



ETS SURCHARGE EXPLAINER

DECEMBER 2023

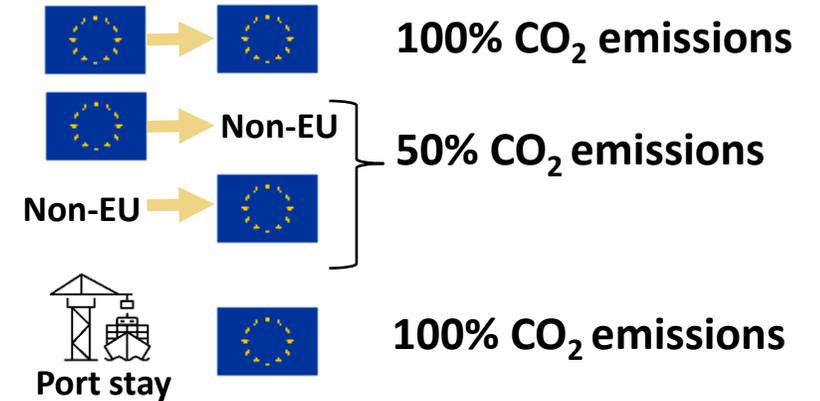


MSC – MEDITERRANEAN SHIPPING COMPANY

EU ETS – FROM 2024 ONWARDS

WHAT IS THE EU ETS?

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



WHERE DOES EU ETS APPLY TO SHIPPING EMISSIONS?

There is no cap and all emissions from ships calling at an EU port for voyages within the EU (intra-EU) as well as 50% of the emissions from voyages starting or ending outside of the EU (extra-EU voyages), and all emissions that occur when ships are at berth in EU ports, will come under the remit of the EU ETS. A phased-in approach of EU ETS will be implemented for our industry over the next three years that will see 40% of total verified emissions calculated from 2024, 70% in 2025, and 100% in 2026.

SHIPPING WILL HAVE NO CAP

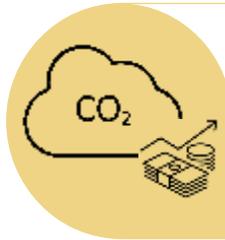


Per vessel / Per year

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



PREPARING FOR THE EU ETS



This surcharge will fluctuate as it is depending on price volatility of the carbon allowances traded into the system



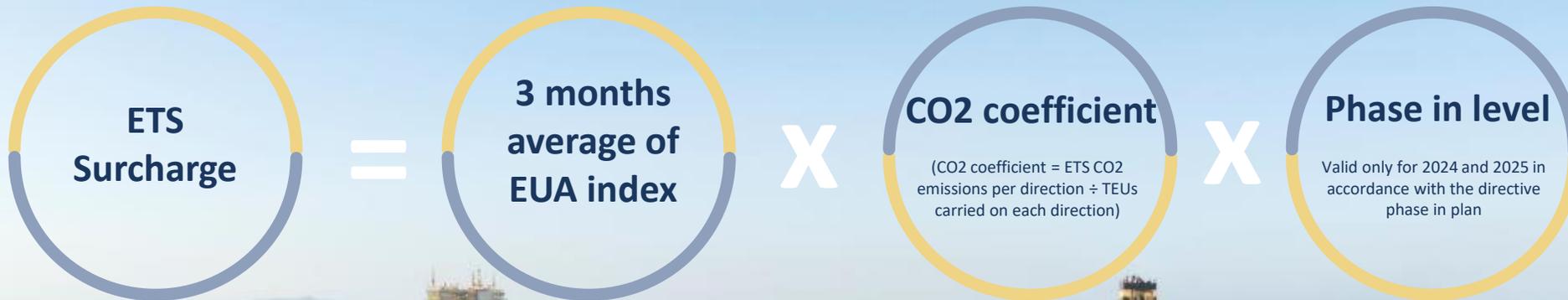
We will be applying the same principles followed for the Bunker Recovery Charge (BRC)



We will be fully transparent about the additional costs related to decarbonization to ensure their impact can be properly managed throughout the supply chain.

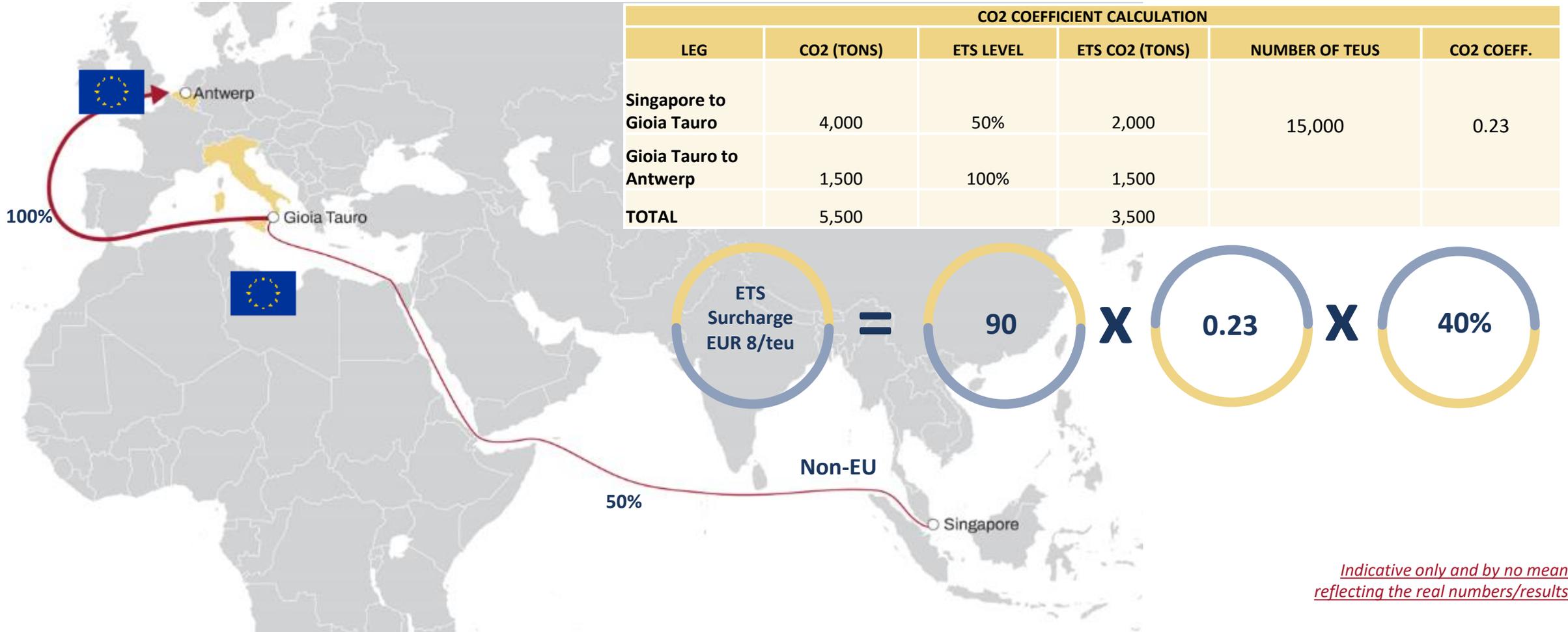
FORMULA FOR THE ETS SURCHARGE

Following careful analysis of operating costs and market factors we have decided to implement a new ETS Surcharge effective 1 January 2024.



For reefer cargo, the ETS will follow the same principle of the BRC which is to multiply the relevant ETS surcharge by 1.5, due to the additional cost of electricity generation used to power reefer containers

CALCULATION EXAMPLE



Indicative only and by no mean reflecting the real numbers/results

CO2 COEFFICIENTS

Here are the latest CO2 coefficients for each trade

Trades	Coeff at 100% - 2026
Far East to North Europe	0.70
North Europe to Far East	0.41
Far East to Mediterranean	0.57
Mediterranean to Far East	0.44
India - Red Sea - Middle East to Europe	0.67
Europe to India - Red Sea - Middle East	0.48
NAM (USA, Canada & Mexico) to Europe	0.57
Europe to NAM (USA, Canada & Mexico)	1.17
Oceania & Indian Ocean Islands to Europe	0.41
Europe to Oceania & Indian Ocean Islands	1.52
South Africa to Europe	0.86
Europe to South Africa	0.86
South America East Coast to Europe	0.51
Europe to South America East Coast	0.51
South America West Coast to Europe	0.98
Europe to South America West Coast	0.60
West Africa to Europe	1.39
Europe to West Africa	1.27
Mediterranean to North Europe	0.67
North Europe to Mediterranean	0.67
Intra Mediterranean	0.54
Intra North Europe	1.14

