INFORMATION ON DECARBONISATION. FIT FOR 55: EU ETS DIRECTIVE AND FUEL EU MARITIME

The European Union has approved a plan called Fit For 55 with the aim of reducing CO2 emissions by 55% by 2030. This plan features two measures that affect maritime transportation:

- European Directive (EU) 2023/959 which includes the maritime sector in a new CO2 emissions pricing system, the "*European Union Emissions Trading Scheme*" (EU ETS).

- Regulation (EU) 2023/1805 on the use of renewable fuels and low-carbon fuels for maritime transport.

The aim of both measures is to accelerate the decarbonisation of maritime transport, which the EU considers to be a "difficult sector to decarbonise", i.e. a sector where it is particularly difficult to eliminate dependence on fossil fuels. This is an objective that Trasmed and the entire Grimaldi group have been working on for years.

EU ETS REGULATION

With regard to emissions trading, it has been agreed that as of 1 January 2024, shipping companies connecting European ports will be obliged to offset emissions produced by purchasing CO2 emission allowances (European Union allowance equivalent to 1 tonne of CO2 emitted) on the regulated *European Trading System* (EU ETS) market.

The implementation of the *EU ETS* regulation foresees a duty drawback obligation for all shipping companies, with a gradual phasing-in:

- 40% for emissions produced on or after 01.01.2024
- 70% for emissions produced on or after 01.01.2025
- 100% for emissions produced on or after 01.01.2026

Member States may apply for a temporary exemption for transport to islands with a population of less than 200,000 permanent residents. In the case of the Balearic Islands, this exemption would apply to the entire archipelago, with the exception of Mallorca.

Two other greenhouse gases will also enter emissions trading in 2026: CH4, N2O.

FUEL EU REGULATION

This second measure is more ambitious, but its introduction will be slower. The goal is that by 2050, 80% of the fuels used in maritime transport will be renewable. The first objective is to have 2% of consumption from renewable sources by 2025.

Moreover, the regulation aims to eliminate emissions in ports from passenger and container ships by 2030. To do so, they must be powered by shore-side electricity or alternative means.

TRASMED'S STANCE

TRASMED belongs to the GRIMALDI group, the world's largest ro-ro shipping company, which supports the proposed decarbonisation measures, provided they do not distort competition.

This is why Grimaldi has been investing for years in the most technologically advanced fleet on the market. It is building the first ships ready to run on green or renewably sourced ammonia, when this fuel becomes available. For almost five years now, it has stopped emitting in port with its ZERO EMISSIONS IN PORT fleet, which allows the ship to be powered by batteries installed on board during its calls. TRASMED also plans to connect its vessels to shore as soon as facilities are ready at the various ports where it operates.

The GRIMALDI group has a decarbonisation and energy saving department that is dedicated to minimising the environmental footprint of our vessels.

FAQS

HOW WILL THE ETS AFFECT THE PRICE OF MY TICKET?

TRASMED may apply an ETS surcharge on passenger tickets, but this will be a minimal amount as emissions per tonne transported in conventional shipping are the lowest of all modes of transport. In any case, it will only apply to connections between the mainland and Mallorca.

HOW WILL THE ETS AFFECT THE PRICE OF FREIGHT TRANSPORT?

The ETS may affect the freight transport tariff, as there will be a cost premium for the use of fossil fuels. TRASMED will continue to implement energy saving and emission reduction measures to minimise the impact of this cost overrun. In any case, it will only apply to connections between the mainland and Mallorca.

HOW AND WHY DOES THE PRICE OF THE ETS VARY?

The ETS market's supply is controlled by the EU, which sells these allowances to the market in auctions. Each year, the EU will gradually reduce the emission allowances it puts into circulation, in order to reach the goal of zero emissions.

There is also a secondary market for emission rights. The price is determined by the market based on supply and demand.

WHAT CAN I DO TO REDUCE EMISSIONS?

Transporting goods and travelling by ship (except high speed) is the most energy efficient form of transport, as emissions per tonne-kilometre are the lowest of all modes of transport.

WHAT IS THE CONTRIBUTION OF MARITIME TRANSPORT TO CO2 EMISSIONS?

Globally, shipping contributes less than 3% of greenhouse gas emissions and 2% of CO2 emissions, while it transports 90% of world trade.

WHAT ARE THE OTHER GASES AND WHY ARE THE EMISSIONS OF THESE GASES INCLUDED IN THE ETS?

CH4 or methane is the gas that makes up the majority of natural gas. It is a gas that is estimated to contribute 25 times more to the greenhouse effect than CO2. It is emitted mainly by ships that use liquefied natural gas (LNG) as fuel.

N2O, nitrous oxide, contributes about 300 times more to the greenhouse effect than CO2. It is produced in the operation of combustion engines, and it has been reduced by more than 80% since the 1990s by improving engine technologies.

WHAT ALTERNATIVE FUELS ARE AVAILABLE AND TO WHAT EXTENT ARE THEY USED?

Various fuels that will help reduce dependence on fossil fuels are currently being tested and developed. Biofuels and synthetic fuels are already available, although production is limited and prices are still very high.

Methanol, ammonia and hydrogen, provided they come from renewable sources, are also fuels that will contribute to decarbonisation when they reach a sufficient degree of technological and commercial maturity.