



# IMPLEMENTING THE EU ETS FROM 1<sup>ST</sup> JANUARY 2024

October 2023 Update

#MSCJourneyToNetZero

# OUR JOURNEY TO NET ZERO

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Climate change is a global challenge that we must address collectively, and shipping will play its part. MSC remains committed to its own goal of net zero across its ocean fleet by 2050 and we continue to make progress towards that goal through:

- adopting design and technology measures that boost efficiency across the fleet, in newbuild and retrofitted existing vessels;
- ship voyage optimisation to minimise emissions;
- increased use of transitional lower carbon fuels; and
- the future adoption of alternative fuels, once these become available at scale, that will enable us to operate net zero emission ships.

As part of this, the **European Union Emissions Trading System (EU ETS)** will become effective from January 1st, 2024, in the shipping sector.

# CONTENT

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The purpose of this customer advisory is to provide you with a detailed overview of how the EU ETS will impact on our contractual agreements.

- What is the EU ETS?
- How it will be applied?
- EU ETS - Key points
- What's the impact?
- ETS Surcharge

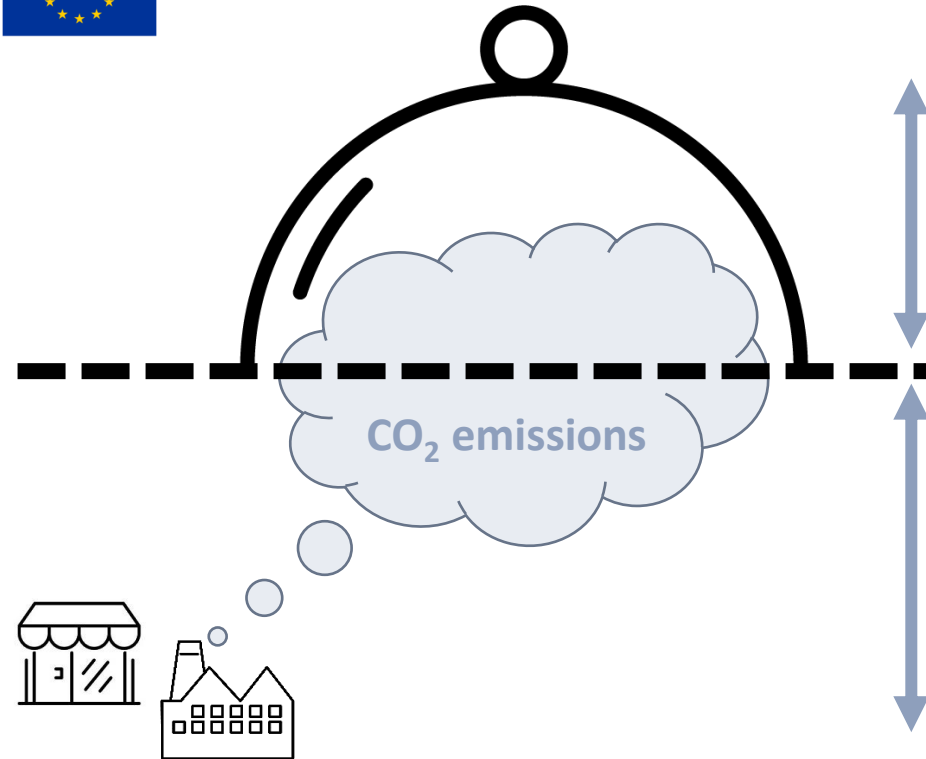
# WHAT IS THE EU ETS?

Factories, retailers or powerplants produce emissions.

Aiming to incentivize decarbonization efforts, the EU ETS requires companies to **obtain allowances that equal their emissions above the cap.**

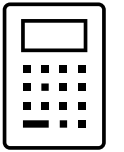


ETS, or Emissions Trading System



**allowances = emissions above the cap**

The **price** of such allowances **may fluctuate** depending on supply and demand factors.



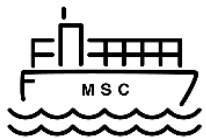
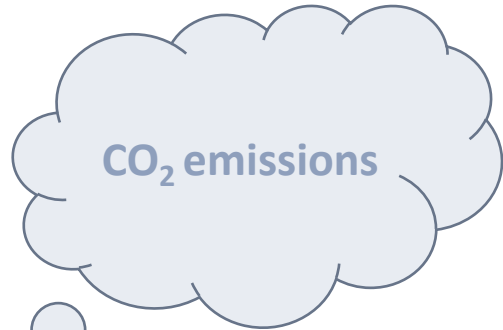
**emissions below the cap**

# HOW IT WILL BE APPLIED?

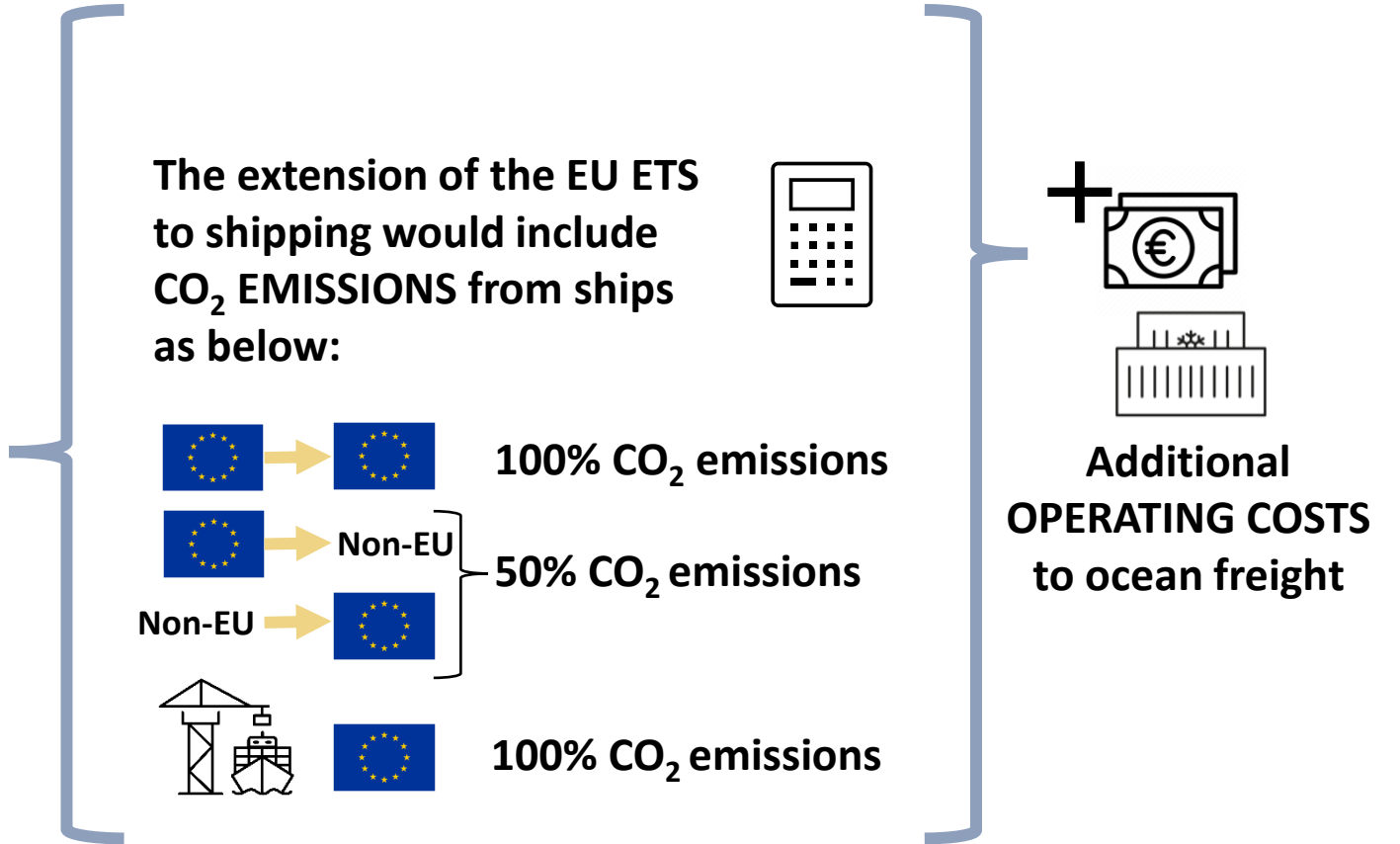
SHIPPING WILL HAVE NO CAP AND ALL EMISSIONS UNDER MRV WILL BE TAXED



ETS, or Emissions Trading System



Trade Service



# EU ETS – KEY POINTS

## Phased-in approach



Per vessel / Per year

Year	% of total verified emissions
2024	40%
2025	70%
2026	100%

## Key Exceptions

- If no cargo operation (Load and Discharge) in an EU port, the call is not considered as “Port of call”.
- The EU has drafted a list of neighboring ports outside of the EU that are not defined as of “Port of call” that currently includes East Port Said and Tanger Med.
- Until 31 December 2030, voyages between outermost regions and the ports in EU mainland of the same Member state are not subject to the ETS.

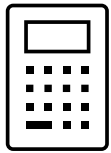
# WHAT'S THE IMPACT ON MSC & OUR CUSTOMERS?



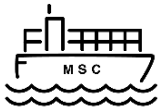
- As a result of the implementation of EU ETS for shipping, we anticipate **higher operating costs** in order to be compliant.



- Customers will therefore contribute to this added cost through a **manifested surcharge** called ETS. The surcharge will be applied to all Spot or Long-term contracts, existing and new ones that will apply from January 1<sup>st</sup>, 2024.



- Furthermore, given the phased-in approach decided by the EU, we expect the cost of compliance to increase over time, further impacting on operating costs for the next three years. ETS will be **reviewed monthly** based on a benchmark public index for EUA prices.



- **Each trade**, comprising a number of MSC services, will have its own charging structure for inbound and outbound as well as roundtrip cargo.



- Customers applying for our **MSC Biofuel Solution** will get a discounted ETS surcharge based on the CO<sub>2</sub> reduction of the biofuel purchased

# ETS SURCHARGE (1/2)

ESTIMATION OF ETS SURCHARGES TO APPLY FROM 1<sup>ST</sup> JANUARY 2024  
BASED ON AN EUA PRICE OF CO<sub>2</sub> EUR 90 PER TON OF CO<sub>2</sub> APPLIED WITH PHASED-IN APPROACH (40% FOR 2024)

Trade	EUR Surcharge per dry TEU	EUR Surcharge per reefer TEU
Far East to North Europe	22	33
North Europe to Far East	13	20
Far East to Mediterranean	18	27
Mediterranean to Far East	14	21
India - Red Sea - Middle East to Europe	21	31
Europe to India - Red Sea - Middle East	15	23
NAM (USA, Canada & Mexico) to Europe	18	27
Europe to NAM (USA, Canada & Mexico)	37	56
Oceania & Indian Ocean Islands to Europe	13	20
Europe to Oceania & Indian Ocean Islands	48	72
South Africa to Europe	27	41

NB: These surcharges will be subject to change and will in future be calculated using the Carbon Credit Pricing Index [here](#)



# ETS SURCHARGE (2/2)

ESTIMATION OF ETS SURCHARGES TO APPLY FROM 1<sup>ST</sup> JANUARY 2024  
BASED ON AN EUA PRICE OF CO<sub>2</sub> EUR 90 PER TON OF CO<sub>2</sub> APPLIED WITH PHASED-IN APPROACH (40% FOR 2024)

Trade	EUR Surcharge per dry TEU	EUR Surcharge per reefer TEU
Europe to South Africa	27	41
South America East Coast to Europe	16	24
Europe to South America East Coast	16	24
South America West Coast to Europe	31	47
Europe to South America West Coast	19	29
West Africa to Europe	44	66
Europe to West Africa	40	60
Mediterranean to North Europe	21	31
North Europe to Mediterranean	21	31
Intra Mediterranean	17	26
Intra North Europe	36	54

NB: These surcharges will be subject to change and will in future be calculated using the Carbon Credit Pricing Index [here](#)

**Our destination is clear.  
Let's navigate our journey to net zero, together.**



