

# EU EMISSIONS TRADING SYSTEM (ETS) CUSTOMER FAQ

DECEMBER 2023

This FAQ has been prepared to respond to customer questions about how we will implement our ETS surcharge in response to the EU ETS system that comes into force on January 1<sup>st</sup>, 2024. If you need any more questions answered or further information, please [contact your local MSC representatives](#) in our global network of more than 675 offices.

## General Information and Implementation:

**1. Can ETS be fixed for tenders or long-term contracts, or will it be revised monthly?**

Monthly revisions for spot rates and quarterly for 3 Month+ contracts. This will be in line with the Bunker Recovery Charge (BRC) procedures.

**2. Is the application date starting from the first vessel entering European ports or based on ETD Asia POL?**

B/L Date – with expected load-date as of Jan 1<sup>st</sup>, 2024, in any region.

**3. Will non-EU trade lanes be exempted from ETS, or is it only for EU-related trade? What about cargo in transit in EU ports for non-EU POD?**

ETS is only charged for services touching EU ports. No ETS to apply for any service not serving an EU port.

All cargoes on board of any service touching an EU port will be charged with ETS, irrespective if cargo is destined to EU ports or not.

**4. Will the ECA surcharge still apply?**

Yes

**5. If MSC is collecting the ETS charge, is it for direct contribution to the EU's green efforts or for MSC's carbon reduction?**

MSC must buy EUAs allowance and the ETS surcharge is meant to cover these expenses. This indirectly contributes to the EU's activity.

## Calculation and Payment:

**6. How is ETS surcharge calculated? What are the factors impacting it?**

Carbon coefficient = CO2 ETS per roundtrip divided by the amount of TEUs on board

ETS Surcharge = Carbon coefficient \* EUA index

**7. Will ETS be published online or available on official msc.com every month?**

Yes, this will be identical to BRC.

**8. Is there a public index of EUA prices available, and where can customers access it?**

The EUA is stock listed and therefore publicly available online on various sites like this one [here](#).

**9. Is there a calculation method for explaining how ETS is passed on to customers?**

Please see question 6

**10. Can clients calculate ETS by themselves using the formula?**

No, as they would not have information related to cargo and fuel consumption/CO2 emission.

**MSC Biofuel Solution:**

**11. Is there any discount on ETS when a customer applies for the MSC Biofuel Solution?**

Yes

**12. Are there exceptions for companies that purchase carbon credits to offset their shipping emissions?**

No

**Currency and Billing:**

**13. Will the ETS charge always be in EUR, or can it also be in USD?**

The base is always in EUR but conversion to other currencies is possible.

**14. Is ETS charged along with the freight, or can it be made collect?**

The ETS charge goes with the Freight (prepaid/collect/elsewhere).

**15. Will the ETS charge be billed separately from other charges?**

Yes

**16. Why shouldn't the surcharge be included in the all-in tariff, and why is it a separate charge?**

As it is a separate tax, it will be a separate charge.

**Specific Trade Routes and Regions:**

**17. What should we do if ETS surcharge is missing from a trade (Ex. Currently ex Caribbean & Central America).**

If the cargo is routed via an EU calling trade, then it will be accounted for in that trade's surcharge. The driver for the trade-definition is the Mother Service carrying the cargo.

**18. How will the ETS charge be applied if MSC uses the UK as a hub for the first or last port of call?**

The Surcharge is calculated based on cumulative calculation of all services on a particular trade e.g., Far East to Europe trade lane will include all services on that trade (Lion, Griffin, Silk, Albatros etc), so whether the cargo goes on one service or another, they will all pay the same surcharge irrespective of if a particular service calls UK first or not.

**Operational and Practical Details:**

**19. As the approach is phased in with only 40% of the costs applied initially, what happens to the other 60%? Do shipping lines receive grants from the EU?**

The ETS calculation is a stepped approach, and the percentage is related to the pct of CO2 emission to be considered for the calculation of EUAs to be purchased by the shipping line. In 2024 40%, in 2025 70% and as from 2026 100% of the emission will enter the base calculation.

**20. What happens in the event of VSA (Vessel Sharing Agreement) such as CMA and MSC for Australia? If we apply a different quantum, how are objections from clients handled?**

It is an individual commercial decision for separate shipping lines. The same logic of freight rate must apply, as the freight rate will also be different. The objections will have to be handled the same way.

**21. What happens if a customer is shipping to the UK, and a UK based entity refuses to pay the ETS?**

Same procedure as if another surcharge of freight would be in dispute to be paid. Also please refer to question 3.

**22. Why should shipments from non-EU to non-EU that pass/transship via Europe be charged?**

Because the vessel carrying such cargoes passed through EU waters.

**23. If containers were supposed to go through an EU port but don't, will the ETS surcharge be reimbursed?**

No

**24. If we don't have the possibility to implement ETS for certain routes, do feeder costs increase without the possibility of adding a surcharge?**

We will charge the ETS for all routes touching EU ports.

**25. What are "outermost regions" regarding exemptions from ETS, and how is it related to overseas outposts?**

Link to the official website defining the "Outermost regions" – [Link](#)

There is a particular exemption until 31 December 2030 as follow:

"An obligation to surrender allowances shall not arise in respect of emissions released until 31 December 2030 from voyages between a port located in an outermost region of a Member State and a port located in the same Member State, including voyages between ports within an outermost region and voyages between ports in the outermost regions of the same Member State, and from the activities, within a port, of such ships in relation to such voyages." Apart from the above, they are treated like any other EU port.