

Date: 12.04.2021

Dear Executive Vice-President Timmermans, Dear Commissioner Valean,

We, the signatories, write to express our support for the goals of the European Green Deal and acknowledge the intentions of the European Commission to make a legislative proposal extending the EU Emissions Trading Scheme (ETS) to cover maritime transport.

Maritime transport is an essential part of the EU economy and underpins the majority of the EU trade. The sector is also very unique in its composition and commercial operations, which requires special attention and a tailored regulatory design. With this in mind, the signatories call on you to:

1. **Establish a carbon price stabilisation mechanism and reduce administrative burden for the future maritime ETS** - The largest part of the global and European fleet are owned and/or operated by small and medium enterprises (SMEs) with limited administrative capacity. Complying with a classical ETS could create administrative bottlenecks for these companies. In addition, ETS CO2 price fluctuations creates additional challenges for the business model of maritime operators. To address this, a maritime ETS should have a CO2 price-stabilising mechanism similar to the "Ocean Fund" proposal by the European Parliament. Lastly, the revenues of maritime ETS should be reinvested in the sector to, inter alia, carry out R&D and contribute to bridging the gap between fossil fuels and green alternatives which are not yet cost competitive.
2. **Ensure inclusive responsibility of all commercial operators in ETS compliance** - In maritime transport, carbon emissions are considerably affected by technical and operational parameters of vessels. Even the most technically efficient ship can be operated inefficiently, leading to high carbon pollution. Operational parameters are always set by the commercial operators, i.e., the entity that determines the vessels' itinerary, speed, cargo carried and purchases the fuel.. Therefore, maritime ETS should ensure that the commercial operators of the vessels also bear responsibility for carbon pollution charges in order to incentivise them to operate the vessels in the most environmentally efficient way.
3. **Ensure that the contemplated measure is not limited to intra-EU shipping only** - The shipping industry is very diverse, with many companies operating either exclusively or largely in deep or short sea shipping. Applying the EU ETS to intra-EU shipping only would unfairly put most of the burden on short-sea shipping operators and reduce the environmental effectiveness of the measure.
4. **Ensure no free allowances allocated** - In addition to diminishing environmental effectiveness, provision of free allowances to the shipping industry could create a two-tier market and punish SMEs that have less administrative capacity to take advantage of the system. Also, there is a huge risk that the largest, wealthiest and most emitting companies would accrue all the free allowances and the smallest companies are left to carry the burden.

Well-crafted EU shipping legislation will contribute to achieving sectoral decarbonisation without undermining the smooth functioning of the maritime sector. As representatives of shipping and civil society, we are prepared to contribute to a robust and effective legislative outcome.

Signatories,

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