



# DECODING THE BASICS OF EU EMISSIONS TRADING SYSTEM (EU ETS)

Setting Sail into Sustainable Practices

## THE EU ETS: OVERVIEW

The EU ETS is an emissions system that aims to reduce greenhouse gas (GHG) emissions by setting a limit, or cap, on GHG emissions for certain sectors of the economy.



Cap-and-trade' system.



Cap reduces annually, targeting 62% emission reduction by 2030.



Emission allowances: one allowance = one ton of CO2eq.



Heavy fines for exceeding allowances.

The Rules entered in force since June 5, 2023. The EU ETS will be extended to maritime emissions from 2024.

## MRV MARITIME REGULATION & EU ETS COVERAGE

EU MRV covers:



Carbon dioxide



Methane as of 2024



Nitrous oxide as of 2024

EU ETS covers:



Carbon dioxide

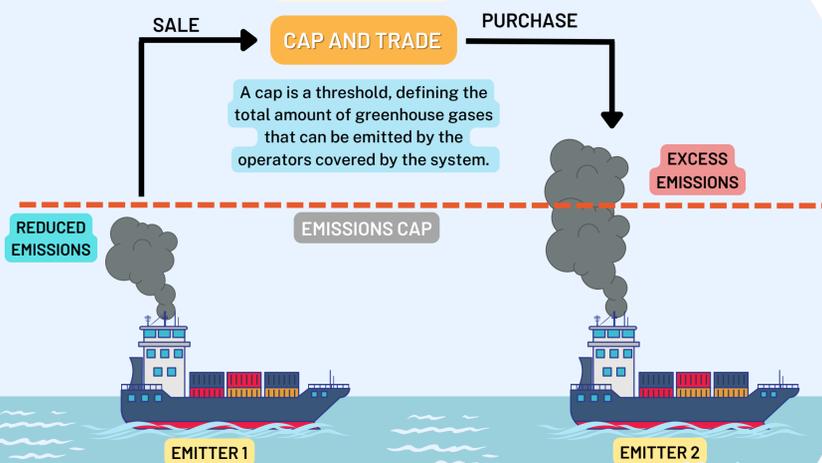


Methane as of 2026



Nitrous oxide as of 2026

## HOW CAP-AND-TRADE SYSTEM WORKS?



## HOW ARE EMISSIONS MONITORED, REPORTED AND VERIFIED?

### Emissions Monitoring (EU ETS):



- Approved monitoring plan required.
- Annual ship and company-level reports.

### Verification and Allowance Surrender:



- Accredited verifier by March 31.
- Allowance surrender by September 30.

### MRV Regulation (Since 2018):



- Obligations for shipping companies.
- Data reported via THETIS-MRV.
- Facilitates reliable emissions data publication.

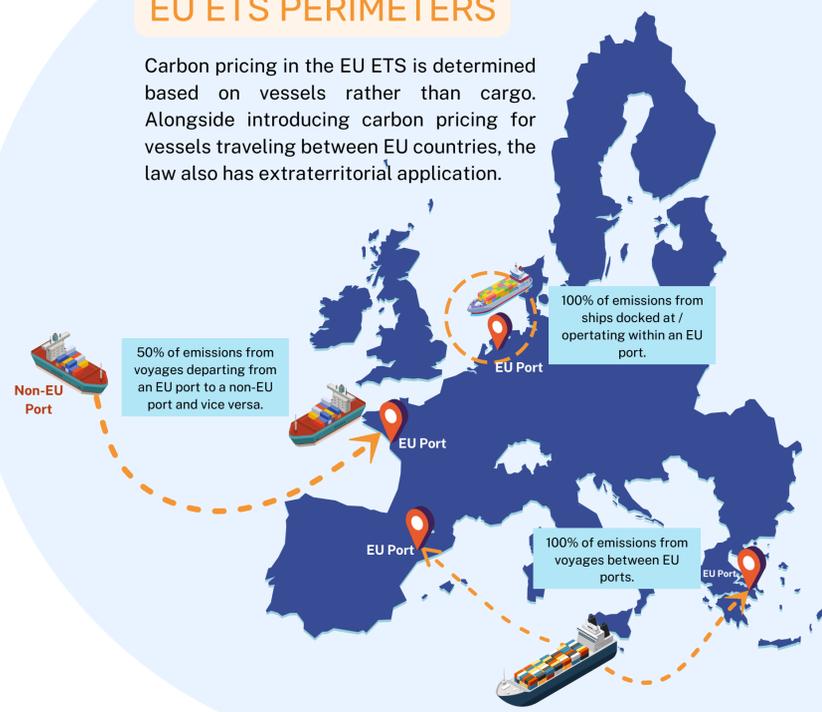
## PHASED IMPLEMENTATION AND ADDITIONAL GASES

Under the new law, shipping companies must gradually submit allowances for a portion of their emissions, following a phased implementation of carbon pricing.

- 2024** In 2024, companies must submit allowances for 40% of their verified emissions.
- 2025** In 2025, companies must submit allowances for 70% of their verified emissions.
- 2026** From 2026 onwards, companies must submit allowances for all their verified emissions. Starting January 1, 2026, ETS regulations will cover nitrous oxide and methane emissions.

## EU ETS PERIMETERS

Carbon pricing in the EU ETS is determined based on vessels rather than cargo. Alongside introducing carbon pricing for vessels traveling between EU countries, the law also has extraterritorial application.



## WHAT ARE EU ALLOWANCES (EUAS) ?

### Definition and Purpose:



- EU Allowances (EUAs) are carbon credits in the EU ETS.
- Each EUA permits emission of one ton of CO2e.
- EU ETS is a 'cap and trade' system to combat climate change.

### Cap-and-Trade Mechanism:



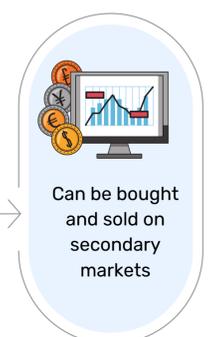
- Total allowances capped, reducing over time.
- Aligns with EU's climate goals.
- Companies receive, buy, and trade allowances.

### Compliance:



- Companies need enough allowances for their emissions.
- Exceeding allowances results in heavy fines.

## HOW AND WHERE TO PROCURE EUAS?



**Varuna Marine Services**  
SMART SUSTAINABLE SHIPPING

The EU ETS market is dynamic and costly. Varuna Marine Services B.V. can assist you in crafting a strategy to either gain exposure to the carbon market or achieve budgetary goals, managing the passing on of costs. Our services include:

- Assistance in setting up an EU Registry Account
- Provision of market information
- Offering perspectives on EUA prices and decision-making support

If you have any comments or question please reach out at: [info@varunamarine.eu](mailto:info@varunamarine.eu)

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