

IMPLEMENTING THE SCHEME

SCOPE OF THE SCHEME

DEFINITION OF A DOMESTIC VOYAGE

Q1: Do you agree with the proposed definition of a domestic voyage? Please explain your response, providing evidence where possible.

Yes. The Society of Maritime Industries (SMI) agrees with the proposed application of the UK ETS to domestic voyages. However, SMI is concerned that the extension of the UK ETS could end up negatively affecting the country's ambition to become a leading power in offshore renewable energy, given that some of the vessels required to install offshore facilities may well end up in scope of the scheme.

Q2: Do you agree that the proposed definition will capture all relevant domestic emissions? Please explain your response, providing evidence where possible.

Yes. SMI believes that the proposed definition fulfils the purpose of extending the UK ETS to the domestic maritime sector.

Q3: Do you envisage this definition leading to any loopholes or perverse incentives? Please explain your response, providing evidence where possible.

Yes. SMI believes that the extension of the UK ETS to maritime could lead to shipping operators making arrangements to flag vessels in more competitive jurisdictions, as well as re-routing shipping routes to avoid calling at UK ports.

Q4: Do you agree with the inclusion of emissions at berth in a UK port from ships performing both domestic and international voyages? Please explain your response, providing evidence where possible.

Yes. However, SMI believes that the efficient integration of Monitoring, Reporting and Verification (MRV) requirements is key to ensuring the successful operation of the UK ETS in the domestic maritime sector. Furthermore, SMI expresses a slight degree of concern about the potential inclusion of international voyages (See Response to QXX) on the grounds that it could have repercussions on the competitiveness of the UK's maritime offer on the global stage.

DISPARITY IN CARBON PRICING OBLIGATION THROUGH DIFFERING EMISSIONS COVERAGE ON ROUTES BETWEEN NORTHERN IRELAND AND GREAT BRITAIN, AND REPUBLIC OF IRELAND AND GREAT BRITAIN

Q5: Do you agree with our position that routes between Northern Ireland and Great Britain should face equivalent carbon pricing obligations to that between the Republic of Ireland and Great Britain? Please explain your response, providing evidence where possible.

Yes. SMI agrees that such an adjustment is necessary in order to avoid imposing a higher regulatory burden and decreasing the competitiveness of shipping routes between Great Britain and Northern Ireland.

Q6: Do you agree that subjecting in-scope ships on voyages between Northern Ireland and Great Britain to 50% (as opposed to 100%) of their carbon pricing obligation under the UK ETS would be suitable for ensuring carbon pricing obligation equivalence and emissions coverage equivalence between Northern Ireland and Republic of Ireland? Should this option be time limited or exist for as long as there remains a disparity in the carbon pricing obligation on these routes?

Yes. SMI concurs with the Authority's decision to subject in-scope ships on voyages between Great Britain and Northern Ireland (See Response to Question 5). Moreover, SMI urges caution against placing a time limit on this option, advising instead the Authority that this measure will require dynamic adjustment to reflect any eventual changes of the EU ETS, given its interconnectedness with the UK ETS in this context.

Q7: Do you believe expanding the scope of the UK ETS to include 50% emissions coverage on UK-EEA routes could a) lead to better decarbonisation outcomes for the sector and b) be a suitable alternative approach to ensuing equivalence in carbon pricing obligations to that outlined in Question 6 above? Please explain your response, providing evidence where possible.

Unsure. While SMI understands the rationale for making special arrangements to voyages between Great Britain and Northern Ireland, in light of them being constituent parts of the United Kingdom, there remains a certain degree of scepticism about expanding the UK ETS to include international voyages.

Q8: Are there any other alternative approaches we should consider? Please explain your response, providing evidence where possible.

No.

Q9: Do you consider that there are differing impacts of these two approaches which we should consider when making a final decision? Please explain your response, providing evidence where possible.

The Society of Maritime Industries (SMI) agrees with the proposal to implement the 50% submission requirements of the UK ETS only for routes between Northern Ireland and other nations of the United Kingdom, since any other proposal would risk affecting routes outside the scope of this measure and undermining international efforts at the IMO.

Q10: Do you foresee any additional consequences of this policy intervention that we should be aware of? Please explain your response, providing evidence where possible.

Yes. There remains some concern that this policy intervention might bring about greater complexity to an already saturated regulatory landscape for maritime businesses, hurting their competitiveness internationally and crowding out investment in green technologies. At the same time, SMI recognises the important role of market-based mechanisms such as the UK ETS in instilling the certainty needed to unlock private sector investment into greener maritime fuels and securing a steady pipeline of order for UK shipyards to boost our sovereign capability to satisfy the growing demand for more sustainable solutions in this sector.

THRESHOLD FOR THE SCHEME

Q11: Should we consider a de minimis threshold for operators with very low emissions to avoid a compliance burden? If so, what should this de minimis threshold be? Please explain your response, providing evidence where possible.

Yes. The approach outlined by the Authority in this section of the consultation document seems appropriate to ensure that shipping operators who are making progress in reducing their environmental footprint are not penalised for their ambition.

Q12: If you support a de minimis threshold, should a simplified process apply or should the requirements of the UK ETS not apply at all? Please explain your response, providing evidence where possible.

Unsure. As the trade association for the UK's maritime engineering, science and technology industry, SMI is not best placed to answer this question.

INCLUSION OF METHANE AND NITROUS OXIDE EMISSIONS

Q13: Do you agree with the inclusion of emissions from the combustion or slippage of methane and nitrous oxide emissions from maritime activity within the scheme? Please explain your response, providing evidence where possible.

Yes. SMI can see the merit of including additional greenhouse gases within the scope of the UK ETS with a view to create a more accurate picture of our sector's environmental footprint but, at the same time, we would underline the importance for the Authority to ensure that this measure is compatible with and aligned to other international market-based measures such as the EU ETS.

Q14: Do you agree with our proposal for how to calculate an operator's greenhouse gas emissions on a carbon dioxide equivalent (CO₂e) basis? Please explain your response, providing evidence where possible.

The Society of Maritime Industries (SMI) proposes aligning with the EU ETS, if the UK ETS is set to start on 1 January 2026, and eventually align with the IMO's system for calculating GHG CO₂ equivalence, once it is agreed.

EXEMPTIONS

Q15: Do you have any views on the exemption of Government non-commercial maritime activity, or the activity covered by this term? Please explain your response, providing evidence where possible.

While understanding the need for exemptions from the UK ETS in areas such as military activities, SMI believes that the Government should lead by example where possible in ensuring that its fleet matches the requirements and aspirations of our collective efforts to decarbonise the maritime sector.

Q16: Do you think an exemption is necessary for specific ferry services serving island communities in Scotland? Please explain your response, providing evidence where possible.

SMI believes that the Government should lead by example in addressing the environmental footprint of the maritime sector, where possible (See Response to Q15). Despite understanding the valid arguments, for exempting specific ferry services linking remote insular and peninsular communities in Scotland with the mainland, the Government should set an ambition for the UK to develop green vessels in this space following the example of neighbouring countries. For instance, Norway currently has 325 electric ferries connecting remote communities across its coastline with the rest of the country's main infrastructure.

Q17: Do you think an exemption is necessary for specific ferry services serving peninsular communities in Scotland? If so, what would be a suitable definition of remote peninsular communities? Please explain your response, providing evidence where possible.

SMI believes that the UK should match the efforts of countries such as Norway to deploy green propulsion technologies on vessels linking remote communities with the mainland (See Responses to Q15 and Q16).

Q18: If these services are exempted, do you think they should be subject to UK ETS MRV regulations? Please explain your response, providing evidence where possible.

Yes.

Q19: Do you have any further comments to make on an exemption for ferry services serving island and/or peninsula communities in Scotland?

No.

Q20: Do you consider that there are any further subsectors which might be unduly impacted by the policy and require exemption? Please explain your answer, including on whether UK ETS MRV regulations should apply, and provide evidence where possible.

The Society of Maritime Industries agrees with the UK Chamber of Shipping's recommendation on the need to recognise the following issues:

- Extending the derogation for Scottish Islands to other remote communities across the UK.
- Addressing the administrative burden caused by charging emissions at berth.

ADJUSTING THE CAP FOR MARITIME

Q21: Do you agree that the proposed approach, of adding allowances equivalent to emissions in scope per emissions trajectories aligned to the CBDP, is the most appropriate approach to adjusting the cap and to ensure the emissions reductions required to deliver climate targets? Please explain your response, including by proposing an alternative approach if appropriate.

Over the last two years, trade associations such as SMI and businesses in the maritime sector have devoted significant time and resources to engaging with the Government over the Refresh of the Clean Maritime Plan, setting intermediate targets toward sector decarbonisation, and the UK ETS occupies a key role in this strategy. However, over two years on since the Department for Transport (DfT) consulted on [Domestic Maritime Decarbonisation](#), it is regrettable that the Government has not updated such an important roadmap for the maritime sector. SMI believes that the UK ETS will stand a much greater chance of success in bringing about decarbonisation of the maritime sector, if the scheme is integrated in a comprehensive strategy to deliver this objective.

Q22: Do you agree with the proposed approach to adjusting the cap to account for the inclusion in the scheme of emissions from the maritime sector? Please explain your response with reference to any alternative approaches or sources of evidence, or consideration of how to account for emissions from GB-NI and/or UK-EEA voyages

No views.

Q23: Do you have views on whether allowances from cap adjustments in Phase I should all flow directly to auctions, or whether a proportion should flow to reserve pots? Please explain your response, providing evidence where possible.

No views.

Q24: What would you expect to be the impact of the proposed approach to cap adjustment on participants in the sector and/or the wider UK ETS market? Please explain your response, providing evidence where possible.

No views.

PARTICIPATING IN THE SCHEME

REGULATORY REGIME AND OPERATOR REQUIREMENTS

Q25: Do you agree with the proposed regulatory provisions, such as the scheme year, compliance dates, content of the emissions monitoring plan and penalties regime, operator requirements, or applicable regulator? Please explain your response, providing evidence where possible.

Unsure. SMI believes that the Government should refrain from the instinct of thinking that solutions that work for transport modes such as aviation can be applied to maritime without any appropriate appreciation of its peculiarities. Maritime is a much more diverse and strategically important sector compared to other transport modes by virtue of the UK's feature as an island nation.

MONITORING, REPORTING AND VERIFICATION (MRV) OF CO2 EMISSIONS FROM SHIPS AND THE UK ETS MRV REQUIREMENTS

Q26: Do you agree that we should use the UK MRV regime as the basis for the UK ETS, with deviations for the purpose of the UK ETS MRV requirements as outlined? Please explain your response, providing evidence where possible.

No views.

Q27: Do you agree that the approval of monitoring plans for maritime should be in line with existing UK ETS processes? Please explain your response, providing evidence where possible.

No views.

Q28: Do you agree that we should remove the requirement for a Document of Compliance from the UK ETS MRV requirements? Please explain your response, providing evidence where possible.

No views.

Q29: How best should we account for biofuels and other sustainable fuels used in the maritime sector in the scheme? How best can we consider lifecycle emissions for fuels used in the maritime sector in the scheme? Please explain your response, providing evidence where possible.

No views.

Q30: Which greenhouse gas emission factors for each maritime fuel and energy source would be most appropriate to use under the scheme? Are these emission factors fit for purpose for calculating lifecycle CO₂e emissions? Please explain your response, providing evidence where possible.

No views.

Q31: Do you agree that the changes outlined above should also be made to the existing UK MRV regime? Please explain your response, providing evidence where possible.

No views.

POINT OF OBLIGATION

Q32: Do you agree with the proposed approach to defining the obligated entity? Please explain your response, including your views on the requirements for the delegation of responsibility, and on the proposed default position where those requirements are not met. If you do not agree, please outline your preferred alternative approach.

No views.

Q33: Do you agree with our understanding of the ability for the obligated entity to seek entitlement to cost recovery? Please explain your response, including the extent to which you would expect revision to contractual arrangements.

No views.

GUIDANCE

Q34: On which aspects of the policy proposals should we produce guidance, and to what timescale? Please explain your response, providing evidence where possible.

No views.

IMPACTS OF THE SCHEME

DECARBONISATION IMPACTS

Q35: Does the section above capture all relevant short- and long-term decarbonisation impacts of the UK ETS? Please explain your response, providing evidence where possible.

SMI thinks that this section provides an adequate summary of the policy ambitions of the UK ETS over both the shorter and the longer term.

Q36: How else could the UK ETS support decarbonisation in the sector? Please explain your response, providing evidence where possible.

SMI believes that the Government should ringfence any revenue generated from the expansion of the UK ETS for reinvestment into maritime decarbonisation. With forecasts expecting to raise circa £310 million over three years from its extension, this additional resource could make a significant difference in supporting the decarbonisation of the UK maritime sector.

Q37: Do you consider that the application of the UK ETS will have any further environmental impacts, positive or negative? If negative, are there any mitigations that could be taken? Please explain your response, providing evidence where possible.

No views.

POTENTIAL DISTRIBUTIONAL IMPACTS AND CARBON LEAKAGE RISK

Q38: Do you consider that application of the UK ETS will lead to any adverse impacts for any particular communities or regions, or sub-sectors of the maritime economy? Please explain your response, providing evidence where possible.

SMI believes that the Government must accompany the extension of the UK ETS with an updated sector decarbonisation roadmap by delivering the long-awaited the Clean Maritime Plan Refresh (See Response to QXX) and, most importantly, by ensuring that the Industrial Strategy takes into account the maritime sector's centrality in delivering growth and productivity to coastal communities. Failure to give sufficient regard to these considerations might mean that the application of the UK ETS has an adverse impact on these very communities that have traditionally suffered greater levels of socio-economic deprivation over the last two decades and – at the same time – ought to be the focal point of the Government's productivity and growth missions.

Q39: Do you consider that application of the UK ETS will lead to any carbon leakage or modal shift to other transport types? Please explain your response, providing evidence where possible.

Yes. SMI believes that there is always a possibility of carbon leakage to other maritime jurisdictions, particularly if the extension of the UK ETS to maritime imposes excessive additional regulatory burdens on shipping operators. This could bring about a double negative effect with operators opting to flag vessels in different jurisdictions and shipping routes redirected away from UK ports.

EQUALITY CONSIDERATIONS

Q40: Do you consider that the application of the UK ETS to the maritime sector will lead to any impacts for any groups with protected characteristics under the Equality Act 2010? And do you consider any elements of the UK ETS expansion to the maritime sector could be designed to achieve the objectives set out under s149 of the Equality Act 2010? Please explain your response, providing evidence where possible.

No.

POTENTIAL FURTHER EXPANSION OF THE UK ETS TO ADDITIONAL MARITIME EMISSIONS

FUTURE REVIEW OF THE THRESHOLD FOR THE SCHEME

Q41: Do you agree that a lower threshold could support the maritime sector to decarbonise? Please explain your response, providing evidence where possible.

While a lower UK ETS threshold would theoretically incentivise a larger part of the maritime sector to decarbonise its operations by virtue of bringing more vessels into the scheme's scope, SMI believes that it would prompt limited support for maritime decarbonisation without an Industrial Strategy that gives adequate consideration to the centrality of the maritime sector to the UK economy and, most importantly, an updated Clean Maritime Plan setting out intermediate decarbonisation targets.

Q42: Do you agree that if we were to lower the threshold, it should be to 400GT? Please explain your response, providing evidence where possible.

No views.

Q43: Is it practical for ships between 400GT and 5000GT to undertake monitoring, reporting and verification requirements? Should there be a simplified monitoring regime should the threshold be lowered? Please explain your response, providing evidence where possible.

No views.

Q44: Would any inland waterways or leisure craft be captured by a 400GT threshold? Please explain your response, providing data where possible.

No views.

Q45: When would be an appropriate date for lowering the threshold if we were to lower it in the future? Please explain your response, providing evidence where possible.

No views.

Q46: What will be the impacts of lowering the threshold? Would any sub-sectors be disproportionately impacted? Please explain your response giving evidence where possible.

No views.

COVERAGE OF INTERNATIONAL ROUTES

In the event that the conditions highlighted above at the IMO were realised;

Q47: Should the UK ETS be expanded to include emissions from all international voyages starting or ending in the UK in future? Please explain your response, providing evidence where possible.

SMI would caution against expanding the UK ETS to include emissions from all international voyages starting and/or ending at UK ports without having ensured satisfactory alignment at the international level.

Q48: If you agree with the above, do you think 50% of emissions from voyages by in-scope ships making an international voyage which starts or ends in the UK from overseas should be covered? Please explain your response, providing evidence where possible.

Not applicable.

Q49: If you support the inclusion of international voyages, do you have a view on when this should be implemented? Please explain your response, providing evidence where possible.

Not applicable.