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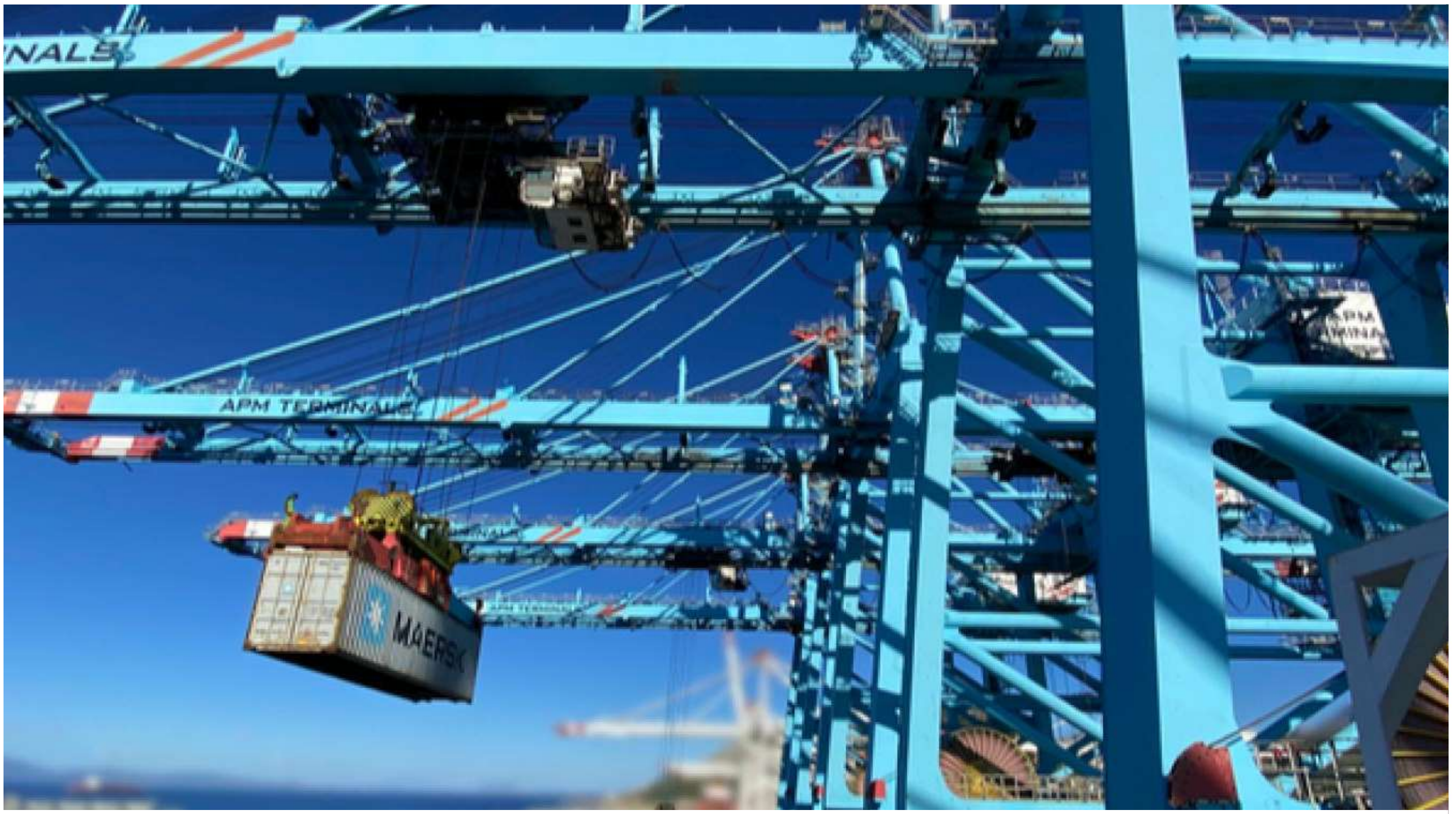
Forwarders warn of rising transshipment, cargo delays after ETS rollout



The ETS will cover all emissions from ships calling at an EU port for voyages within the EU and 50% of emissions from voyages starting or ending outside of the EU. Photo credit: a5hpek / Shutterstock.com.

Greg Knowler, Senior Editor Europe | Nov 1, 2023, 11:40 AM EDT

Carriers that engage in evasion strategies by calling at non-European Union ports to reduce their costs linked to compliance with Europe's emissions trading system (ETS) could change shipping patterns and undermine EU port competitiveness, according to Brussels-based forwarder lobby group CLECAT.

With just two months to go before the shipping carbon tax measure is implemented on Jan. 1, 2024, the issue was highlighted in a recent letter providing feedback to the European Commission by Nicolette van der Jagt, director general of the European Association for Forwarding, Transport, Logistics and Customs Services (CLECAT).

Van der Jagt noted that some ports in the Mediterranean were already seeing a reduction in traffic and volume as carriers adjusted schedules ahead of the Jan. 1 ETS rollout.

“CLECAT sees here the beginning of a worrying trend of disinvestment in these ports, undermining the connectivity of certain regions of Europe and the overall EU competitiveness,” she wrote.

“This could also pose serious operational difficulties for freight forwarders, as more cargo would be transhipped, reducing the number of direct connections and potentially adding delays,” van der Jagt added.

From Jan. 1, all emissions from ships calling at an EU port for voyages within the EU, 50% of emissions from voyages starting or ending outside of the EU and all emissions that occur when ships are at berth in EU ports will come under the remit of the ETS.

Hapag-Lloyd CEO Rolf Habben Jansen said the ETS would cost the carrier about $100 million in 2024, but he insisted the cost “is what it is,” and told delegates at the Xeneta Summit last week that carriers would not be looking for ways to avoid the charges.

“If you look at the regulation today, then one would have potentially less exposure to the ETS if you first go to the UK and then to the EU, but I believe those loopholes will be closed either this year or early next year,” he said.

Closing loopholes

The European Commission is already trying to close the neighboring ports loophole, with an ETS directive excluding non-EU ports close to EU borders and mostly used for transshipment from the “port of call” definition that determines the level of emissions a vessel will be required to pay.

Under the ETS, non-EU neighboring container transshipment hubs will be excluded from the “port of call” definition if they are within a radius of 300 nautical miles of an EU port and their transshipment activity is greater than 65% of the total annual volume handled by the port.

Quentin Donnadille, policy advisor at CLECAT, provided an example of how by excluding large Mediterranean transshipment hubs such as Tanger Med in Morocco and Port Said in Egypt from the definition would prevent the risk of carbon leakage from carriers trying to mitigate their emissions costs.

For instance, if a ship sailed from Shanghai to Rotterdam with a stop in Tanger Med, 50% of the emissions generated on the entire voyage between Shanghai and

Rotterdam would be counted under the ETS, instead of just 50% of emissions between Tanger Med and Rotterdam.

But Donnadille warned that the European Commission would need to closely monitor changes in shipping patterns that could indicate carriers finding new ways around the ETS regulations.

“So far, only the two ports mentioned are included in the [EU] list, but we warn the European Commission that more ports will fit the criteria in the near future due to an increase of activity in non-EU ports close to the EU,” Donnadille said.

Contact Greg Knowler at greg.knowler@spglobal.com and follow him on X: @gregknowler.