estimate of in-scope emissions from shipping for the appropriate distribution of allowances. AIS data does not cover fuel consumption from non-propulsion activities (including hotel facilities and dynamic positioning) which can represent a significant portion of total emissions for certain sectors and vessel types, such as cruise and offshore. We would strongly urge the Government to expand its analysis to encompass non-propulsion activities and suggest the use of monitored MRV data as a more suitable alternative or supplement to current estimates. [We are minded to directly suggest value of a phase-in / early deployment of MRV requirements for Government to build up a better picture of data-poor sectors, but we would appreciate your input on if this is something members would like for the Chamber to advocate for.]

We would finally highlight that the UK ETS’s intention for a net-zero aligned reduction trajectory is more ambitious than the EU, which may raise potential concerns for shipping given the exposure of many participants to the EU market, particularly if the more stringent cap leads to disproportionate costs compared to EU counterparts. While we support an ambitious approach, it is important to ensure the UK’s approach does not place domestic operators at a competitive disadvantage, as this could lead to carbon leakage. Further clarity on how alignment with the EU ETS intends to be factored in would be welcome.

In summary, while we support the general approach to cap adjustment, we urge the government to address these issues to ensure the cap accurately reflects maritime emissions within the scheme and supports an equitable and effective transition for the sector.

**22. Do you agree with the proposed approach to adjusting the cap to account for the inclusion in the scheme of emissions from the maritime sector? (Y/N). Please explain your response with reference to any alternative approaches or sources of evidence, or consideration of how to account for emissions from GB-NI and/or UK-EEA voyages.**

Yes, the UK Chamber of Shipping supports the proposed approach to adjusting the UK ETS cap to include emissions from the maritime sector, but emphasise the need to address GB-NI and UK-EEA voyage emissions accurately ensuring any reduced surrender requirements are reflected in the cap. This alignment is necessary to ensure that the cap accurately reflects, and does not overestimate, in-scope emissions.

We therefore welcome the government’s commitment to align the cap adjustment with the final policy scope of the UK ETS, including the exclusion of emissions from sectors or activities not in scope of the scheme, such as government non-commercial maritime activity and the proposed exemption for ferry services to Scottish islands. It is important that any changes to the scheme are fully accounted for in the cap adjustment in a timely fashion to avoid distortions to the market and the balance of supply and demand for allowances.

**23. Do you have views on whether allowances from cap adjustments in Phase I should all flow directly to auctions, or whether a proportion should flow to reserve pots? Please explain your response, providing evidence where possible.**

No views.

**24. What would you expect to be the impact of the proposed approach to cap adjustment on participants in the sector and/or the wider UK ETS market? Please explain your response, providing evidence where possible.**

Please see response to question 21.

***Regulatory regime and operator requirements***

**25. Do you agree with the proposed regulatory provisions, such as the scheme year, compliance dates, content of the emissions monitoring plan and penalties regime, operator requirements, or applicable regulator? (Y/N) Please explain your response, providing evidence where possible.**

**Alignment with EU** The UK Chamber would strongly advise that the administration of the UK ETS for maritime is aligned in all these elements with the EU MRV, EU ETS and IMO DCS system.

**Scheme Year:** For example, under the EU MRV/DCS system operators have an obligation to submit data by 31 March XXX, data are reviewed, and a Document of Compliance is issued by 31 May of the same year. Whereas, as regarding allowance this need to be provided in the EU MOHA account by 30 September XX.

Please note that the consultation’s proposal of having surrender deadlines of 31st March and 30th April does not follow the EU MRV/ETS and IMO DCS systems and needs to be revised accordingly to ensure that allowance are surrender for verified data.

**Flexibility of MOHA allowance payment:** It is essential that the scheme has some flexibility in the movement of allowance within the different accounts – as the shipping industry is characterised by different company structures and different commercial agreements (bareboat/demise charter, time charter, voyage charters etc.) – and some vessels operate with very short term contracts.

* A **bareboat/demise charter** (so the lease of the asset without crew or provisions) is a contract (often for financing purposes) for the vessel from the registered shipowner (such as a financial institution) to **a party (lessee/bare boat charterer) that may operate the vessel and take overall (could be direct or indirect) responsibility for the crewing, maintenance and fuelling of the vessel.** It may be indirect if that bareboat charterer has decided to contract out its technical and crewing responsibilities to a third-party ship management company.
* A **time charter** is a contract to hire the vessel for a specific period, where the shipowner provides the vessel with crew and maintains the vessel, but **the charterer selects the ports, routes, vessel speed and pays for all the fuel the vessel consumes during the period** of the time charter. The period of a time charter can range from less than a month to a few years, depending on the project type and sector. So there easily can be multiple time charters in one year for the same ship, with those respective charterers paying for that fuel.
* A **voyage charter** is where **a vessel, provided by the shipowner that pays for the crew, most port costs and fuel,** is contracted to the charterer based on specific voyages between a load port and discharge port. The shipowner is paid on a per voyage basis, **but if the period of loading or discharge cargo at port (“laytime”) is delayed at port (which incurs cost and lost opportunity for shipowners), the charterer pays** for this delay through the concept of “demurrage”. The period of a voyage charter is determined by the time it takes to complete the agreed voyages.
* Many shipowners/bareboat charterers can also separately contract out the day-to-day crew and technical management of the vessel to **ship management companies**, in return for a fee.

If a system similar to that of the EU is implemented, the deadline for surrendering the applicable allowances shall be on a yearly basis (September of the following reporting year) – a charterparty might end at the beginning of the reporting year and be followed by different short term charterparties.

The UK Chamber would therefore recommend the government to be flexible in the way in which ‘Point of Obligation’ can surrender allowances within the UK system – to allow these operators to submit ‘unverified’/’partially verified’ allowances during the year covering their anticipated portion of emissions and associated UKA’s. These will be of great assistance in some types of trade characterised, for example, by voyage chartering or shorter time chartering.

**Guidelines:** The EU has developed a series of guidelines and related implementing decisions/Delegated Regulations that covers all these aspects. Please note that this is a massive task which requires consultation with the shipping and maritime industries; some of these guidelines have since been reviewed during the first year of the EU ETS’s expansion to maritime, as there were many lessons learned/improvements carried out in different aspects of the system).

1. We have attached for your perusal: 1) UK CHAMBER internal document on EU ETS Resource; this is a document created for Members in the UK Chamber and updated that has guidelines, implementing decisions/Delegated Regulations, webinars etc. which are relevant for a Shipowner/Ship management companies in implementing EU MRV/EU ETS;
2. the Top Link within the UK Chamber EU ETS resource Hyperlink DG CLIMA [Reducing emissions from the shipping sector - European Commission](https://climate.ec.europa.eu/eu-action/transport/reducing-emissions-shipping-sector_en) contains different additional documents and guidance which are more related with relationship with Verifiers, Administrations etc.. which the UK government shall implement. Such as, MRV annual report (we suggested this in our lessons learned) and guidance on different assessments.

These have not been added in the UK Chamber document as we created a document by Shipowners for Shipowners focusing on their side.

**TEMPLATE MONITORING PLAN:** The Template for the EU MRV Plan can be found here:

[Commission Implementing Regulation (EU) 2023/2449 of 6 November 2023 laying down rules for the application of Regulation (EU) 2015/757 of the European Parliament and of the Council as regards templates for monitoring plans, emissions reports, partial emissions reports, documents of compliance, and reports at company level, and repealing Commission Implementing Regulation (EU) 2016/1927](https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302449) –

[*https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L\_202302449*](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202302449)

The UK Template should be aligned as far as possible with the European (covering additional emissions – methane and nitrous oxide - as proposed in the consultation will assist in doing this – SEE question 13 for details).

It is concerning that the Government considers that the UK’s various environment agencies will have the authority as regulators to approve Monitoring plans without the assistance of ‘Verifiers’ – as the MRV Plan has technical details regarding Auxiliary/Main engines, how emissions are measures etc.. and require staff that understand ship design and operations.

Approving this plan will require contacting operators ensure that right evidence (EU MRV system requires evidence for approving plan) is in place. In addition, if the system is going to cover ‘Emissions at berth’ as indicated in other points of this consultation this will be a considerable administrative burden.

The UK Chamber has noted that the UK ETS Authority are further proposing to remove the current requirement that a Document of Compliance (DoC) be issued by the verifier – this presumably would fallto the relevant regulator instead if the current proposals were to be taken forward as the Monitoring Plan is to be submitted for approval to the regulator. The UK Chamber is appreciative of the recognition that the planned expansion will result in additional administrative burden. However, as has been outlined, the UK Chamber is concerned whether the regulators will have the necessary technical knowledge to approve Monitoring Plans, It is this combination of proposals which the UK Chamber considers could encourage evasion tactics and creating an unfair distortion of the market.

The UK Chamber acknowledges the government’s intent to streamline processes by assigning the approval of Monitoring Plans (MPs) to the Environment Agency in England and the respective devolved environmental agencies. However, we have significant concerns regarding this proposal. Monitoring Plans include detailed information on the sources of emissions on a vessel and require a thorough understanding of ship design and operations**.** Accredited verifiers are uniquely positioned to evaluate MPs with the technical rigor required to ensure compliance with regulatory standards. Transferring this responsibility to non-expert bodies without equivalent maritime specialisation may lead to less rigorous assessments, as the proposed regulators are likely to struggle to develop sufficient expertise in the short amount of time available ahead of the scheme’s intended start-date of 01 January 2026 and reply to all related questions and requests for information from operators. With a high chance of delays in approvals, this could inadvertently increase the administrative burdens for both government and operators.

A poorly evaluated MP also risks undermining the accuracy and reliability of emissions data collection, even if an accredited verifier subsequently assesses the annual emissions report. The MP provides the foundation for emissions monitoring by specifying methodologies for collecting activity data, applying emissions factors, and managing data quality. If these foundational elements are poorly defined or insufficiently scrutinised, the resulting emissions data may be inaccurate. Beyond affecting the integrity of the UK ETS, flawed data could compromise the UK’s national GHG inventories reported under the Paris Agreement and hinder the development of effective decarbonisation policies. Reliable MRV data is essential not only for the UK ETS but also for broader environmental objectives, including achieving the UK’s net-zero commitments.

In light of these considerations, the UK Chamber recommends maintaining the current system where accredited verifiers hold responsibility for accessing and approving documentation and issuing documents of compliance.

**Format of EU MRV** –

Clarity shall be provided on the industry on the system that will be used for collecting data: currently, is not clear whether will by the UK MRV or another system.

In a similar way, the template of the MRV (or whatever system the UK decides to utilise) should be aligned with the EU MRV and DCS system – The template of EU MRV can be found here with related guidance:

[*THETIS-MRV*](https://mrv.emsa.europa.eu/#public/faq)

And here further EMSA guidance:

[*Latest News - THETIS MRV - Supporting Monitoring Reporting & Verification of CO2 Emissions - EMSA - European Maritime Safety Agency*](https://www.emsa.europa.eu/thetis-mrv/items.html?cid=337&id=3118)

it is particularly essential that there is compatibility with respect to:

• The metrics used;

• The format of collating and submitting;

• Definitions and the data being requested;

• Submission deadlines and periodic compliance cycles;

In order to assess its effectiveness, the UK Chamber would further suggest that an evaluation of the UK MRV be undertaken and published on an annual basis (as is currently completed at EU level), along with any scope for improvement.

The UK Chamber strongly advise the UK government to discuss all these elements with Verifiers which can assist the UK government in implementing this very detailed group of regulations/guidelines etc.. and that they have experienced in the implementation of EU and IMO related measures.

**Emissions At Berth – List of Companies -** If the UK government decides to extend this system to cover international emissions through the ‘Emissions at Berth Proposal’ the UK Chamber would suggest contacted its European Counterparts to share experiences on the curation of such a list, in order to improve what has been done with the act on the list of shipping companies specifying the administering authority. This act lists the shipping companies falling under the scope of the EU ETS and match them with their administering authority: [***Accessible***](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202400411) ***here***

It is concerning that the responsibility to identify and manage operators ‘Outside the UK’ will fall to the Environmental Agency. These will be a considerable amount work which requires Helpline to be set up and an email for queries and discussions with the industry. It is not obvious how the environment agencies will identify the vessels and related ‘point of Obligations’ if ‘Emissions at Berth’ for International voyages are included. These are all areas that require further consideration and consultation.

The UK Chamber therefore recommends:

1. That if a similar list is to be published for application under the UK ETS, that this is published well in advance to allow sufficient time for shipping companies to prepare.

2. That the process of identifying a shipping company be developed and published well in advance.

3. That appropriate resourcing be provided to ‘helpdesks’ to provide administrative advice and to enable company-specific issues to be escalated promptly. Contact information for such ‘helpdesks’ should be made public so as to ensure smooth implementation.

4. That consideration be given to non-UK based entities caught within scope of the UK ETS to ensure that they are not subject to unduly onerous registration processes. (for example, allowing for digital solution to reduce the needs of posting off notarised document).

5. to think the process and responsibility within UK government departments.

Please note that the processes of implementing all these aspects have been arduous at the European level, in order to ensure alignment the UK government should continue its discussion with the EU and Member States counterparts.

**Penalties:**

The UK Chamber is concerned with the proposals that the Monitoring Plan be approved by the regulator (as opposed to a verification body) and that no Document of Compliance will be issued to evidence that the data received is both accurate and compliant. The UK Chamber is concerned that this combination will not facilitate the appropriate level of oversight required to ensure proper enforcement of the regime or provide sufficient reassurance for operators that are complying. It must be emphasised that the benefits of issuing of a Document of Compliance are two-fold; one for the benefit of the regulator as a record, and one for the benefit of the operator who may provide it as prima facie evidence of compliance when and if questioned. Not issuing a Document of Compliance and giving verification responsibilities to a non-maritime body may in fact encourage distortion in the market, particularly for UK-based operators in comparison to overseas operators and those on international voyages whose emissions at berth will be captured, if there is not adequate supervision and a Document of Compliance issued in order to prove compliance with the Scheme.

It is also unclear how operators not initially caught within scope of the proposed expansion of the UK ETS, will be monitored and the regime subsequently enforced. Such clarity must be provided to ensure a level-playing field amongst operators.

The UK Chamber has further noted that the ETS Authority has not indicated an intention to refuse entry to the ships under the responsibility of a shipping company for continued failure to meet surrendering obligations but rather to maintain enforcement via the application of civil penalties. The UK Chamber is supportive of this, noting that it would not be appropriate for the non-compliance of one ship under management of a duly obligated ISM company, for example, to result in sister ships or vessels owned by another shipowner to also be refused entry. The current system has been shown to be robust to act as a deterrent to non-compliance.

ANY FURTHER POINTS BY MEMBERS?

**26. Do you agree that we should use the UK MRV regime as the basis for the UK ETS, with deviations for the purpose of the UK ETS MRV requirements as outlined? (Y/N) Please explain your response, providing evidence where possible.**

As indicated above (question 25) more clarity is needed on the on the system that will be used for collecting data: currently, is not clear whether data collection will be continued through the UK MRV or another system.

In general, as indicated in question 25 – alignment with the EU MRV/ETS and IMO DCS system is necessary.

As regarding the five areas of deviation – see following points below:

1. **Emissions at Berth** – SEE ANSWERS TO QUESTIONS 1,4,11,25, 26 for the **UK chamber** position on Emissions at Berth within the proposal.

To highlight few points – **the Administrative Burden both for Operators and Government** to implement this requirement within the UK MRV will be enormous. This will require specific guidance for different stakeholders, helpdesk, all systems will need to be in place well before 1 January 2026 and information disseminated at an International Level by the government to ensure awareness of international operators.

**Tramp (no fixed routes or schedules) vessels/ emergency calls -** The UK government should consider a ‘De Minimis Threshold’ (questions 11 and 12 refers) for vessels in Tramp and doing Emergency Calls in a UK ports. For example, the EU MRV/EU ETS system recognises certain stops which do not qualified as port of calls in the regulation. However, it should be noticed that to avoid evasive behaviour, the way in which these stops are not considered Port of Calls is stringent – the UK should have an aligned approach on this. Few examples:

**•** Stops for the sole purposes of refuelling; obtaining supplies (including fodder for vessels transporting animals as cargo); relieving the crew of a ship other than an offshore ship; going into dry-dock or making repairs to the ship and/or its equipment; 

• Stops in port because the ship is in need of assistance or in distress;

• Ship to ship transfers carried out outside ports;

• Stops for the sole purpose of taking shelter from adverse weather or rendered necessary by search and rescue activities

**General Purpose of the requirement:** looking to the requirement in isolation this could be seen as a ‘pay-to-go' system as currently the UK does not have, for example, a complete ‘Fit for 55’ package (which include a Fuel Infrastructure/ Shore power Package for Ports). Without these packages of measures the system does not achieve the environmental objectives proposed but risks resembling a ‘pay-to-go' exercise with no real possibility for operators to improve their performance. The government should ask if really this policy will do anything for improving the uptake of Shore power and Alternative Fuels? Without any other measures and be clear in the packages proposed.

1. **Offshore Vessels** the EU MRV System is started on the 1 January 2025 to cover Offshore vessels. As indicated in questions 1,3,4, 15 and 26 currently the rules are uncertain; it is not clear how offshore vessels movements will be recorded and clarification is required on which vessels will be included. The UK could start to phase this in by collecting and recording data under the UK MRV for offshore vessels. However, discussion with European counterparts is required – especially considering that the EU has organised a specific Sub-Group ‘ESSF-MRV-ETS’ for Offshore vessels to establish better and fair rules which do not cause Market Distortions in 2025.

As indicated above we would strongly suggest the UK Government to align the UK ETS Scheme with the European and start for offshore vessels on 1 January 2027 to minimise market distortion within the system; not aligning on timing will serve as an immediate disincentive for vessel operators to use UK ports and may result in carbon leakage outside the UK.

1. **‘Points of obligations’** We agree with the alignment at EU ETS level with this requirement (See below question 32).
2. **Role of verifiers and Document of Compliance (DoC) –** As indicated in different parts of this consultation – the UK Chamber strongly advises the UK government to discuss all these elements with Verifiers which can assist the UK government in implementing this very detailed group of regulations/guidelines etc.. and that they have experienced the implementation of EU and IMO related measures.

As regarding the approval of monitoring plan and assessment by the UK government (and not the verifiers) we would like to highlight that if the scheme will include ‘international voyages’i.e. ‘Emissions at Berth’ there will be numerous plans to be verified and approved. The UK government should consider the Administrative Burdens on doing this effectively and in time and the available competence of the Environment Agency and other devolved environmental agencies in doing this. The proper evaluation of Monitoring Plans underpins the accuracy and reliability of emissions monitoring by specifying methodologies, emission factors, and data collection procedures. If these are incorrectly defined or insufficiently scrutinised during the approval stage, the resulting emissions data may be inaccurate, compromising the integrity of not only the UK ETS but the UK’s emission inventories.

The UK Chamber is further concerned that this will not facilitate the appropriate level of oversight required to ensure proper enforcement of the regime or provide sufficient reassurance for operators that are complying. It must be emphasised that the benefits of issuing of a Document of Compliance are two-fold; one for the benefit of the regulator as a record, and one for the benefit of the operator who may provide it as prima facie evidence of compliance when and if questioned. Not issuing a Document of Compliance and giving verification responsibilities to a non-maritime body may in fact encourage distortion in the market, particularly for UK-based operators in comparison to overseas operators and those on international voyages whose emissions at berth will be captured, if there is not adequate supervision and a Document of Compliance issued in order to prove compliance with the Scheme.

It is also unclear how operators not initially caught within scope of the proposed expansion of the UK ETS, will be monitored and the regime subsequently enforced. Such clarity must be provided to ensure a level-playing field amongst operators.

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1. **Biofuels and LCA emissions:**If the system needs to be aligned with EU MRV and DCS it should be noted that both systems are based on a Tank to Wake (and not Well to Wake). This is because the UK (and EU) ETS extension to maritime is based on Tank to Wake, “scope 1” emissions.

The UK Chamber suggests that the UK government follows the other systems and monitors the IMO’s on-going development of the IMO Lifecycle Assessment (LCA) Emission Guidelines .

Regarding biofuesl, the rules for calculating emissions are at EU level are included in RED III/EU MRV and related guidelines, whereas the IMO rules are included in MEPC.1/Circ.905. As this is an MRV/ETS system, for the time being (which could be reviewed in the future) we suggest using the European rules, as they are well established.

It should be noted that currently, verifiers check and verify the related monitoring plan and related evidence (of the Well to Tank reduction and related Fuel Certification) provided by the vessel operators. As iterated above, the UK Chamber remains concerned that the UK’s environment agencies might not have the right competence in doing this, and we would advise very strongly to use Verifiers as indicated above).

**ANY Comments on The above about Biofuel and LCA Emissions and related questions 29 and 30 – we are looking for improvements.**

***Monitoring, Reporting and Verification of CO2 emissions from ships (MRV) regime and the UK ETS MRV requirements***

**27. Do you agree that the approval of monitoring plans for maritime should be in line with existing UK ETS processes? (Y/N) Please explain your response, providing evidence where possible.**

The UK MRV and ETS process need to be aligned with the EU process, as indicated in the questions 25 and 26. The UK Chamber strongly advises:

1. to align the UK Monitoring Plan with the EU format (see above hyperlinks);
2. If the scheme is scheduled to begin on 1 January 2026, the corresponding template and process must be developed and communicated to operators in advance In and particularly from summer 2025, accompanied by a comprehensive package of support measures, including a webinar, FAQ documentation, a helpdesk service, and related guidelines. This is even more important if the scheme ultimately incorporates an international element;
3. Vessel operators should be given the possibility to submit their UK MRV plans before 31 December 2025 to allow for approval before the starting of the scheme. This will require personnel able to approve and verify the plan. The UK Chamber strongly suggests using verifiers for this process;
4. In a similar way, the template for the UK MRV should be updated, accompanied by the provision of supporting materials, including a dedicated FAQ document, helpdesk service, webinar, and related guidelines;
5. Approving Monitoring Plans requires an understanding of vessel designs and emissions from Main, Auxiliary Engines, the use of different monitoring systems and related evidence. Therefore, the UK Chamber is sceptical whether the UK Environment Agency and other devolved environmental agencies have the capacity for this task (and checking the UK MRV) without involving accredited verifiers. This is due to the fact, that vessel operators will provide evidence and will have questions which will require an understanding of shipping operations and ship design.

ANY ADDITIONAL SUGGESTIONS POINTS TO INCLUDE HERE.

**28. Do you agree that we should remove the requirement for a Document of Compliance from the UK ETS MRV requirements? (Y/N) Please explain your response, providing evidence where possible.**

The UK Chamber does not support the idea of not having a Document of Compliance issued as this is essential for showing that the vessel has provided UK MRV data, has a monitoring plan in place etc…. Otherwise, there will be no evidence on operators’ compliance with the requirements AND that the Administration has verified the data received for their accuracy. In addition, it will be very difficult to enforce this requirement on the point of view of Port State Control as there will be no evidence that an approval has been carried out. The legislator needs to consider how makes a system that achieves some environmental improvement and this will require as minimum checking and approval of plan and evidence on board through a Document of Compliance that this has been carried out. (See also questions 25 and 26).

**ANY Comments on The above about Biofuel and LCA Emissions and related questions 29 and 30 – we are looking for improvements**

**29. How best should we account for biofuels and other sustainable fuels used in the maritime sector in the scheme? How best can we consider lifecycle emissions for fuels used in the maritime sector in the scheme? Please explain your response, providing evidence where possible.**

The UK Chamber recommends that the system needs to be aligned with EU MRV and DCS - both systems are based on a Tank to Wake (and not Well to Wake). And the UK ETS is based on a Tank to Wake in a similar way with the EU ETS.

Regarding biofuels, the rules for calculating emissions at EU level are included in RED III/EU MRV and related guidelines, whereas the IMO rules are included in MEPC.1/Circ.905.

As this is an MRV/ETS system, the UK Chamber suggests that the Government uses the European rules for fuel certification - which allow certain fuels such as biofuels and RFNBOs that meet specific sustainability criteria and lifecycle emission reduction thresholds on a ‘well-to-tank' basis to be zero-rated to promote the use of cleaner energy sources. Mutual recognition of EU-recognised certification schemes (which are used internationally to prove compliance with these requirements), will further help ensure the effective implementation of the UK ETS while maintaining a level playing field with EU operators. Any MRV system, along with the corresponding ETS must align with the fuel certifications and standards recognized under technical fuel and emissions reduction regulations for shipping. This ensures that the same level of benefit of zero rating is provided when using various technologies such as second-generation biofuels, carbon capture, RFNBO, low-carbon fuels and other technologies. Additionally, as the International Maritime Organization (IMO) develops its Life Cycle Assessment (LCA) and accompanying certification systems, it will be necessary for the UK to remain adaptable and prepared to align with these global standards in the future.Finally, it should be noted that currently verifiers check and approve the related monitoring plan and related evidence (of the Well to Tank reduction and related Fuel Certification) provided by the operators. The UK needs to consider which organisation within the government will undertake this task. The UK Chamber strongly advises the use of verifiers as indicated above as we are sceptical on the ability of the UK’s Environment Agency being able to use RED III/EU MRV rules to carry out these tasks). Operators normally, contact the verifiers with evidence of fuel certification and to record related reduction of emissions within the MRV system. In order for the Agency responsible to do this, it needs to be able to reply quickly to this type of request which might be linked with Fuel Contract and specific vessel Port of Calls.

**ANY Comments on The above about Biofuel and LCA Emissions and related questions 29 and 30 – we are looking for improvements**

**30. Which greenhouse gas emission factors for each maritime fuel and energy source would be most appropriate to use under the scheme? Are these emission factors fit for purpose for calculating lifecycle CO2e emissions? Please explain your response, providing evidence where possible.**

Please see answer to question 29 above - The UK Chamber suggests aligning with the EU systems on these aspects.

Aligning to the EU systems means the use of the same Tank to Wake and Certification of Fuel requirements that the EU Member States are using. This shall also apply to biofuels, RFNBO, among others. Any MRV system, along with the corresponding ETS must align with the fuel certifications and standards recognized under technical fuel and emissions reduction regulations for shipping. This ensures that the same level of benefit of zero rating is provided when using various technologies such as second-generation biofuels, carbon capture, RFNBO, low-carbon fuels and other technologies.

Please note that when IMO fully develops an LCA and Certification System then alignment with IMO will be required.

Currently, the EU MRV and EU ETS are based on a Tank to Wake system (with consideration to fuel Certification on the Well to Tank emissions which shall reach a specific level in the reduction). The UK needs to mirror all these systems.

**ANY Comments on The above about Biofuel and LCA Emissions and related questions 29 and 30 – we are looking for improvements**

**31. Do you agree that the changes outlined above should also be made to the existing UK MRV regime? (Y/N) Please explain your response, providing evidence where possible.**

No, as outlined in our response to questions 26 through 30.

***Point of Obligation***

**32. Do you agree with the proposed approach to defining the obligated entity? (Y/N) Please explain your response, including your views on the requirements for the delegation of responsibility, and on the proposed default position where those requirements are not met. If you do not agree, please outline your preferred alternative approach.**

To provide the commercial context of why the point of obligation (and which party pays for fuel in practice, and who may or may not be the ISM company), and its administration is critical, the following concepts are explained:

* A **bareboat/demise charter** (so the lease of the asset without crew or provisions) is a contract (often for financing purposes) for the vessel from the registered owner (such as a financial institution) to **a party (lessee/bareboat charterer) that may operate the vessel and take overall (could be direct or indirect) responsibility for the crewing, maintenance and fuelling of the vessel.** 
  + It may be indirect if that bareboat charterer has decided to contract out its technical and crewing responsibilities to a third-party ship management company.
* A **time charter** is a contract to hire the vessel for a specific period, where the shipowner provides the vessel with crew and maintains the vessel, but **the charterer selects the ports, routes, and vessel speed and pays for all the fuel the vessel consumes during the period** **of the time charter.** The period of a time charter can range from less than a month to a few years, depending on the project type and sector. So there easily can be multiple time charters in one year for the same ship, with those respective charterers paying for that fuel.
* A **voyage charter** is where **a vessel, provided by the shipowner that pays for the crew, most port costs and fuel,** is contracted to the charterer based on specific voyages between a load port and discharge port. The shipowner is paid on a per voyage basis, **but if the period of loading or discharge cargo at port (“laytime”) is delayed at port (which incurs cost and lost opportunity for shipowners), the charterer pays** for this delay through the concept of “demurrage”. The period of a voyage charter is determined by the time it takes to complete the agreed voyages.
* Many shipowners/bareboat charterers can also separately contract out the day-to-day crew and technical management of the vessel to **ship management companies**, in return for a fee.
* In practice, the following parties could potentially be the responsible entity:
  + Shipowner
  + Ship operator
  + Bareboat charterer
  + ISM Company (which could be the above entities, or a third-party ship management company, as named in the vessel’s Document of Compliance under the ISM Code). Sometimes the ISM Company has no interaction with the commercial contracts/charters as described above.

The point of obligation is critical, and as demonstrated above, is often not always the party that has “polluted” by purchasing the fuel for consumption. Time will need to be built in to enable parties to recover costs relating to emissions to feed it up to the responsible entity to then purchase and submit accurate allowances. Market-based hedging mechanisms open to the market could be used, but the level of usage will be dependent on the company’s size and operational circumstances.

The UK Chamber recognises that the UK ETS Authority is proposing to implement all of the following proposals (subject to the outcome of the consultation), which could therefore include:

* Expansion of the UK ETS to include emissions at berth;
* Expansion of the UK ETS to include emissions from travelling from one UK port to another UK port;
* Expansion of the UK ETS to include emissions from voyages which start and end at the same port in the UK; and
* Expansion of the UK ETS to include emissions while at anchor and while moored, both at sea and at offshore structures.

The UK Chamber is mindful of the need to reduce complexity for the entity to be held responsible for compliance with the obligations under both the UK ETS and the accompanying MRV framework (whether this uses the UK MRV platform, METS or other). The UK Chamber has noted that the proposed definition of the “obligated entity” aligns with that of the responsible entity under the EU ETS, namely that responsibility for compliance lies with the registered owner unless such responsibility has been delegated to the ISM company (which could be the technical manager or bareboat charterer) via contractual mandate. Further, it is acknowledged that if the aforementioned proposals were implemented, many but not all of the shipping companies that would be in the scope of the UK ETS, are already in the scope of the EU ETS.

The UK Chamber has noted that the extension of the EU ETS to shipping with its adjacent definition of the responsible entity has resulted in few ISM companies agreeing to take on compliance obligations, because of the potential exposure to financial and commercial penalties, and because they do not have a contractual relationship with the charterer who has the power to make day-to-day decisions about the use of the vessel itself (and who will therefore impact ETS liabilities). However, in order to reduce complexity by having differing obligations under different regional schemes and because the industry has adapted to the application of the EU ETS in the same way, the UK Chamber would therefore agree that alignment with the definition under the EU ETS is preferable and consequently would agree with the proposed definition.

The UK Chamber has further noted that the UK ETS Authority has proposed that the registered owner must provide a “satisfactory notification” to the relevant regulator should they wish to evidence that the ISM company has been mandated to comply with the obligations of the UK ETS (and the MRV). Failure to provide a “satisfactory notification” would result in a default position – that the registered owner would have to continue to be the obligated entity. In this regard, the UK Chamber would strongly recommend that a uniform approach be taken across the four different regulators. Following the extension of the EU ETS to the shipping industry, the UK Chamber can advise that a lack of harmonisation across the Member States resulted in different mandates (and therefore different accompanying documents and information) needing to be provided depending on the Administering Authority that the shipping company was assigned to. The UK Chamber would strongly encourage that a standardised approach be taken to make it clear what requirements must be met in order for the registered owner to contractually mandate the ISM company (if so agreed by the parties) and how to open a Maritime Operator Holding Account (MOHA); this will be particularly key for overseas operators and so as not to introduce overly burdensome and arbitrary requirements. Such requirements must also be communicated clearly and in sufficient time to allow for contractual negotiations to take place, particularly if there is to be no phase-in period. Appropriate resourcing will also need to be provided to ‘helpdesks’ in the event that advice is required or a solution is needed promptly. Contact information for such ‘helpdesks’ should also be made public so as to ensure smooth implementation.

More generally, however, guidance will need to be provided with respect to the obligations on the “obligated entity” for the monitoring, reporting and verification of emissions, the submitting and amending of emission plans, as well as the purchase, trading and surrendering of allowances. This includes guidance in the event that a vessel is sold to a new owner or in which the management of the vessel changes during the annual compliance cycle. The UK Chamber would advocate for alignment with the approach taken in the EU in which the previously responsible entity must produce a verified report covering the same elements as the (annual) emissions report but limited to the period corresponding to the activities carried out under the company’s responsibility during the reporting period. Such partial emissions reports can then be submitted to the new responsible entity, the flag State, and the relevant authority. With regard to the surrendering of allowances, each obligated entity is also then responsible for the emissions of each of its ships for the period during which it was responsible for the ship.

The UK Chamber would further advocate for any applicable penalties for non-compliance to follow the obligated entity – it would not be reasonable, for example, if an ISM company were to have been duly mandated but failed to surrender the required allowances and for the registered owner to be liable for the required allowances and/or penalties until it is rectified (or vice versa).

Lessons from the EU ETS on this would be useful to consider. Given the complexity of the shipping industry and the involvement of numerous stakeholders, there have been instances where the responsible EU entity has introduced certain issues that remain unresolved and are still under discussion.

a) Bareboat Charters - Under the [EU ETS directive](https://climate.ec.europa.eu/eu-action/transport/reducing-emissions-shipping-sector/faq-maritime-transport-eu-emissions-trading-system-ets_en) and its secondary legislation, “the entity responsible for compliance in respect of the emissions of a given ship can be either the shipowner (i.e., the registered owner) or the ISM Company of that ship. The registered owner and the ISM Company have to decide who is the most appropriate entity to take on responsibilities for complying with the ETS and MRV obligations. In the absence of an explicit decision by the registered owner and the ISM Company, the registered owner will be considered, by default, responsible for compliance with ETS and MRV obligations”.

The only way in which this Entity can become the ‘Entity Responsible’ is when the bareboat charterer can be responsible for compliance with ETS and MRV in respect of a given ship only if that bareboat charterer has accepted to assume ISM Code responsibilities in respect of that ship. That bareboat charterer that assumes ISM Code responsibilities could accept to assume the responsibilities for ETS and MRV obligations from the registered owner. In such a case, the ISM company must provide evidence of the mandate from the registered owner to its Administering Authority.

A bareboat charterer that has not directly accepted ISM Code responsibilities cannot be considered as the entity under EU ETS and MRV. Like in other similar instances, the bareboat charterer may ask a third party to fulfil tasks on its behalf, including concluding contracts. Therefore, a bareboat charterer could sign a mandate with an ISM company on behalf of the registered owner if the bareboat charterer has been empowered to fulfil that task by the registered owner.

This however, does not cover all possible cases as a bareboat charterer can be a commercial entity with no ISM Code (DOC document). In these cases, the bareboat charterer cannot be the Entity Responsible while in some cases for commercial reasons the ISM Manager will not take this responsibility. This issue is outlined in the following article: https://www.nortonrosefulbright.com/en-gb/knowledge/publications/9deef27e/eu-emissions-trading-system-what-have-we-learned-after-9-months-of-operation

b) Different Interpretation of ‘responsible entity’ between EU ETS and Fuel EU Maritime;

FuelEU Maritime sets requirements on the well-to-wake GHG intensity of energy used for ships trading in the EU/EEA from 1 January 2025, as part of the EU’s “Fit for 55” package. The requirements apply to the shipping company, which is the shipowner or any other organization or person, such as the manager or the bareboat charterer, who has assumed responsibility for the operation of the ship, including duties and responsibilities imposed by the ISM Code.

As opposed to the EU ETS, the responsible company under FuelEU Maritime must be the ISM company and cannot be retained by the registered owner unless the owner is also the ISM company. This implies that the responsible company for a ship may not be the same for EU ETS and FuelEU Maritime. Each responsible company will need to be registered with an administering state, which is the same as the Administering Authority for EU ETS compliance*.*

c) Parent Company and Subsidiaries - Guidance would be helpful as to the level of choice a company has to nominate the company responsible for UK METs MOHA/Registry account.

**33. Do you agree with our understanding of the ability for the obligated entity to seek entitlement to cost recovery? (Y/N) Please explain your response, including the extent to which you would expect revision to contractual arrangements.**

The experience of the industry in the extension of the EU ETS to shipping has indicated that there are a variety of contractual mechanisms which can be applied to pass through the cost of compliance to the commercial operator. Under the terms of the amended EU ETS Directive, there is a provision in Article 3gc which allows Member States to develop ‘polluter pays’ mechanisms within their national laws which allows for the charterer to bear the cost of compliance. However, such mechanisms differ from Member State to Member State and are not harmonised.

It is noted that the UK ETS Authority is proposing to mirror this approach in allowing the market to negotiate contractual changes, as opposed to mandating a specific mechanism for the pass -through of costs and responsibilities. The UK Chamber would agree that as there is no harmonisation in the manner that the EU Member States approach such matters, it would not be reasonable for the UK to do so.

By way of background and in response to the extension of the EU ETS, the industry’s association charged with the creation of standard contracts and clauses, BIMCO, has published [several clauses](https://www.bimco.org/trending-topics/ets) (https://www.bimco.org/trending-topics/ets) which could be readily used as a template for use in e.g. time charter parties, voyage charter parties, contracts of affreightment, and ship management agreements. It is important to note that, depending on the charter party, it is normally either the owner or the charterer who chooses, provides and pays for the fuel. Thus, if the technical manager were to be duly mandated, a series of contractual mechanisms would need to be employed in order to pass down the cost and responsibilities to comply with the ETS.

The BIMCO clauses themselves are intended to be scheme-agnostic and thus, depending on the obligations to be imposed by the extension of the UK ETS, the UK Chamber would expect similar versions of such clauses to be used with respect to allocating the responsibilities and costs of complying with the UK ETS. The clauses provide for the appropriate facilitation of greater information flow between the parties as well as the passing on of costs (whether that be through the purchasing and provision of emission allowances, an additional sum built into the freight rate or as an additional fee etc). Such clauses will not be read alone, however – there will also be contractual provisions which deal with the passing on of information or costs in the event that the underlying charter party or agreement is terminated before the natural end of the contract and prior to the end of the compliance cycle, for example. The UK Chamber would advocate for the continued allowance for private persons (not just those who are the “obligated entity”) to be able to purchase and trade allowances – not just to improve liquidity in the market but also to enable the proper facilitation of the various contractual mechanisms that will be employed to comply with the ETS. Should this continue to be allowed, it would not therefore be necessary to mandate any type of specific contractual mechanism to allocate and pass on costs or responsibility. Such flexibility also allows for the legal responsibility to remain with the registered owner but for the operational one to be delegated.

***Guidance***

**34. On which aspects of the policy proposals should we produce guidance, and to what timescale? Please explain your response, providing evidence where possible.**

The integration of maritime emissions into the UK ETS requires careful preparation on the part of companies and the development of comprehensive guidance to support compliance and operational readiness. Drawing lessons from the EU ETS and its associated Delegated Acts and Implementing Decisions, the following outlines suggested areas for guidance and preparatory work. Please note that this list is not intended to be exhaustive but intends to highlight key areas that would require attention before the scheme’s implementation. Given the substantial commercial and contractual implications, clarity on several matters must be provided well ahead of the scheme’s implementation in January 2026.

First, clarity on the roles and responsibilities of obligated entities is essential. If there is to be a comprehensive list of these entities and their corresponding relevant authorities, this must be published well in advance of the January 2026 implementation date. This is particularly important given the potential for international dimensions within the scheme. Furthermore, clear instructions should be provided for delegating compliance responsibilities to the ISM company, with uniformity across the four UK authorities strongly encouraged for what consists of a “satisfactory notification” in the format of mandate and accompanying documents (if any) to reduce confusion. This includes how to notify of a change of registered owner or ISM company (if they are the “obligated entity”) and deadlines for doing so.

In terms of MRV, stakeholders will require detailed instructions on producing, submitting, and amending Monitoring Plans (MPs) and the deadlines for doing so, including if a vessel only comes within the scope of the UK ETS at a later date. Standardised templates for these documents should be made available ahead of time to ensure consistency and ease of use. Guidance is also needed on emissions reporting, including procedures for submitting annual and partial emissions reports (covered in part in response to Q32) and protocols for documenting biofuel and zero-rating fuel usage in line with RED III and EU MRV regulations. Additionally, the government should develop contingency plans to address situations where accredited verifiers lose accreditation or cease operations during the compliance cycle (for example, events outside of the obligated entity’s control).

Another area of importance is the integration of compliance systems, particularly the interaction between the MRV system and Maritime Operator Holding Accounts (MOHA). Stakeholders would benefit from clear instructions on setting up MOHAs, submitting data, and ensuring interoperability between these systems. Practical training materials, such as webinars or video tutorials, could be beneficial here to facilitate compliance. A consolidated FAQ addressing common questions related to the UK MRV and ETS would also support stakeholders.

Robust industry engagement mechanisms will be vital in the preparation of this technical guidance. The European Sustainable Shipping Forum (ESSF) has proven to be an effective model for facilitating dialogue between relevant maritime industry stakeholders and the European Commission and its services. The [ESSF Sub-group on ETS and MRV Maritime](https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&fromMainGroup=true&groupID=104372) (https://ec.europa.eu/transparency/expert-groups-register/screen/expert-groups/consult?lang=en&fromMainGroup=true&groupID=104372) provides a valuable precedent. This Expert Working Group has provided a stakeholder platform to discuss, provide expertise to the Commission, and develop guidance documentation, where appropriate, in relation to the implementation of the MRV Maritime Regulation and the EU ETS Directive. This has included assisting the Commission in the preparation of delegated acts, exchange of views and experiences between Member States, and providing expertise to the Commission when preparing implementing measures, (i.e. before the Commission submits these draft measures to a comitology committee). A similar forum in the UK, potentially under the purview of a revitalised Clean Maritime Council, could ensure regular feedback and collaborative development of policy and associated guidance. Furthermore, the UK Chamber recommends publishing annual summaries of maritime CO2 emissions and the system’s performance to enhance transparency and enable continuous improvement, as demonstrated by DG CLIMA in the EU MRV context. To ensure adequate preparation time, foundational guidance - including the list of obligated entities, verifier information, and compliance templates - should be published no later than Q2 2025. Practical resources, such as training sessions and webinars, should follow promptly to ensure widespread understanding and adoption. To aid in UK-specific efforts, the government should reference and adapt existing EU resources where applicable. The European Commission’s DG CLIMA has prepared extensive guidance, including templates, FAQs, and webinars, which offer a robust foundation for UK adaptation. These resources are accessible at: [DG CLIMA Shipping Emissions Guidance](https://climate.ec.europa.eu/eu-action/transport/reducing-emissions-shipping-sector_en#documentation) (https://climate.ec.europa.eu/eu-action/transport/reducing-emissions-shipping-sector\_en#documentation).

***Decarbonisation impacts***

**35. Does the section above capture all relevant short and long term decarbonisation impacts of the UK ETS? (Y/N) Please explain your response, providing evidence where possible.**

The UK Chamber is concerned that the proposal to streamline processes by assigning the approval of monitoring plans to the UK ETS regulators, as elaborated to questions 1, 25, 26, and 30, will result in a UK MRV regime that is not adequately able to capture the impacts of the scheme.

Monitoring plans provide the foundation for robust emissions monitoring by specifying the methodologies for collecting activity data, applying emissions factors, and managing data quality. If these foundational elements are poorly defined or insufficiently scrutinised, the resulting data may be inaccurate. A poorly evaluated monitoring plan therefore risks undermining the accuracy and reliability of emissions data collection. To ensure that the impacts of the scheme are measured accurately, the UK Chamber would recommend maintaining the current system where accredited verifiers hold responsibility for accessing and approving documentation and issuing documents of compliance.

Reliable emissions data is essential not only for the success of the UK ETS but for the UK’s broader net-zero objectives. MRV data feeds into the UK’s national GHG inventories and is depended on by both researchers and policymakers to inform research into the environmental impacts of shipping. Poor data quality would reduce the reliability of such research and its utility in supporting evidence-based interventions. It could therefore hinder the development of effective decarbonisation policies in the future.

See our response to question 37 for further potential impacts of the scheme itself.

**36. How else could the UK ETS support decarbonisation in the sector? Please explain your response, providing evidence where possible.**

The UK Chamber agrees that a strong economic signal is essential for bridging the gap between conventional technologies and zero-emission alternativesand welcomes the inclusion of domestic shipping in the emissions trading scheme to enable the decarbonisation of the sector. However, the realisation of these benefits will depend to a large extent on how fairness and equity considerations are taken into account and operationalised in the scheme. Otherwise, the scheme risks being perceived primarily as a cost of compliance rather than an enabler of real change.

In order to realise the benefits of a market-based measure, it is essential that the extension of the ETS forms part of a wider suite of measures to support the sector’s transition. The Chamber believes that only a multi-pronged approach is capable of closing the competitiveness gap between fossil and zero-emission fuels. Additional supportive measures beyond financial incentives alone are needed to overcome the various other barriers to decarbonisation in the sector, including ensuring the material availability of fuels and infrastructure at scale. The execution of the ETS scheme in the absence of such a package of measures is also likely to have a disproportionate impact on the short-sea shipping sector, especially in the event that the threshold is lowered to 400 GT.

The UK Chamber recognises that, in general, small vessels have a higher cost of operation and fuel consumption in terms of the per unit of cargo carried. In addition, many short-sea shipping companies’ access to capital and bank funding is more restricted in comparison to larger companies, providing them with limited options concerning improving their efficiency. Similarly, they might be disadvantaged regarding the available energy efficiency technologies in the market due to the limited space on board the vessel for their application or the difficulty of establishing a business case. Finally, all else being equal, the carbon price will increase the operational cost of coastal shipping, which could lead to further disincentives to use shipping and unintended modal shift, especially since the road and rail industries are not in the scope of the domestic ETS, and those industries’ fuel consumption per unit of cargo carried generally being much higher (and see DfT grants to encourage modal shift to domestic waters at <https://www.gov.uk/government/publications/department-for-transport-delivers-more-grant-funding-to-transport-freight-by-rail/mode-shift-revenue-support-and-waterborne-freight-grant-applications-and-background-information> and <https://www.transport.gov.scot/media/5306/waterborne-freight-grant-wfg-guide-for-applicants-current-version.pdf> ).

However, a key advantage of market-based measures is the potential to generate significant revenues, which can be used in different ways to help close the competitiveness gap and enable an equitable transition. The UK ETS should therefore be combined with an effective and fair use of revenue recycling or other revenue use options to drive both demand and supply of alternative fuels and bunkering infrastructure. Drawing lessons from the EU’s Innovation Fund, which allocates a portion of Emissions Trading System revenues to support maritime decarbonisation projects, we would strongly recommend that a similar fund or alternative mechanism is established to either directly or indirectly return revenues to the sector and support the deployment of zero-emission vessels operating in the domestic sector. By sharing associated risks, the EU’s Innovation Fund has allowed for the accelerated demonstration and deployment of technologies aimed at decarbonising shipping.

Such a mechanism would particularly help to enable decarbonisation for many SMEs with limited access to capital and could easily be integrated into existing public financing initiatives like UK SHORE. The use of revenues in this way would serve to further support decarbonisation in the sector by catalysing commercial capital participation and attracting further private investment.

**37. Do you consider that the application of the UK ETS will have any further environmental impacts, positive or negative? (Y/N) If negative, are there any mitigations that could be taken? Please explain your response, providing evidence where possible.**

The UK Chamber welcomes the inclusion of shipping in the UK ETS and recognises the potential for the scheme to incentivise in-sector decarbonisation by creating a price signal on emissions as a lever to change shipping technology, fuels, and operations. However, for this price signal to work as intended, viable alternatives to fossil fuels must be available. Many companies are keen to move forward, but ordering or upgrading ships without a clear long-term plan from Government on scaling-up fuel and infrastructure availability is a challenge. Such as it is, the scheme risks acting as a ‘pay-to-go' system where participants pay to offset their emissions without directly contributing to tangible environmental improvements or sectoral decarbonisation. In the absence of supportive measures to appropriately mitigate these risks and aid the industry in transitioning to net zero, the scheme may instead provide a financial incentive for the rerouting of operations and carbon leakage outside the UK.

In particular, the UK Chamber notes that the proposed inclusion of emissions of berth in the scheme has been intended to encourage a sector-wide switch to the use of shore power. The UK Chamber agrees that the adoption of shore power will play an important role in the decarbonisation of the industry and presents major opportunities in most shipping segments, although the pace and extent of change will differ. However, unlike the EU, which has accompanied its economic instrument with a complementary package of regulatory measures, including FuelEU Maritime and Alternative Fuel Infrastructure Regulation (AFIR), the UK currently has no mandatory shore power provision or equivalent infrastructure program in place. As of 2024, only two British ports are equipped with shore power facilities besides the Royal Navy base at Portsmouth. Proposing to tax emissions at berth without the corresponding shoreside infrastructure to facilitate a switch to cleaner alternatives means operators will be penalised for behaviour they cannot change. This not only undermines the intended outcomes of the proposal but suggests that without addressing these gaps, the UK ETS will have a limited effect on decarbonisation efforts.

A package of supportive measures considering both supply and demand in parallel is therefore essential that the UK ETS does not operate in isolation. This should also include a clear long-term plan from Government on tackling capacity constraints and electricity supply, ending the first come first served approach currently in place and prioritising ports and other key national infrastructure for capacity roll out, as well as a Future Fuels Plan to support the industry’s uptake of low carbon alternatives to current maritime fuels.

The UK Chamber further considers that if the life-line ferry services exemption for Scotland is not extended to other island communities, and in any case not reviewed at the same time as the GT threshold review, there will be paradoxically negative environmental impacts for specific local communities. The ferry services from the mainland to the Isle of Wight are a case in point.

The Isle of Wight is served by six ferry routes. Vehicle ferry services connect Fishbourne to Portsmouth, East Cowes to Southampton, and Yarmouth to Lymington. Foot passenger ferry services connect West Cowes with Southampton and Ryde Pier with Portsmouth Harbour. A hovercraft service operates between Ryde Esplanade and Southsea.

A yellow and black chart with text and images

Description automatically generated with medium confidence  
Source: <https://isleaccess.co.uk/accessible-directory/travel-to-the-iow/>

If there is no reviewable exemption for this market, the UK ETS rules will result in penalising new vessels above 5000 GT that, in conjunction with investments in hybrid technology, on a fuel consumption per cargo/passenger unit basis, can carry more cargo and passengers using less fuel. This is clearly a perverse environmental outcome and creates perverse market incentives in the short term, given that some older, smaller vessels serving that market may be due for fleet renewal.

Many of these operators (as outlined in the UK Chamber’s response to Q16) also have significant plans to electrify their fleets subject to sufficient grid capacity, subject to the infrastructure for shore power and alternative green fuels being made available at the right time. The ship operators will have both emissions savings in mind as well as conversion to all-electric ferries, which are already operating in Norway (see e.g. <https://businessnorway.com/articles/norway-showcases-award-winning-electric-ferry-technology>). It is also a region which is capable of electric ferries being deployed, as long as the charging infrastructure is in place – with lead-in times for charging infrastructure to be built spanning many more years the entry into force of the ETS if life-line ferry services are not exempted and reviewed at the same time as the GT threshold.

***Potential distributional impacts and carbon leakage risk***

**Questions 38. Do you consider that application of the UK ETS will lead to any adverse impacts for any particular communities or regions, or sub-sectors of the maritime economy. (Y/N) Please explain your response, providing evidence where possible.**

Yes. If there is no reviewable exemption for life-line ferry services , the UK ETS rules will result in penalising new vessels above 5000 GT that, in conjunction with investments in hybrid technology, on a fuel consumption per cargo/passenger unit basis, can carry more cargo and passengers using less fuel. This is a perverse environmental outcome and creates perverse market incentives for those operators competing in the same market with vessels above and below 5000GT. While the UK Chamber understands that the number of vessels above 5000 GT for lifeline ferry services that would be impacted is less than a handful, they are concentrated in specific markets operating with vessels below 5000GT. This means that the economic impact of the UK ETS is likely to be felt by those specific local communities, each with specific shipping markets/routes that provide that connectivity to goods and services to the mainland.

The UK’s domestic ferry network is the lifeblood of many communities across the UK mainland with vessels transporting hundreds of thousands of people annually to and from islands and remote regions around the UK coastline. They are often the only way to commute to work, access medical assistance and educational institutions, as well as the main delivery method for critical supplies. Many of these operators (as outlined in the UK Chamber’s response to Q16) also have significant plans to electrify their fleets subject to sufficient grid capacity, subject to the infrastructure for shore power and alternative green fuels being made available at the right time.

The UK Chamber recommends to the ETS Authority that it extends its exemption for life-line ferry services to other island communities in the UK and reviews this exemption when the time to review the GT threshold arrives (in 2028). The 2020 ONS analysis of coastal communities (coastal towns with a population below 225,000) noted that coastal towns are more likely to have higher levels of deprivation than non-coastal towns (<https://www.ons.gov.uk/businessindustryandtrade/tourismindustry/articles/coastaltownsinenglandandwales/2020-10-06>).

The maritime sector is also a major contributor to the economies and jobs of the UK’s coastal regions. The 2022 State of the Nation report from Maritime UK (<https://www.maritimeuk.org/documents/1258/CEBR-report-2022pdf.pdf>) notes that In 2019, maritime contributed £116bn in total turnover to the UK economy, 35% higher than in 2010. For every £1 of turnover generated directly by the sector, a further £1.09 was generated indirectly across the supply chain, underscoring the far-reaching impact of an industry that carries 95% of Britain’s global trade. The State of the Nation report also outlines the employment impact of the UK maritime sector, supporting 1,064,000 jobs in 2019. This represents an 18% increase in 2010, outpacing the rise in UK employment of 13% over the same period.

A map of the united kingdom with different countries/regions

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Regional breakdown of GVA directly contributed by the maritime sector (2019) and regional breakdown of employment directly contributed by the maritime sector (2019) - https://www.maritimeuk.org/documents/1258/CEBR-report-2022pdf.pdf.

The UK Chamber notes that in this consultation, part of the reasoning for the Scottish ferry services exemption covers the need for regular transport given the threat of depopulation in some of those communities. The UK Chamber notes that in the 2021 Census, the Isle of Scilly’s population also decreased (https://www.ons.gov.uk/visualisations/censusareachanges/E06000053/ ): Between the last two censuses (held in 2011 and 2021), the population of the Isles of Scilly fell by 6.8%, from just over 2,200 in 2011 to around 2,100 in 2021. This means the Isles of Scilly was the only local authority area in the South West to see its population decline. In addition, in 2021, 4% of Isles of Scilly residents were identified as being disabled and “limited a lot”. This means that, lowering the threshold to 400GT without complementary measures, such as improved infrastructure or subsidies for transportation costs, risks increasing the cost of services for UK residents, particularly in remote or economically sensitive areas (as outlined in Q40).

The UK Chamber recommends that support for maritime decarbonisation should be integrated with the government’s Industrial Strategy, Trade Strategy and any future DfT -specific maritime strategy that gives adequate consideration to the critical importance of the maritime sector to the UK economy and, most importantly, an updated Clean Maritime Plan setting out intermediate decarbonisation targets and a package of measures similar to a ‘Fit for 55’ with plan for developing Shore power/ Alternative Fuel infrastructures, more innovation funding etc..

Without addressing these gaps, the UK ETS might have a limited effect on decarbonisation efforts. As many regional and non-major ports lack the necessary shoreside infrastructure to facilitate a switch to cleaner fuels or reliance on shore-power, the UK ETS may have a limited impact on reducing actual emissions while at port. The scheme could end up resembling ’a pay-to-go’ model without any environmental benefits. These ports that are less-equipped to adapt to low-carbon technologies may see reduced shipping activities in the area, facing higher financial challenges and risk compared to larger ports.

The UK Chamber is concerned that no economic impact assessment has been published for the potential effects of this proposal, and would also recommend that post-implementation review and impact assessment is undertaken, post ETS expansion to maritime.

**39. Do you consider that application of the UK ETS will lead to any carbon leakage or modal shift to other transport types? (Y/N) Please explain your response, providing evidence where possible.**

Yes. The UK Chamber appreciates the government’s commissioning of the report to assess the potential for carbon leakage or modal shift resulting from the application of the UK ETS to maritime transport. This is a critical area for analysis, as highlighted by the Chamber’s response to the 2022 consultation on ‘Developing the UK Emissions Trading Scheme’ regarding the potential for a modal shift away from short-sea shipping to less environmentally efficient transport modes.

The UK Chamber notes, however, that the commissioned report focuses primarily on GB-NI routes, which, while important, represent only a subset of the broader short-sea shipping network. The UK Chamber considers that short-sea shipping remains at risk of being disadvantaged under the UK ETS, particularly if tonnage thresholds are lowered to 400 GT. Short-sea shipping is often the most environmentally efficient mode of transport for domestic and regional trade, as recognised by DfT grant funding to encourage a modal shift to domestic waters (see here: <https://www.gov.uk/government/publications/department-for-transport-delivers-more-grant-funding-to-transport-freight-by-rail/mode-shift-revenue-support-and-waterborne-freight-grant-applications-and-background-information>). Any policy adjustments should carefully account for the potential of modal shifts to less sustainable alternatives.

In general, smaller vessels have a higher cost of operation and fuel consumption in terms of the per unit of cargo carried. In addition, many short-sea shipping companies’ access to capital and bank funding is more restricted in comparison to larger companies, with more limited options for improving their efficiency. As such, operators might be disadvantaged regarding the available energy efficiency technologies in the market due to the limited space on board the vessel for their application or the difficulty of establishing a business case. The available evidence suggests that a carbon price will disproportionately increase the operational cost of coastal shipping, which could therefore lead to an unintended modal shift, especially since the road and rail industries are not in scope of the domestic ETS.

We urge the government to extend its analysis to include the wider impacts on short-sea shipping and ensure that the UK ETS does not inadvertently undermine its competitiveness.

***Equality considerations***

**40. Do you consider that the application of the UK ETS to the maritime sector will lead to any impacts for any groups with protected characteristics under the Equality Act 2010? And do you consider any elements of the UK ETS expansion to the maritime sector could be designed to achieve the objectives set out under s149 of the Equality Act 2010? Please explain your response, providing evidence where possible.**

The Equality Act 2010 prohibits discrimination against people with several protected characteristics that are specified in accordance with section 4 of the Act with age and disability being part of the specified protected characteristics. In particular, it has provided a legal framework to protect individuals from discrimination in accessing goods and services, including most (but not all) transport services. For shipping, passengers with accessibility needs are protected by a separate regulation [the Regulation (EU) 1177/2010 concerning the rights of passengers when travelling by sea and inland waterways (incorporated into domestic UK law by section 3 of the European Union (Withdrawal) Act 2018].

The extension of the UK ETS to the maritime sector has the potential to adversely impact several groups with protected characteristics under the Equality Act 2010, in relation to age and disability.

The maritime sector plays a critical role in providing accessible passenger transport solutions in the UK, particularly for disabled and elderly passengers.

In the summer of 2023, the UK Chamber ran a members’ online survey to collect information about accessibility provisions and facilities in the ferry and cruise sectors. Overall, it showed encouraging progress being made by UK operators to improve the services and facilities for those with reduced mobility and other accessibility needs. Vessel operators face different operational challenges and provide services to different demographics, some of whom in turn may have different accessibility needs. This means that they will need to address the wide variety of accessibility needs depending on their type of service and ship (e.g. life-line domestic ferry services, international ferry passenger services etc), as well as catering to those specific demographics.

According to the [2021 Census](https://www.ons.gov.uk/visualisations/censusareachanges/E06000046/) (https://www.ons.gov.uk/visualisations/censusareachanges/E06000046/), the percentage of people who were identified as being disabled on the Isle of Wight stood at 8.8%, while the percentage of people who were identified as being disabled and ‘limited a little’ increased from 11.1% to 12.5%. The number of people aged 65 to 74 years rose by around 4,600 (an increase of 26.7%). At the same time, the Isles of Scilly [had](https://www.ons.gov.uk/visualisations/censusareachanges/E06000053)(https://www.ons.gov.uk/visualisations/censusareachanges/E06000053) a higher average (median) age than the South West as a whole in 2021 (44 years) and a higher average (median) age than England (40 years).

The financial pressures and costs created by the inclusion of life-line ferry services for remote and small island communities to the UK ETS (especially if the threshold is lowered to 400GT) could lead to reduced investment in ship accessibility improvements due to soaring operational costs, especially for SMEs. In addition, the cost of compliance with the ETS requirements could lead to increased transport prices, fare increases or service reduction, making life harder for island residents. Many older passengers may face greater social exclusion if increased costs lead to accessibility downgrades.

As mentioned in other parts of our response, several ferry routes provide ‘essential lifeline services’ to island communities. Fewer services to these communities would disproportionately affect vulnerable passengers who rely on these services to reach essential goods and services, including routine and specialist medical appointments

To avoid these disproportionate impacts on these groups, the UK Chamber calls for a temporary derogation for all lifeline domestic ferry services under the UK ETS (including England and Wales), so that they can continue to deliver essential accessible transport services equally to all passengers and communities. The UK Government should monitor the impact of UK ETS compliance on maritime, ensuring that essential routes are easily accessible and affordable for disabled and older travellers.

# Section B: Potential further expansion of the UK ETS to additional maritime emissions

***Future review of the threshold for the scheme***

**41. Do you agree that a lower threshold could support the maritime sector to decarbonise? (Y/N) Please explain your response, providing evidence where possible.**

Yes, the UK Chamber agrees that lowering the threshold could support the maritime sector to decarbonise. However, we would like to highlight the following caveats:

1. Although lowering the threshold will theoretically incentivise a larger part of the maritime sector to decarbonise its operations by virtue of bringing more vessels into the scheme’s scope, the UK Chamber recommends that it would not lead to meaningful impacts for maritime decarbonisation if a funded net zero package is not also in place, i.e. that package being recognised within the UK government’s Industrial Strategy, Trade Strategy and any future DfT -specific maritime strategy that gives adequate consideration to the critical importance of the maritime sector to the UK economy and, most importantly, an updated Clean Maritime Plan setting out intermediate decarbonisation targets and a package of measures similar to a ‘Fit for 55’ with plan for developing Shore power/ Alternative Fuel infrastructures, more innovation funding etc.. Without addressing these gaps, lowering the threshold alone will have limited impact on decarbonisation efforts. As many non-major ports lack the necessary shoreside infrastructure to facilitate a switch to cleaner fuels or reliance on shore-power. It should be recognised that the UK Government with the ZEVI (which should continue and expanded on level of funding) has provided real and concrete possibility of decarbonisation in the UK especially for the level of funding provided for smaller vessels. )
2. The UK Chamber would recommend that, as part of the review of the GT threshold, if the decision is made to lower the threshold, that UK ETS MRV regulations should first be extended, before there is any liability for UK allowances to be surrendered. This has three advantages for stakeholders and for the UK government:
   * the first being that it allows those operators to set up those systems for monitoring, reporting and verification for such systems, as well as allowing that data collected to mature (which increases its reliability and useability etc) over the short term;
   * this in turn allows the UK government to assess the volume of data collected to better estimate the actual volume of emissions, as well as use this data to more accurately adjust the UK ETS allowances cap; and
   * this will also better align with the EU ETS approach in terms of MRV data collection and subsequent ETS implementation; using the data collected from 1 January 2025, the EU Commission will be reviewing its position on lowering of the GT threshold for offshore vessels and general cargo ships in 2027-2028 for allowances. This data will be used by the EU to review and plan its future expansion of the EU ETS scheme.

The UK Chamber would also find it helpful to understand if the Manage your ETS reporting service (METS) facilitate 100% reporting (where there is no obligation to surrender allowances) or if the 100% reporting will have to take place under the UK MRV regime (DfT).

**42. Do you agree that if we were to lower the threshold, it should be to 400GT? (Y/N) Please explain your response, providing evidence where possible.**

Yes. The UK Chamber suggests the Government to consider first of all, to receive data from the operators involved through the UK MRV, clarify a date of review of these data and then consider whether or not these emissions will require compliance with UK ETS.

Lowering the threshold will have benefits but only if matched with comprehensive supportive packages (See question 41 above).

**Impacts on remote and small island communities:** The UK Chamber notes that in this consultation, part of the reasoning for the Scottish ferry services exemption covers the need for regular transport given the threat of depopulation in some of those communities. The UK Chamber notes that in the 2021 Census, the Isle of Scilly’s population also decreased (https://www.ons.gov.uk/visualisations/censusareachanges/E06000053/ ). Between the last two censuses (held in 2011 and 2021), the population of the Isles of Scilly fell by 6.8%, from just over 2,200 in 2011 to around 2,100 in 2021. This means the Isles of Scilly was the only local authority area in the South West to see its population decline. In addition, in 2021, 4% of Isles of Scilly residents were identified as being disabled and “limited a lot”. This means that, lowering the threshold to 400GT without complementary measures, such as improved infrastructure or subsidies for transportation costs, risks increasing the cost of services for UK residents, particularly in remote or economically sensitive areas.

**43. Is it practical for ships between 400GT and 5000GT to undertake monitoring, reporting and verification requirements? (Y/N) Should there be a simplified monitoring regime should the threshold be lowered? Please explain your response, providing evidence where possible.**

This depends on the methods used for data collection and reporting. More information is required to provide a definitive response.

A simplified system could potentially be implemented. However, as the EU is currently undergoing a similar process — now collecting EU MRV data for general cargo and offshore vessels above 4,000 GT — any decision taken by the UK Government must align with the European system to minimize administrative burdens on operators.

It should be noted that IMO is developing an economical measure which might in future be extended to lower tonnage. The UK need to align with the IMO measures.

See Towage response earlier in Question 20.

**44. Would any inland waterways or leisure craft be captured by a 400GT threshold? (Y/N) Please explain your response, providing data where possible.**

No comment, it is not an area of Chamber remit.

**45. When would be an appropriate date for lowering the threshold if we were to lower it in the future? Please explain your response, providing evidence where possible.**

The UK Chamber suggests to the UK government to consider first of all, to receive data from the operators involved through the UK MRV, clarify a date of review of these data, and then consider whether or not these emissions will require compliance with UK ETS.

Any reduction in the threshold should be tied to a comprehensive review of the requirements for smaller harbours and the implementation of measures to support decarbonisation, such as subsidising UK island transport and upgrading port infrastructure. Without these steps, operators will face significant barriers to compliance.

Looking at the EU system from this year there are requirements for Offshore vessels and General Cargo Ship 400 GT and above to provide data through EU MRV. These data will be used by the EU for a review to plan further and future expansion of the ETS scheme. The UK Government should implement a very clear plan of expansion of the UK MRV and UK ETS – considering first of all, how to expand UK MRV and then whether or not this will include an expansion of UK ETS. The UK Chamber would recommend that, as part of the review of the GT threshold, if the decision is made to lower the threshold, that UK ETS MRV regulations should first be extended, before there is any liability for UK allowances to be surrendered. This has three advantages for stakeholders and for the UK government:

* the first being that it allows those operators to set up those systems for monitoring, reporting and verification for such systems, as well as allowing that data collected to mature (which increases its reliability and useability etc) over the short term;
* this in turn allows the UK government to assess the volume of data collected to better estimate the actual volume of emissions, as well as use this data to more accurately adjust the UK ETS allowances cap; and
* this will also better align with the EU ETS approach in terms of MRV data collection and subsequent ETS implementation; using the data collected from 1 January 2025, the EU Commission will be reviewing its position on lowering of the GT threshold for offshore vessels and general cargo ships in 2027-2028 for allowances. This data will be used by the EU to review and plan its future expansion of the EU ETS scheme.

In addition, it should be recognised that IMO is working on an economical measure (which might expand in future to vessels less than 400 GT), therefore the UK should respect IMO primacy and not enforce regulation which might require double reporting or double paying.

**46. What will be the impacts of lowering the threshold? Would any sub-sectors be disproportionately impacted? Please explain your response giving evidence where possible.**

The UK Chamber suggests to the Government to consider first of all, to receive data from the operators involved through the UK MRV, clarify a date of review of these data and then consider whether or not these emissions will require compliance with UK ETS.

However, the UK Chamber would like to indicate that the UK ETS requirements might have a disproportionately effect on small and remote island communities, which are already dealing with challenges such as limited access to healthcare, education, and essential services. Increased operational costs for transport operators would exacerbate these issues, potentially leading to depopulation as residents relocate to the mainland. These impacts must be carefully considered before making any changes as indicated in questions 3, 15,16, 20,38,39, 40.

***Coverage of international routes***

**In the event that the conditions highlighted above at the IMO were realised;**

**47. Should the UK ETS be expanded to include emissions from all international voyages starting or ending in the UK in future? (Y/N) Please explain your response, providing evidence where possible.**

The UK Chamber anticipates that IMO’s equivalent economic measure will be approved at the meeting of the Maritime Environmental Protection Committee in April 2025, with the measure coming into force in early 2027. The EU has committed under its ETS Directive to review its scope to maritime if an IMO global market-based measure is adopted by 2028 [Article 3gg of Directive 2003/87/EC (consolidated text)].

Only if IMO is not successful in developing an economical measure, the UK should mirror the EU ETS system with 50% scope for all international voyages.

**48. If you agree with the above, do you think 50% of emissions from voyages by inscope ships making an international voyage which starts or ends in the UK from overseas should be covered? (Y/N) Please explain your response, providing evidence where possible.**

Only if IMO is not successful in developing an economical measure, the UK should mirror the EU ETS system with 50% scope for all international voyages.

**49. If you support the inclusion of international voyages, do you have a view on when this should be implemented? Please explain your response, providing evidence where possible.**

The UK Chamber does not support the inclusion of International Voyages – The UK is part of the IMO negotiation and they should prioritise the IMO negotiation and reaching a successful agreement on the economical element.

**UK Chamber of Shipping**  
**14** **January 2025**