Maritime Transport: How Far Away Are We In Achieving Net Zero?

2023 saw one of the biggest COP Climate Change Conferences with some 85,000 participants. The shipping industry carries around 90% of the global trade and is a major contributor to the global emission of GHG. Some of the biggest industry stakeholders issued a joint declaration at COP28 calling for:

- an end date for fossil-only powered new build ships;
- further investments into alternative fuels, new ships and ship technologies;
- greater alternative fuel supply infrastructure; and
- an international levy on conventional fuels.

Locally,

- Dorset hosted its own Dorset COP in 2023, organised by *Zero Carbon Dorset*, *Dorset Climate Action Network* and *Sustainable Dorset*. It was the UK's first-ever community-led COP.
- Local project "Decarbonising the Port of Poole Maritime Industrial Cluster" led by *Poole Harbour Commissioners*, Bou*rnemouth University*, the *BCP Council* and other local partners secured funding at the Local Industrial Decarbonisation Plans competition (subject to contract).
- Dorset-based Canford Renewable Energy Ltd leads the project in constructing a green hydrogen production facility, *Dorset Green H2*. It is the first of its kind regionally and differs from other hydrogen projects which may use fossil fuels to produce the fuel - this project will use renewable energy generated on-site.

The shipping industry, globally and locally, recognises the importance of collaboration and joint efforts in achieving net zero and sustainability. But what legal considerations should businesses in Dorset consider?

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Recent Updates to Global Shipping Environmental Frameworks

Regulation is increasing at all levels. Shipowners, charterers, freight forwarders, shippers and cargo interests (and ultimately consumers) are all expected to contribute to any extra costs to meet those regulations.

In Europe:

- Earlier this year, the EU Emissions Trading Scheme (the "EU ETS") came into force. It is a carbon pricing scheme which seeks to impose a carbon tax on the total GHG emissions, and it applies to vessels calling at all EU ports, whether sailing from inside the EU or internationally. It, therefore, applies to all UK shipments into and out of the EU.
- Shipping companies are required to obtain allowances which will need to be surrendered by 30 September. In 2024, the taxes apply to:
    - 50% of emissions generated from inbound and outbound voyages; and
    - 100% for those generated whilst travelling between EU ports.
- It is a phased measure, increasing gradually over time. The responsibility lies with the "Shipping Company" (registered owner or technical manager), but the actual costs are being passed down to charterers and, thereby, cargo interests over time.
- Other initiatives such as Fuel EU (imposing a financial levy on fuel emissions) and Fit for 55 are also driving up costs whilst reducing emissions.

Internationally:

The most prominent changes are the revisions to the International Convention for the Prevention of Pollution from Ships (MARPOL), in May 2024, we can expect further amendments, including (amongst others):

- The introduction of the Mediterranean Sea Emission Control Area for Sulphur Oxides and particular matters, seeking to limit this area to ships which utilise <0.10% mass by mass. Outside the specified area, the limit is 0.50% m/m.

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- A mandatory duty to ensure that the fuel flashpoint has been measured at or above 70 degrees in the bunker delivery note.

Regulation is ever-changing, and it is imperative that industry players stay on top of the requirements to avoid penalties.

What you need to know:

- The shipping industry is still a long way away from achieving net zero but is taking active steps to tackle global warming with governmental funding to accelerate research and development of technologies.
- Stakeholders should monitor regulatory reforms as penalties could be imposed in the event of non-compliance.
- The UK is likely to expand the UK ETS to the shipping sector in 2026, which will adopt the same format as the EU ETS.
- The heavy costs remain the biggest challenge, but the phased regulations will eventually necessitate them. Industry players should plan accordingly and begin to take steps to lower their environmental footprints.

Dorset is ahead of the game, leading the way with the Port of Poole developments and the Dorset Green H2, but net zero for maritime transport requires a commitment from all players, including cargo interests, shippers, and freight forwarders.

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