



REGULATORY OVERVIEW OF EUROPEAN UNION EMISSIONS TRADING SYSTEM – EU ETS

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This guidance is part of our comprehensive [Maritime Emissions Regulations](#) section written in consultation with the [law firm HFW](#). This publication was written in consultation with [Alessio Sbraga, Partner](#) and [Alex Andreou, Senior Associate](#), from leading global law firm HFW. Whilst care has been taken to ensure the accuracy of this information at the time of publication, the information is intended as guidance only. It should not be considered as legal advice.

The definitions for technical terms used can be found in the glossary on page 8.

REGULATORY OVERVIEW OF EU EMISSIONS TRADING SYSTEM (EU ETS)

1. Since 2018, ships calling at European Economic Area (EEA) ports have monitored, reported and verified their Greenhouse Gas (GHG) emissions according to the Monitoring, Reporting and Verification (Regulation (EU) No 2015/757) (MRV Regulation), which has applied to CO₂ emissions from 2018 and N₂O and CH₄ from 2024.
 - 1.1 MRV obligations are complemented by a market-based emissions regulation – the EU mandatory cap and trade system (EU ETS) (Directive 2003/87/EC), which is supplemented by various Implementing Acts and Regulation (EU) No 389/2013 (Registry Regulation). The EU ETS came into operation in 2005 but has only applied to maritime sector emissions verified in accordance with the MRV since 1 January 2024.
 - 1.2 In short, under EU ETS, each compliance entity (shipping company) must surrender EU emission allowances (EUAs) corresponding to the verified emissions for ships in its fleet on an annual basis.

KEY OBLIGATIONS

- 1.3 A shipping company must monitor a ship's emissions for a full calendar year (reporting period) in accordance with a monitoring plan (assessed by an accredited verifier) which has been submitted to the applicable EU Member State Authority.
- 1.4 In the calendar year following a reporting period, emissions are verified (verification period). A shipping company is obliged to prepare an emissions report (corresponding to the emissions generated by ships under its responsibility during the previous reporting period) by 31 January and this is verified by an accredited verifier by 31 March. A shipping company must surrender EUAs corresponding to verified emissions by 30 September. This process repeats on an annual basis.

SCOPE OF THE APPLICATION

- 1.5 EU ETS applies to emissions from ships over 5,000 gt that transport cargo or passengers, on voyages with a touchpoint in the EEA, and the obligation to surrender EUAs covers:
 - (a) 100% of emissions on voyages between EEA 'ports of call';
 - (b) 50% of emissions on voyages between an EEA 'port of call' and a third country port; and
 - (c) 100% of emissions during EEA 'ports of call'.



1.6 There are a few concepts to clarify here:

- (a) Voyages are movements of a ship between ports of call. Certain kinds of voyages are exempt voyages (e.g. voyages to an outermost region from the same member state).
- (b) 'Port of call' is defined as a port where the ship undertakes cargo operations or embarks/disembarks passengers. The definition excludes certain stops - such as for refuelling/obtaining supplies, distress calls, and ship-to-ship transfers outside ports.
- (c) Linked to this, containership port calls at designated 'neighbouring container transshipment ports'¹ are also excluded. This means such 'intermediate' calls will not break up voyages to / from EEA ports of call for the purpose of counting qualifying emissions.
- (d) With regard to 'emissions', the surrender obligation only applies to verified CO₂ during 2024 and 2025. However, from 2026, the surrender obligation also applies to verified N₂O and CH₄ emissions, which are already in scope of the MRV.
- (e) There will also be a phase-in period where only a limited portion of verified emissions have a corresponding surrender obligation (in 2024, 40% of emissions will be covered; in 2025, 70% of emissions; by 2026, 100% of emissions).

1.7 From 1 January 2025, cargo and offshore ships above 400 GT are required to undertake monitoring, reporting and verification under the MRV, and these ships' emissions may also fall within scope of EU ETS in future. At present, emissions from offshore ships do not fall within scope of EU ETS. However, offshore ships² over 5,000 GT fall under scope of EU ETS from 1 January 2027, while ships of 400 GT and up to 5,000 GT will be reviewed by 31 December 2026 for inclusion at a later stage.

ADMINISTERING AUTHORITIES

1.8 Each shipping company is allocated a Member State administering authority (Administering Authority). A list was published which recorded the Administering Authorities for various shipping companies³. Shipping companies not listed are required to identify their Administering Authority based on location/frequency of EEA ports of call and apply to open a Maritime Operator Holding Account (MOHA) in accordance with the EU ETS legislation and the Registry Regulation. The allocation of an Administering Authority is a notable outcome, because law of property is a Member State competency and therefore EUAs held in one Member State may be treated differently as property compared to another Member State.

1.9 The relevant deadlines and formalities for opening and operating accounts are set out in the Registry Regulation. Experience in the sector suggests account opening (including a change of a shipping company) has been a drawn out exercise.

1.10 EUAs can also be held in mere 'trading accounts'. However, EUAs are financial instruments under MiFID II. This may impose obligations on entities seeking to trade in the EU carbon markets, so it is important to be properly authorised or exempt to trade EUAs and open trading accounts.

COMPLIANCE ENTITY

1.11 The default compliance entity for both EU ETS and MRV, as the shipping company, is the registered shipowner⁴. Compliance responsibility can, however, be shifted to the bareboat charterer or manager, where either entity has assumed responsibility for the ship under the ISM Code. As matters stand, this is a role which can only be assumed by an International Safety Management (ISM) Document of Compliance (DOC) holder (if distinct from the shipowner) provided it expressly agrees to do so in the form of a document mandate filed with its Administering Authority, which must be signed by (at least) both parties, and list the ship, company information, and responsibility transfer date.

² Ship types identified by Delegated Regulation C(2024) 7210 16.10.2024 to the MRV Regulation.

³ Implementing Decision 2024/411

⁴ Implementing Regulation (EU) 2023/259

⁵ For example, where it has the ability to control the cargo carried and the route and speed of a ship.

COSTS OF EU ETS COMPLIANCE

- 1.12** EU ETS imposes an obligation on EU Member States to implement necessary measures to enable a shipping company to seek reimbursement of the costs arising out of the surrender of EUAs for a ship from a third party who, pursuant to a contractual arrangement, is responsible for purchasing the fuel or 'operating the ship' (Article 3gc, EU ETS), i.e. the time charterer and, in some cases, a voyage charterer⁵. Notwithstanding this statutory right, EU ETS is clear that the shipping company always remains responsible for surrendering the EUAs.

NON-COMPLIANCE

- 1.13** Penalties of EUR100⁶ per EUA will be imposed where a shipping company fails to surrender sufficient EUAs to meet their fleet's verified emissions. If a shipping company fails to surrender EUAs for two consecutive years, they may receive an expulsion order for their entire fleet from EEA ports. A list of non-compliant shipping companies will be published, and Member States are entitled to set out their own effective, proportionate and dissuasive penalties.

NEGOTIATING CONTRACTUAL CLAUSES

- 2.** EU ETS will impose additional costs on voyages to EEA ports of call and administrative costs complying with the regulations. Having considered the general scope and application of EU ETS, in the following section we consider the contractual issues that arise in both physical transport contracts (time charters and voyage charters) and ship services agreements (ship management agreements) and the key considerations for stakeholders when seeking to agree an EU ETS clause.

3. Time Charterparties

- 3.1** BIMCO has published the Emission Trading Scheme Allowances Clause for Time Charter Parties 2022 (BIMCO ETS). This appears to be an important market standard. Notwithstanding this, the parties may amend the clause on the basis of (1) commercial considerations; and (2) specific practical requirements.

TRANSFER FREQUENCY DURING THE CHARTERPARTY

- 3.2** The EUA transfer frequency is a key concern. BIMCO ETS provides for charterers to transfer EUAs monthly in arrears based on ship data to address counterparty / credit risk for the owners. However, parties may want longer transfer periods for charterers to reduce their own counterparty risk and for owners to reduce the administrative burden.
- 3.3** If a charterer has transferred EUAs to an owner regularly for an entire reporting period, they may be exposed if there is an insolvency.
- 3.4** The charterers' transferred EUAs may be co-mingled with EUAs from other charterers, and it is very unlikely the charterer will have any superior claim to co-mingled EUAs, nor would the charterer be able to follow the EUAs to a third-party account or trace proceeds of their sale. The risk would be particularly acute where their counterparty owners fail to surrender the EUAs or transfer them to the actual compliance entity. In these circumstances, the charterers would be out of pocket but could still face a claim under Article 3gc statutory entitlement from a shipping company depending on the circumstances and may even pay twice for time charter emissions.
- 3.5** Charterers may prefer the transfer frequency to be quarterly, biannual or annual. However, this represents a significant credit risk for owners as EUA liability builds up over a year, half year or quarter. Prices of EUAs are volatile and also spike with demand - often in the lead up to the compliance deadline. Therefore, if charterers default on an annual transfer, where the transfer deadline is close to a 30 September surrender deadline, Owners may have to enter the market late and would be exposed to higher prices (unless they had significant EUA

reserves). Owners would be left enforcing a larger damages claim, compared to the certainty of having regular transfers of EUAs into their account. EUA hedging strategies may assist in mitigating this risk, but addressing this risk through transfer frequency is likely to be the simpler solution.

- 3.6** There may also be a preference to transfer EUAs on a voyage-by-voyage basis, especially where this liability is to be passed down to sub-charterers in a charter chain (perhaps where a ship is sub-chartered out on a voyage charterparty spot basis). However, this may also create difficulties establishing what constitutes a voyage for the purpose of such calculations which does not easily lend itself to a time charterparty.

ON REDELIVERY

- 3.7** BIMCO ETS provides for advance transfer of EUAs based on forecast emissions for the final 14 days of the charterparty, which is subject to reconciliation against the ship's recorded emissions after redelivery.

RECONCILIATION

- 3.8** BIMCO ETS provides for reconciliation upon redelivery where there is a difference between the forecast emissions and the ship's recorded emissions. More elaborate reconciliation regimes can be introduced, both on redelivery and during the charterparty, but this may make a clause more industrious.
- 3.9** There may be a correction factor between on board recorded emissions and the emissions in a verified emission report. This verified data is not available until after 31 March in the year after the reporting period. Where parties must transfer EUAs based on reported, rather than verified, data, it may be sensible to include reconciliation provisions to account for any correction factor. This ensures that the EUAs transferred reflect the owners' EUA surrender liability. It is clearly an additional administrative burden.
- 3.10** This approach may not be appropriate for ships on short-term time charters, or in redelivery years. Parties may not want to be in a position where they are having to reconcile positions many months after the contract ends. A commercial alternative here could be to rely on validated emissions – emissions that have been reviewed by an accredited third party (e.g. verifier), but not formally verified in accordance with the MRV - for the reconciliation which may be available shortly after the relevant date.

ALTERNATIVE PERFORMANCE MECHANISM:

- 3.11** Ultimately, both parties will treat EU ETS liability as a cost imposed on them. It is a question of commercial preference whether that cost is priced in cash or EUAs. While many parties are happy to deal in EUAs, owners or charterers may want the commercial flexibility to elect to deal in cash rather than EUAs. For example, owners may want express rights to buy EUAs and charge the charterer their costs. This can be applied in case of charterers' default or simply for convenience.
- 3.12** There is no option under the BIMCO ETS for either party to require cash payments and assumes that owners will want to receive EUAs to meet their EU ETS surrender obligation. In consequence, under BIMCO ETS, where there is a charterer default, owners will be exposed to EUA price fluctuations. Without an express regime for pricing the EUAs, owners would have a damages claim and the appropriate time to enter the market may be difficult to ascertain, unless prescribed.
- 3.13** If the parties do choose to deal in cash, then certainty is required: (a) when a party can elect to operate in cash, (b) the right for the party receiving payment to invoice for their EUAs costs, and (c) terms as to how the cash equivalent sum is priced – i.e. benchmark and price date, although this may be difficult to agree.

OFF-HIRE EMISSIONS LIABILITIES:

- 3.14** BIMCO ETS includes a right for charterers to deduct emissions emitted during off-hire periods from their EUAs liability to owners and require owners to transfer back EUAs where charterers have transferred for off-hire emissions. Owners may want to qualify this right, whereas charterers may wish to expand the operation of this provision.

PROTECTIONS AND INDEMNITY

- 3.15** BIMCO ETS provides protection for owners in case of a transfer default. Owners can suspend charterparty obligations / rights. Further protections for owners under alternative performance mechanisms are discussed above. Owners may seek further protection such as indemnities against excess emissions penalties in case of a transfer default, security or anti-technicality type provisions. However, these may be challenging to negotiate where compliance and avoiding the excess emissions penalties are both in the owners' hands.

NO ENCUMBRANCE WARRANTIES:

- 3.16** The party receiving EUAs under the EU ETS clause may wish to include a no encumbrances obligation. This protection is a market standard in single trade agreements for sale and purchase of EUAs, albeit not in shipping contracts. It requests that the EUAs are transferred with full title and interest without third party encumbrance.
- 3.17** Conversely, a charterer may wish to restrict the owners' right to use the transferred EUAs by seeking express warranties that a counterparty (receiving EUAs) cannot speculate with EUAs and can only deal with EUAs when surrendering to the Administering Authority. The objective is to avoid the EUAs being "spent"/used without meeting the compliance entity and the applicable ship's emissions liability. However, such warranties may not be enforceable.

ADDITIONAL POINTS

- 3.18** BIMCO ETS incorporates general phrasing to cover all emission schemes, rather than being limited to the EU ETS. This may favour owners, where other international, national or regional emission schemes do not enshrine the polluter pays principle so do not require charterers to pay for ship emissions. Charterers may want to narrow the clause to EU ETS only, especially in long-term time charterparties as further emissions regulations can be expected in future years.

4. Voyage Charterparties

- 4.1** For voyage charterparties, the nature of EU ETS risk is likely to be lower as the emissions liability will only be related to (a) a designated voyage and (b) a foreseeable period of time, rather than the ongoing use of the ship over possibly multiple reporting periods. In consequence, some of the longer-term relationship issues (transfer frequency / counterparty risk) discussed above fall away, unless there is a contract of affreightment or consecutive voyage charter. The key decision for owners will be how to price EU ETS costs and for what period.
- 4.2** BIMCO published three clauses for voyage charterparties addressing EU ETS, which provide three payment options:
- 4.2.1** Transfer of EUAs equivalent to voyage emissions;
 - 4.2.2** Payment of a cash equivalent sum to the EUAs as a surcharge on top of freight (BIMCO Surcharge); and
 - 4.2.3** Lumpsum included in freight.
- 4.3** Deciding between these options is a commercial decision, and it will vary depending on trade type and commercial preferences. For example, in certain trades, transparency on cost may be preferred (or even required), e.g. so that these costs can be accurately passed down to sub-charterers and through sale contract chains.
- 4.4** BIMCO Surcharge raises some further specific commercial considerations for the parties. BIMCO Surcharge prices the surcharge upfront as an agreed figure with the option of an adjustment based on fluctuations in the EUA price only. However, there are alternative approaches on the market.
- 4.5** Owners will need to consider whether it is appropriate to retain the right to adjust the surcharge, or build a buffer into the surcharge, to cover "excess" emissions due to unpredictable events - contractual re-routing and voyage adjustments, heavy weather, or demurrage or detention could all adversely impact emissions. One way of achieving this would be for owners to push for a stand-alone adjustment payable with demurrage to reflect these unexpected excess emissions or EUA price fluctuations.

- 4.6** Finally, owners may want equivalent protections to apply to non-payment of the surcharge as those that apply to non-payment of freight. BIMCO Surcharge builds in further protection. Equally, timing of payment is important, and owners are likely to want any surcharge paid before the ship arrives at the discharge port.

5. Ship Management Agreements

- 5.1** We discussed above the mechanism under the EU ETS for transferring the EU ETS and MRV compliance responsibility from a registered owner (the default compliance entity) to their in-house or third-party managers. This can be achieved by filing a document mandate with the managers' Administering Authority. Such an agreement with a third-party ship manager fundamentally changes the risk profile of a ship management agreement and the parties' traditional relationship. The manager would assume significantly more regulatory and financial responsibility on behalf of the owners.
- 5.2** Any EU ETS clause drafted for a ship management agreement will need:
- (a)** to earmark services for risk, security and remuneration;
 - (b)** to address the mechanism for executing and filing the document mandate;
 - (c)** to outline obligations on termination to revoke the document mandate and notify the Administering Authority and other applicable parties, so compliance responsibility passes back to the registered owner or another designated entity.
- 5.3** As with the time charter context, counterparty risk will be key. Managers, as provided in the BIMCO SHIPMAN Emission Trading Scheme Allowances Clause 2023, will want to ensure EUAs are transferred in advance based on forecast emissions and subject to reconciliation based on ship recorded emissions. Owners may seek longer transfer periods, possibly to align with agreements made with charterers and both parties are likely to require reconciliation once verified emissions are known.
- 5.4** Managers may also require upfront security and ongoing top-up obligations to cover change in circumstances. This could be from a parent company or transfer of EUAs, or a cash equivalent sum derived from forecast emissions over a period of time. This is critical for managers who will be the entity responsible to their Administering Authority to surrender EUAs. If owners default and fail to transfer EUAs, managers cannot avoid their surrender obligations under EU ETS.
- 5.5** Both managers and owners may want express termination rights. This will be important for managers in case owners fail to transfer EUAs, so managers can limit their exposure as quickly as possible.
- 5.6** However, it is not just managers who are taking on risk. Owners are also exposed to counter-party risk when transferring EUAs to a third-party manager. The owners' EUAs are likely to be co-mingled with other owners' EUAs. If the manager goes insolvent, multiple owners may claim the same small pool of EUAs. To address this, owners may seek to introduce retention of title clauses (although they may not be effective).

DISPUTES

- 6.** It remains early days for the maritime sector and EU ETS. Disputes are likely to arise around the time of key compliance periods when the ship's emissions are verified for a Reporting Period, around 31 March, and when the shipping company's surrender obligation arises, so initially in Q2 of 2025 and up to 30 September 2025 and every year thereafter.
- 6.1** The Verification Period in 2027 for the 2026 Reporting Period is likely to present a real hot spot for EU ETS disputes. The liability for EUAs will be 100% of verified emissions which will include N2O and CH₄ and there will be liability for FuelEU costs for the 2026 Reporting Period, so there may be a material increase in cost.
- 6.2** Initial disputes have concerned transfer defaults where charterers have simply refused to transfer EUAs due to the administrative burden of establishing trading accounts or procuring the purchase through a custodian broker. Although the breach is clear, issues can arise with computation of damages. Under English law, an obligation to transfer EUAs is likely to be treated as an obligation to deliver goods, so the Sale of Goods Act 1979 measure

of damages – cost of replacement goods after the breach assessed at a reasonable time to enter the market – is likely to apply. Owners who have waited many months after breach before entering the market may be exposed to price fluctuations.

- 6.3** The forum for disputes may also be an issue of contention. A shipping company will have a statutory right to reimbursement in a Member State and may have a contractual right under English law to damages for a transfer default. If proceedings are commenced in a Member State for statutory reimbursement, charterers may challenge such a claim on jurisdictional grounds: the parties may have agreed a forum for EU ETS transfer disputes under the contract. It is likely the contractual regime for transfer will be different to any statutory reimbursement mechanism, which may be a blunt instrument not accounting for off-hire periods. Further complications may arise depending on the identity and number of parties involved.

FUTURE REGULATORY CHANGES AND CONSIDERATIONS

- 7.** In principle, if the IMO adopts a global market-based measure to reduce greenhouse gas emissions, the EU Commission will review the EU ETS for coherence. If such a measure is not adopted by 2028, the EU Commission will consider expanding EU ETS, so that the surrender requirements applicable to voyages between EU and non-EU ports of call apply to more than 50% of emissions. It remains to be seen how the EU Commission will react to the very recent approval of the IMO Net-Zero Emission Framework (introducing a global fuel standard and associated global economic measure as mid-term measures to regulate global shipping GHG fuel intensity) by way of amendments to MARPOL Annex VI. Whilst these global mid-term measures still have to be adopted by a 2/3 majority in October 2025, require a series of guidelines to be developed for it to work in practice and will not apply until 2028, they are not a market-based measure equivalent to the EU ETS and are unlikely to be treated as such by the EU Commission. It is, therefore, unclear (as of yet) what impact this will have on EU Commission's decision-making in the context of the EU's wider Fit for 55 goals.
- 7.1** Also, the EU Commission continues to monitor evasive behaviour, including any impact on outermost regions, and any market distortions or changes in port traffic across the sectors and, if appropriate, new measures could be introduced. Ships of 400 GT and up to 5,000 GT may be included post 1 January 2027 subject to the EU Commission's review.

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GLOSSARY

Administering Authority: This is the administering authority in each EU Member State, which is responsible for administering EU ETS, and FuelEU. Each compliance entity will be allocated an administering authority.

Advance Compliance Surplus: Under FuelEU, where a ship borrows from its Compliance Balance from the future Reporting Period (n+1), this borrowed Compliance Balance is the Advance Compliance Surplus and shall be added to the ship's Compliance Balance in Verification Period (n+1).

AER Metric: Annual Efficiency Ratio is the metric under CII for assessing the GHG intensity of a ship and is based on GHG emissions per dead weight tonne mile. A different metric is used under FuelEU.

Attained CII: Under the CII Regulations, this is a ship's actual annual recorded operational energy efficiency calculated according to the AER Metric and expressed on a gCO₂/dwt.nm basis.

Attained EEXI: This is the ship's energy efficiency and is compared to the Required EEXI to determine whether improvements are required.

BIMCO CII TC Clause: The CII Operations Clause for Time Charterparties 2022.

BIMCO CII VC Clause: The BIMCO CII clause for voyage charterparties 2023.

BIMCO EEXI Clause: The BIMCO EEXI clause for time charterparties 2021.

BIMCO ETS Clause: The Emission Trading Scheme Allowances Clause for Time Charter Parties 2022 published in respect of EU ETS.

BIMCO FuelEU Clause: The FuelEU Maritime Clause for Time Charter Parties 2024 published in respect of FuelEU.

BIMCO Shipman EU ETS Clause: The ETS Shipman Emission Trading Scheme Allowances Clause for Shipman 2023 published in respect of EU ETS.

BIMCO Shipman FuelEU Clause: The FuelEU Maritime Clause for Shipman 2024 published in respect of FuelEU.

BIMCO Surcharge: The Emission Scheme Surcharge Clause for Voyage Charter Parties Clause 2023 is one of the three BIMCO-published clauses for use in voyage charterparties in respect of EU ETS. This clause provides for payment of a cash equivalent sum to the EUAs as a surcharge on top of freight.

Cap and trade system: A form of emissions regulation which requires participants to pay for their emissions. The number of permits for participants to emit GHG are capped and are traded between participants. This increases costs of emissions and incentives low emission solutions. The EU ETS is a cap-and-trade system.

CII Rating: For the CII Regulations, this is an annual carbon intensity rating from 'A' (superior) to 'E' (inferior), which is produced by assessing Attained CII against the Required CII.

CII Regulations: These are the IMO's Carbon Intensity Indicator (CII) and Energy Efficiency Existing Ship Index (EEXI), which were introduced through amendments to Revised MARPOL Annex VI.

Compliance Balance: Under FuelEU, this is the ship's performance against the GHG Intensity Limit. The ship's GHG Intensity during a calendar year is compared to the GHG Intensity Limit established by FuelEU to generate the Compliance Balance.

EU ETS Compliance Deadline: Under the EU ETS, this is the 30 September in the year following the Reporting Period and is the annual deadline for compliance entities to surrender EUAs to their Administering Authority.

Compliance Entity: The entity responsible for compliance with a given regulation. See also "shipping company" for the compliance entity for EU emissions regulations.

Deficit: Under FuelEU, where a ship's GHG Intensity is above the GHG Intensity Limit, the ship's Compliance Balance is negative, which is a compliance deficit.

EEA: The European Economic Area, covering the EU and Iceland, Liechtenstein and Norway.

Emissions: These are GHG emissions as regulated by an emissions regulation and may include CO₂, CH₄ or N₂O emissions depending on the emissions regulation.

EPL: Engine power limitation. A method of complying with EEXI.

EUAs: Emissions allowances under the EU ETS, which permit the holder of the EUA to emit one tonne of CO₂ equivalent.

EU ETS: The EU Emissions Trading System Directive (Directive 2003/87/EC), which is a cap-and-trade system, requiring participants to surrender EUAs meeting their verified emissions.

EU's Fit for 55 Legislative Package: The set of regulations, directives, and legislative proposals covering different sectors and industries introduced by the EU to align EU policies with EU climate goals.

Flexibility Mechanism: Under FuelEU, this is a regulatory action that can be taken by a compliance entity (one of Banking, Borrowing or Pooling) and offers flexibility so that compliance with FuelEU is not restricted to generating a Surplus in a Reporting Period.

FuelEU: Regulation (EU) 2023/1805, this Regulation imposes two targets: one applicable from 1 January 2025 is for ships to meet an annual GHG Intensity Limit and a second, applicable from 1 January 2030, is for certain types of ship to connect to onshore power supply.

FuelEU Database: The electronic system on which FuelEU data and compliance information is inputting and recorded.

FuelEU DOC: FuelEU document of compliance which is issued to the shipping company by 30 June in the Verification Period, where their ship has generated a Surplus or a Deficit and a FuelEU Penalty has been paid for the Deficit.

FuelEU Penalty: This is a penalty imposed under FuelEU on ships which have a Deficit after 1 May in the Verification Period, which may be calculated according to a formulae provided in Annex IV.

gCO₂eq/MJ: CO₂ equivalent per megajoule, this is the metric for assessing GHG Intensity under FuelEU only.

GHG: Greenhouse gas.

GHG Intensity: The measurement of a ship's GHG intensity on a grams of CO₂ equivalent per megajoule (gCO₂eq/MJ) basis for a calendar year under FuelEU.

GHG Intensity Limit: The limit on GHG Intensity of a vessel's emissions, as set pursuant to FuelEU.

IIEEC: International Energy Efficiency Certificate required under the CII Regulations.

IMO Net-Zero Framework: Means the latest measures approved at MEPC 83 and subject to agreement at extraordinary session in October 2025, which approved requirements for a global fuel standard where ships must monitor and reduce their GHG fuel intensity against two thresholds and a global economic measure where ships which operate with GHG fuel intensity above the threshold must acquire remedial units and ships which operate with GHG fuel intensity below the threshold may be eligible for financial rewards.

ISM DOC Holder: The entity which, on behalf of a ship, holds the document of compliance certifying that that company complies with the requirements of the International Safety Management Code, which can be delegated to a ship manager or bareboat charterer. This entity can be mandated as the compliance entity under EU ETS (and MRV Regulation) and is the compliance entity under FuelEU.

Life Cycle Assessment: A method for assessing the GHG intensity of a fuel, which accounts for GHG across the full life cycle of the fuel, i.e. from production, delivery to consumption.

MiFID II: Markets in Financial Instruments Directive (MiFID) II, which is a legal framework for securities markets, investment intermediaries, in addition to trading venues. Entities holding EUAs, which are a financial instrument, may be regulated by MiFID II.

MOHA: Maritime operator holding account, which is a type of account for holding EUAs, and can only be opened by a compliance entity. It permits that entity to surrender EUAs to their Administering Authority.

MRV Regulation: Regulation (EU) 2015/757, the Regulation which complements EU ETS and requires shipping companies to monitor, report and verify emissions from their ships.

Physical Transport Contract: This is a contract for carriage services such as a time charter or voyage charter.

Polluter Pays Principle: A policy principle commonly adopted in emissions regulations, which seeks to impose the costs of emissions of the ultimate polluter. For EU ETS, this is identified as the commercial operator as defined therein.

Port of Call: Under EU ETS and FuelEU, this is defined as a port where the ship undertakes cargo operations or disembarks passengers. The definition excludes certain stops – such as for refuelling/obtaining supplies, distress calls, and ship-to-ship transfers outside ports.

RED II: Directive (EU) 2018/2001, the EU Directive which promotes the use of energy from renewable sources.

Registry Regulation: Regulation (EU) No 389/201, this Regulation complements the EU ETS and contains the obligations and requirements in respect of opening MOHA's and trading accounts. It sets out the legal nature of EUAs and the rules in respect of transfer, surrender and ownership of EUAs.

Reporting Period: For CII Regulations, EU ETS and FuelEU, this is one full calendar year from 1 January to 31 December, within which compliance entities must monitor the ship's emissions and GHG intensity, as prescribed in each regulation.

Required CII: The specific annual operational energy efficiency that vessels must achieve under CII, which is expressed in accordance with the AER metric on a gCO₂/dwt.nm basis.

Required EEXI: This is a benchmark value for EEXI for each ship, which is derived from the ship's type and capacity.

Revised MARPOL Annex VI: The amendments to Annex VI of the IMO's MARPOL Chapter 4, via MEPC Resolution 328(76), which incorporate the CII Regulations.

RFNBO: Renewable fuel of non-biological origin. These are sustainable, synthetic (e-)fuels, where the fuel's feedstock is derived from sustainable, renewable sources and the energy powering the production process to transform the feedstock into fuel is also derived from renewable sources. Examples include green methanol, green ammonia or green hydrogen.

SEEMP: Ship Energy Efficiency Management Plan, a document which is kept onboard a ship and records the steps that the ship shall take in order to comply with the CII Regulations.

Shipping Company: A "shipping company" or "company" is the entity responsible for compliance with EU ETS and the MRV Regulation, which may be the ISM Doc Holder (if mandated by the registered owner) or the registered owner. A "company" is also the entity responsible for compliance with FuelEU and, by default, shall be the ISM Doc Holder.

SMF: Sustainable maritime fuel, which is fuel that shows a GHG saving compared to liquid fossil fuel, such as types of LNG, LPG, biofuel or RFNBO.

SoC: The IMO Data Collection System Statement of Compliance, where the Attained CII and CII Rating are recorded in accordance with the CII Regulations.

SPL: Shaft power limitation. A method of complying with EEXI.

Surplus: Under FuelEU, where a ship's GHG Intensity is below the GHG Intensity Limit, the ship's Compliance Balance is positive, which is a compliance surplus.

Sustainability and GHG Saving Criteria: Criteria established by international standards, laws and regulations or even commercial agreement for the sustainability and GHG saving of a certain fuel type.

TtW (Tank-To-Wake): An assessment of GHG intensity of a fuel, covering the period from consumption onboard a ship, when it is in the fuel tank, to the ship's wake.

Trading Account: An account where EUAs can be held and from which EUAs can be transferred to other accounts. These accounts can be opened by any qualifying entity, i.e. they do not have to be compliance entities. However, functionality is reduced compared to a MOHA and EUAs cannot be surrendered to Administering Authorities from these accounts.

Verification Period: Under the CII Regulations, FuelEU and EU ETS, the year immediately after the Reporting Period is the verification period, during which emissions data and GHG intensity data that has been monitored and recorded by a ship for the previous Reporting Period is reported and verified by an accredited verifier under the applicable regulations and other compliance steps are taken.

Voyage: Voyages are movements of a ship between ports of call

WtW (Well-to-Wake): An assessment of GHG intensity of fuel on a full Life Cycle Assessment basis.

WtT (Well-To-Tank): An assessment of GHG intensity of a fuel, covering the period from production, transport to port, and delivery onboard the ship.