

Decarbonization driving commercial strategy

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Initial IMO GHG Strategy

LONG-TERM MEASURES

- Pursue development and provision of low-carbon and zero-carbon fuels
- Encourage and facilitate other possible new/innovative emissions reduction mechanisms

MID-TERM MEASURES

- Implement measures to incentivize uptake of low-carbon or zero-carbon fuels
- Operational energy efficiency measures
- Innovative mechanism such as MBMs
- Develop a feedback mechanism via a lessons learned program

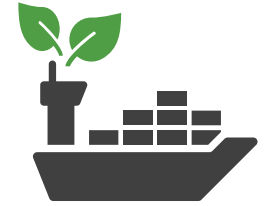
SHORT-TERM MEASURES

- EEDI and SEEMP
- EEXI and CII
- Methane emissions and volatile organic compounds
- Develop GHG Guidelines
- Initiate research and development for innovative technologies
- Undertake additional GHG emission study

2018–2023

2023–2030

2030+



Impact of IMO measures

Number of vessels requiring improvement to become **EEXI** compliant



Bulk Carriers

87%

Sample 11,179 vessels



Container Ships

88%

Sample 5,080 vessels



Tankers

85%

Sample 9,546 vessels



Gas Carriers

95%

Sample 1,705 vessels

Source: ABS Research / IMO DCS data

Percent of vessels requiring an operational change or improvement by 2030 to stay within A, B or C for **CII**

2019



Bulk Carriers

86%

Sample 1,377 Vessels



Container Ships

78%

Sample 731 Vessels



Tankers

69%

Sample of 1,110 Vessels



Gas Carriers

83%

Sample 128 Vessels



LNG Carriers

59%

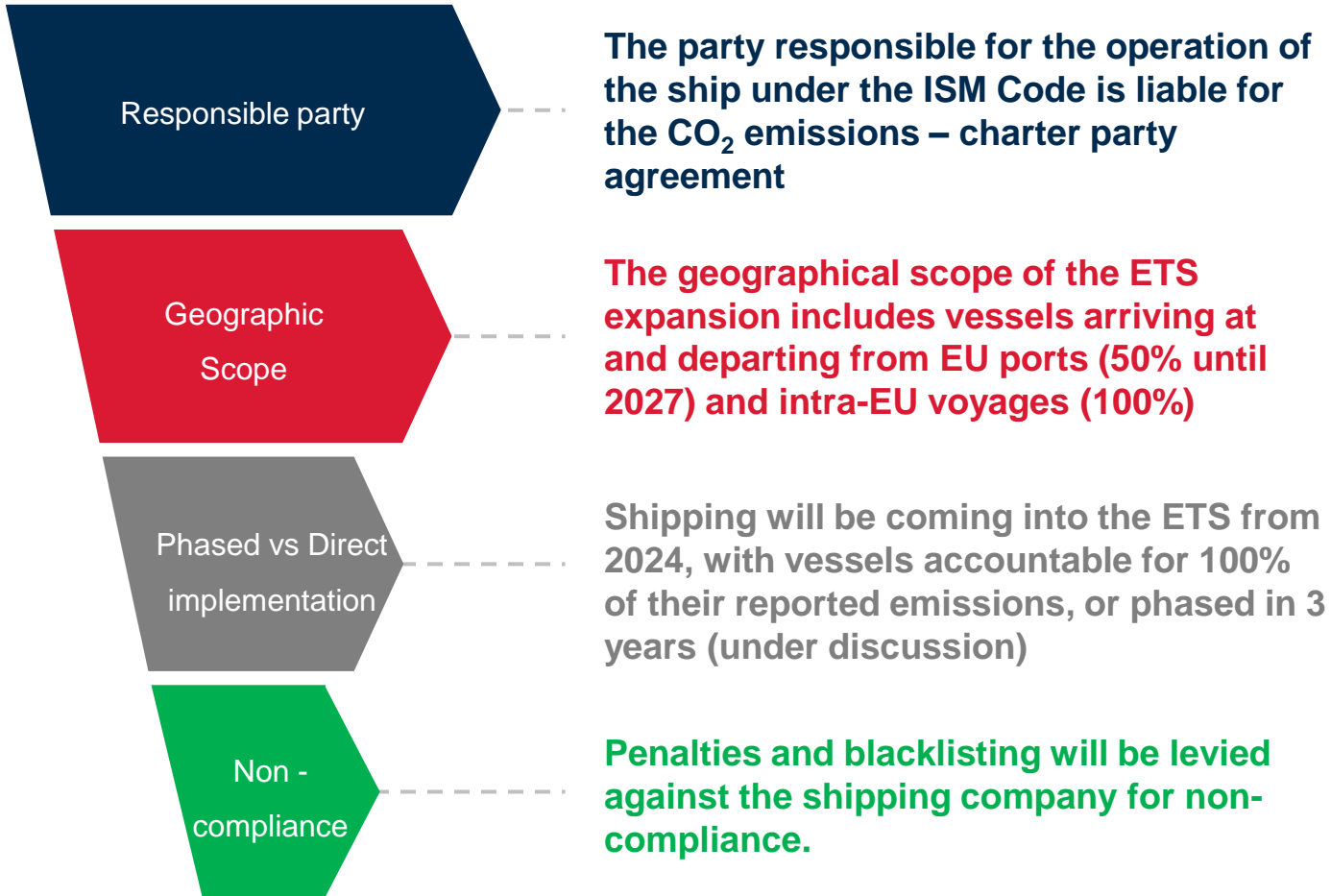
Sample 98 Vessels

Source: ABS Research / IMO DCS data

Regional Requirements – “Fit for 55”

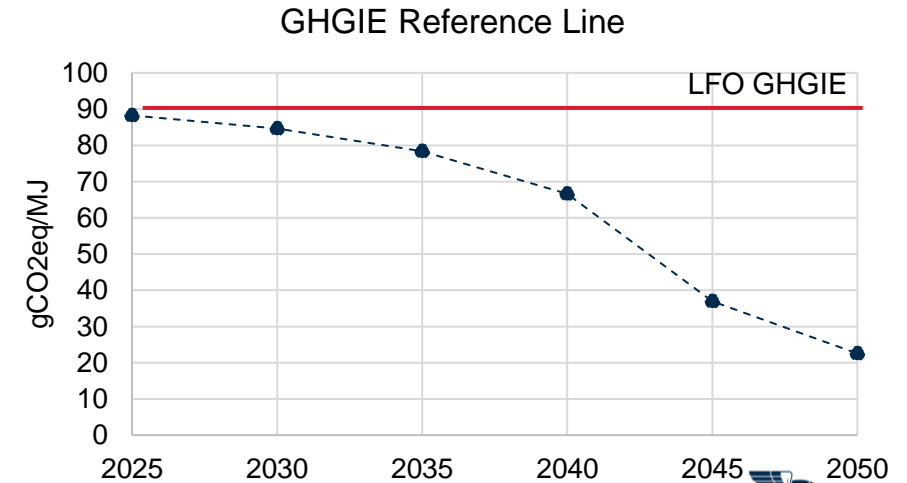


EU ETS



FuelEU

- Annual average GHGIE_{actual} to meet required value GHGIE_{target}
- Required GHGIE reduced over time by reduction factor on ref value (TBA)
- Well-to-Tank and Tank-to-Wake components in calculating GHGIE



Source: FuelEU for Maritime



EU Market Based Measures Evolution

Initial Proposal Draft



- July 2021
- Initial Draft Regulation:
 - Shipping inclusion in EU ETS
 - FuelEU

EU Parliament



- Public consultation
- Amendments proposed in several rounds of discussion in 2021/2022
- Political Parties consultation
- **July 2022:** Final Regulation Proposal with amendments by EUP
- Stricter approach:
 - No phase in period
 - 100% of emissions in extra EU voyages

EU Council



- EU Parliament proposed regulation with amendments to be considered
- Final decision stands with council
- More stakeholders to give feedback
- Rationalized approach:
 - Phase in to be considered
 - Other exclusions

Final Regulation adoption




We are here

- The regulation will become EU law and binding after endorsement from EU council
- Timeline remains open

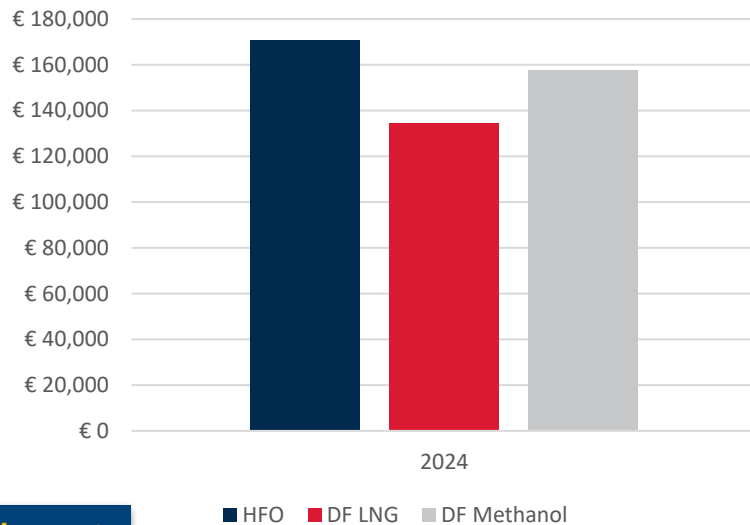
Market Based Measures Impact

Tanker - VLCC

EU Emissions Trading Scheme

- Direct impact of Carbon Emissions: Fuel Carbon intensity and consumption
- Only for Voyages in, out and within European Ports
- 100% of emissions liability from 2024

EU ETS cost projection



EU Parliament
June 2022

Source: ABS Research

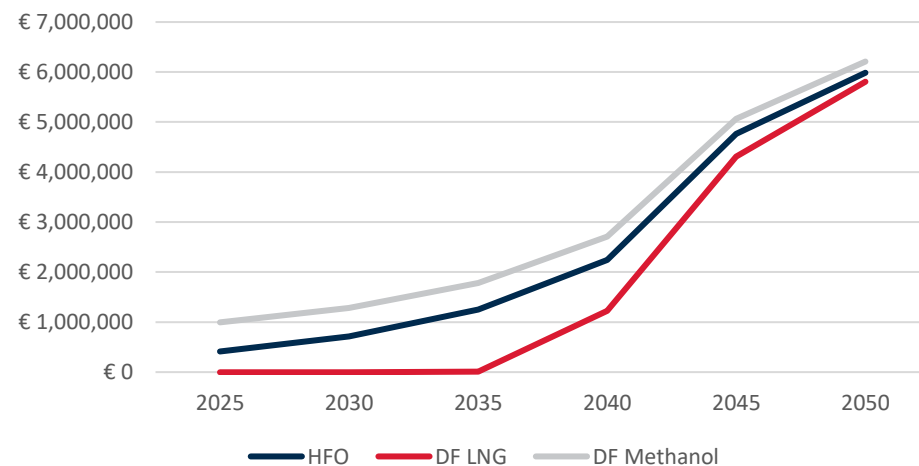
Fuel EU

- GHG Intensity of fuel mix drives impact, not consumption
- Assuming decarbonization trajectory based on 2020 MRV data, pending definition

GHG Intensity of Energy [gCO₂eq/MJ]



FuelEU Penalty

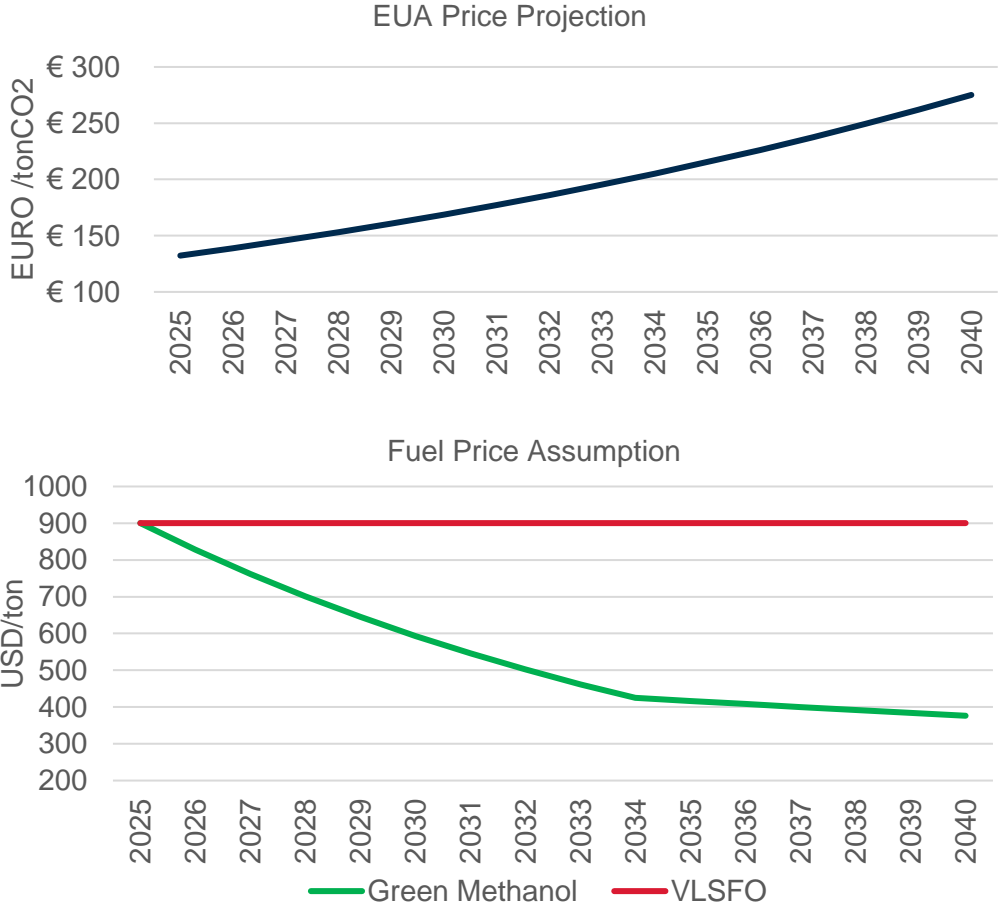


Source: ABS Research



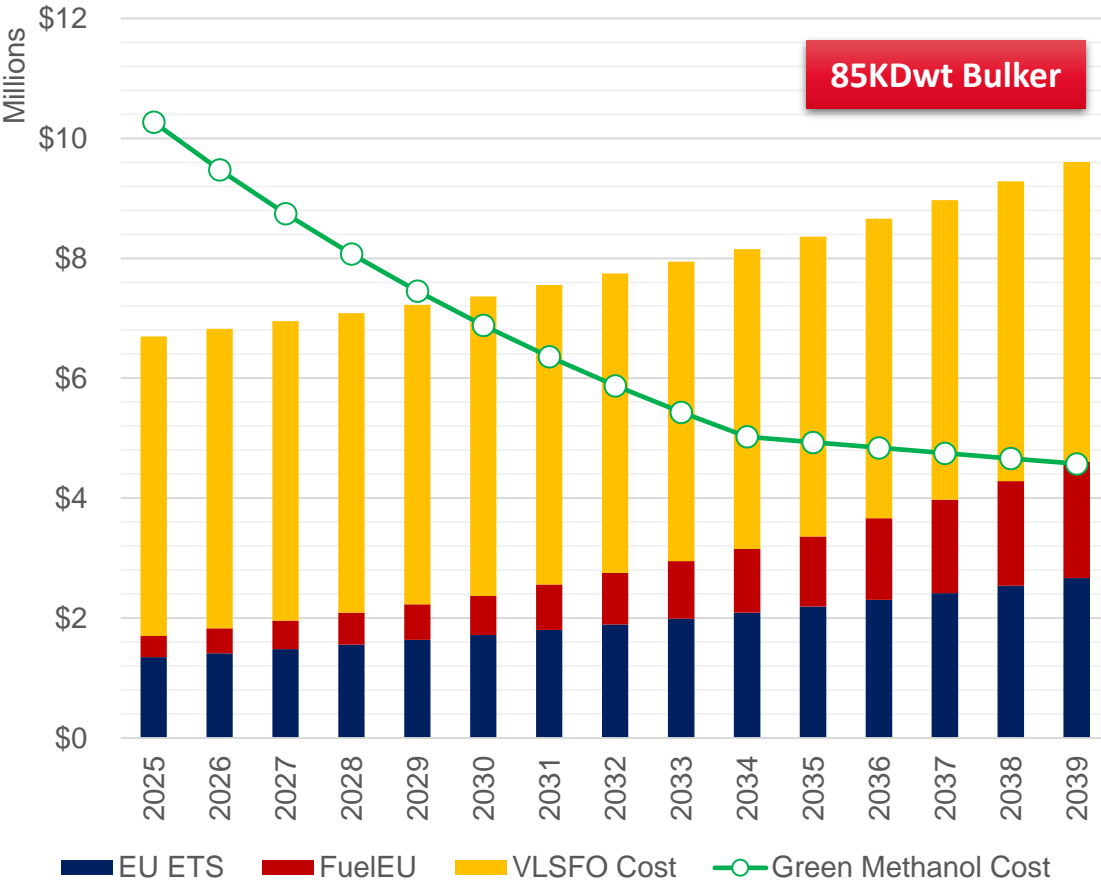
Case Study - 50% Voyages Covered by EU

EUA & Fuel Price Assumption



Source: ABS Research

EU ETS Cost & FuelEU Penalty

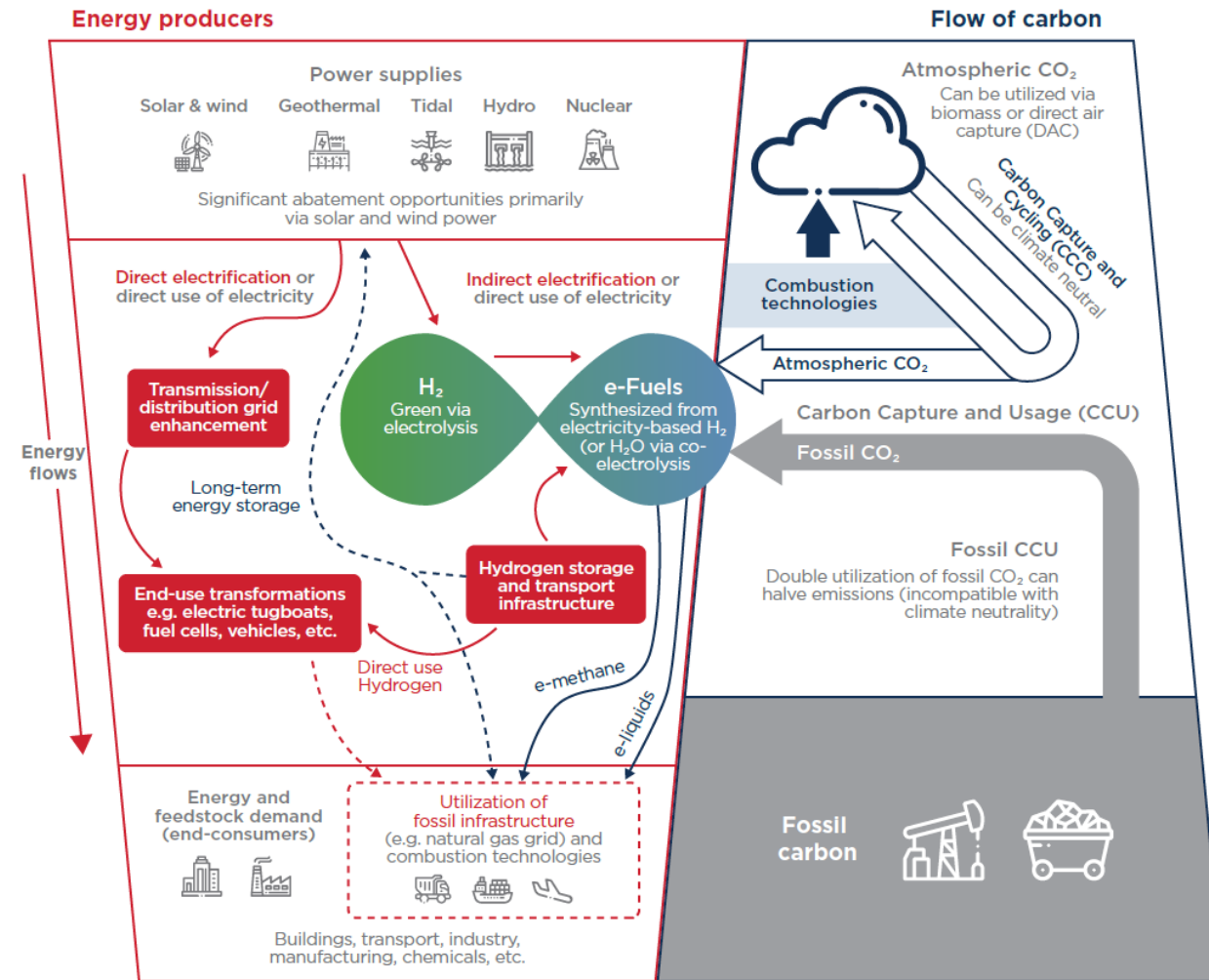


Source: ABS Research



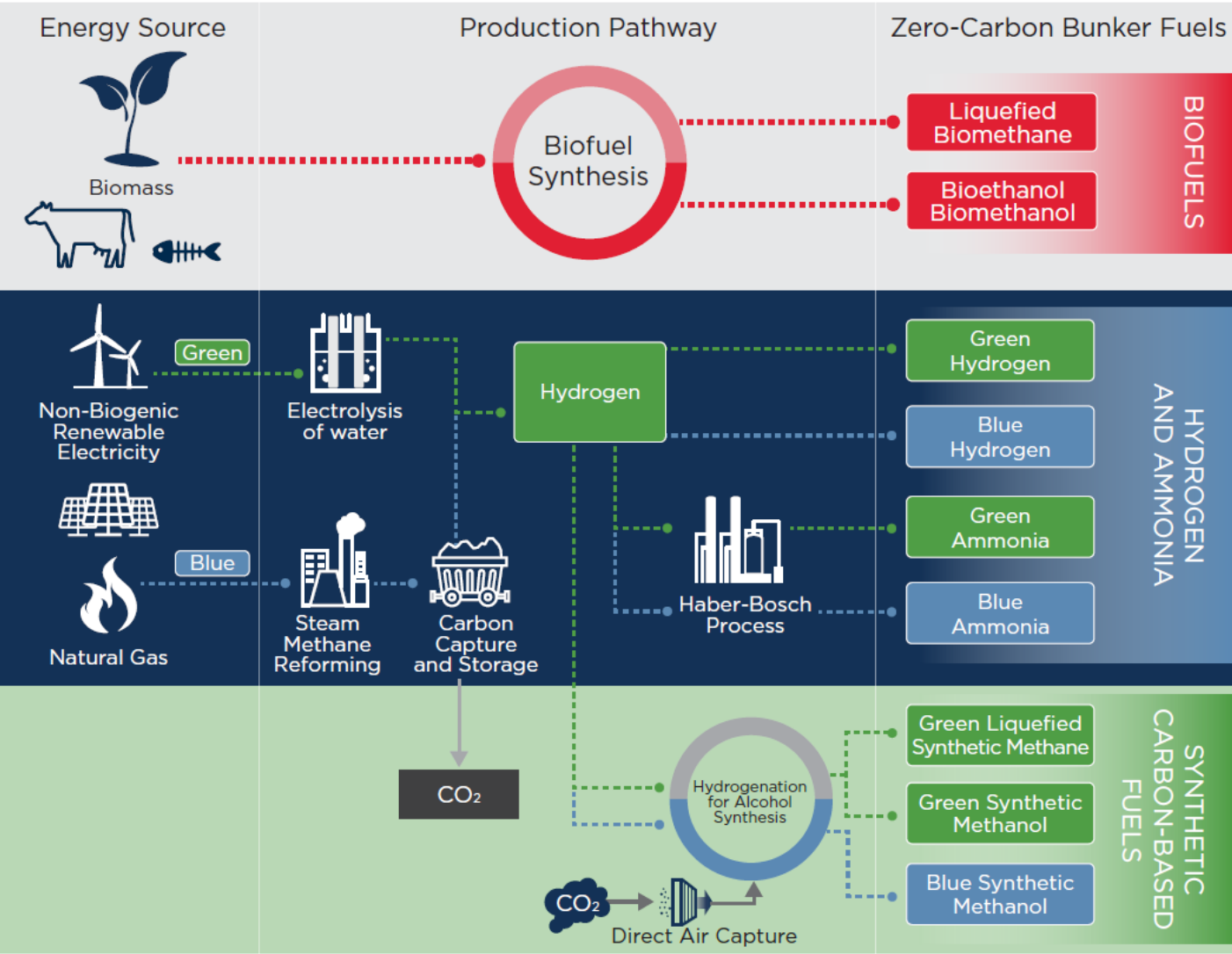
Emerging Value Chains

- Carbon Capture for emissions abatement
- Hydrogen as a clean energy enabler
- Complementing value chains



Source: ABS Zero Carbon Outlook

H₂ & CO₂ towards Net Zero solutions



Source: ABS Zero Carbon Outlook



Carbon Markets & Pricing



Emission Trading Systems (ETS)

A system where emitters can trade emission units to meet their emission compliance targets. By creating supply and demand for emissions units, an ETS establishes a market price for GHG emissions.



Carbon Tax

Tax directly sets a price on carbon by defining an explicit tax rate on GHG emissions i.e. a price per tCO₂e.



Offset Mechanism

An offset mechanism is usually project- or program-based, which offers carbon credits to entities in accordance with an accounting protocol or their own registry.



Result-based Climate Finance (RBCF)

RBCF makes payments to programs which are verified to have climate change mitigating outcomes, such as emission reductions.



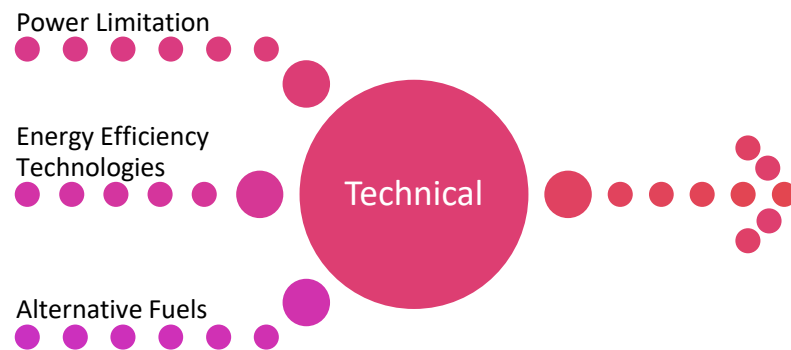
Internal Carbon Pricing (ICP)

Organizations usually use internal carbon pricing to direct their decision-making process related to the effects, risks and opportunities of climate change.

Operational & Market Based Measures

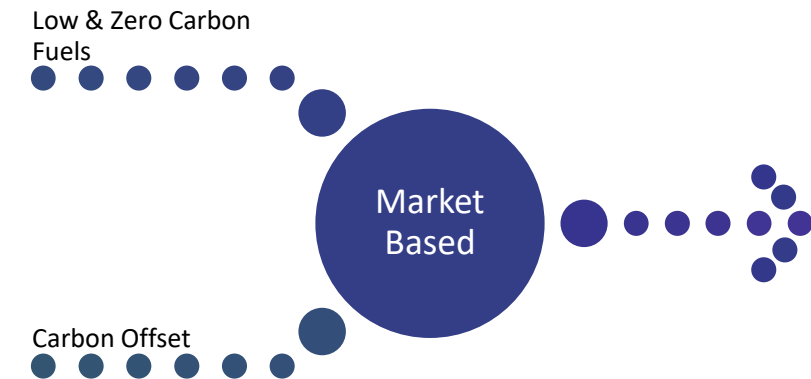
Technical Measures

- Design features improvement
- Energy Efficiency Technologies installation
- Power Savings
- Alternative Fuels



Pathways to Compliance & Performance

- Targeting Emissions Reduction
- Operational Measures for charterer
- Benefit from Energy Efficiency increase
- Address emissions related costs



Act now

Decarbonization drive

- Benchmark performance
- Investigate improvement options
- Promote Decarbonization to stakeholders
- Evaluate Financial Impacts

Reporting and Compliance

- Align with UN SDGs
- Leading sustainability Reporting frameworks
- Sea Cargo Charter alignment
- Continuous monitoring driven by digitalization

Strategy

- Integrate decarbonization strategy in business
- Disseminate compliance requirements to stakeholders
- Drive long term portfolio decarbonization
- Climate-related transitional risk mitigation

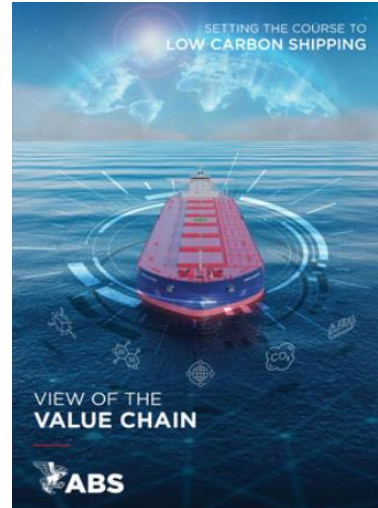
Our recent publications



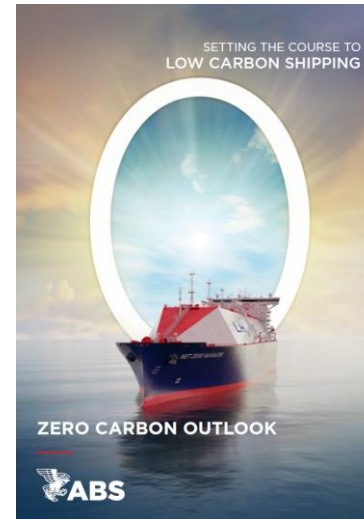
Sustainability Whitepaper
2021: Hydrogen as Marine Fuel



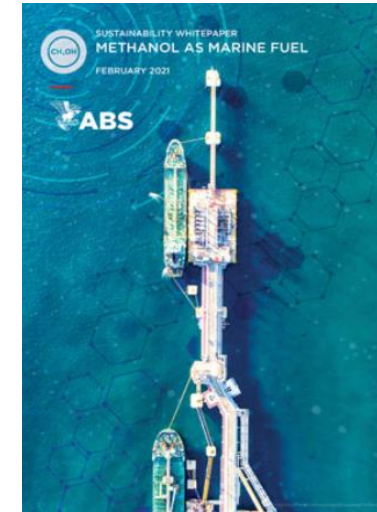
Sustainability Whitepaper
2021: Biofuels as Marine Fuel



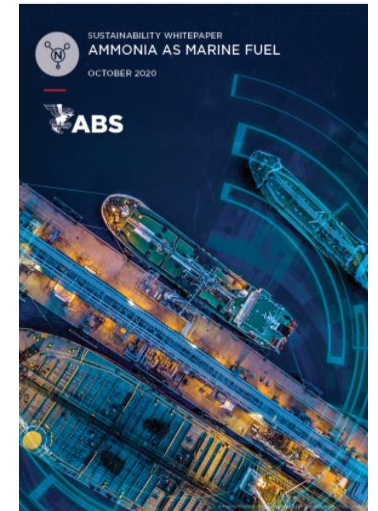
View of the Value Chain
(2021): Low Carbon Shipping



Zero Carbon Outlook (2022)



Sustainability Whitepaper
2021: Methanol as Marine Fuel



Sustainability Whitepaper
2021: Ammonia as Marine Fuel

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