

## BIMCO drafts ETS allowances clause for time charter parties

*By admin On November 18, 2022 In Insurance Marine News, Keep, Marine Liability, Political Risk, Credit & Finance*

Independent shipowners' organization BIMCO has drafted a clause that makes charterers responsible to pay for vessel emissions allowances or credits.

The Baltic and International Maritime Council's "ETS – Emissions Trading Scheme Allowance Clause for Time Charter Parties 2022" also assigns administration of the allowances to the ship owner or ship manager.

In essence the clause requires both shipping contract parties to cooperate and collaborate, BIMCO said. The clause spells out how a carrier should rebate credits when a ship is off-hire.

BIMCO said that the clause would provide clarity in anticipation of the EU's mandatory ship emissions trading scheme (ETS).

ETS are "cap and trade" schemes that permit carriers to emit greenhouse gases in exchange for allowances. The draft clause assigning financial responsibility for vessel emissions adheres to the "polluter-pays" principle by ensuring the pass-through of ETS costs to the commercial operators of vessels – in this case, time charterers, BIMCO said.

Emissions trading exchanges will determine the price of the allowances. To encourage carriers to reduce carbon and greenhouse gas emissions, the ETS programme will reduce gradually the number of allowances available.

Carriers can cut emissions by slow steaming or using alternative fuels. The EU's ETS program likely will become effective in 2023, with financial settlement for that year's emissions due in the early 2024, said Lars Robert Pedersen, BIMCO's deputy secretary general, technical, during a recent BIMCO webcast.

Enactment of the new emissions policy will follow the EU's expected release later this year of the final ETS shipping industry rules, Pedersen said, noting that there were "still a lot of unknowns here".

The EU, which operates the world's largest ETS, mandated earlier this year that the shipping industry join its larger emissions reduction programme. Ships that call at EU ports must participate. In the absence of a "global" emissions reduction scheme, non-EU nations could develop discrete ETS', Pedersen said.

BIMCO expects soon to release a second, new clause for time charter parties, following the IMO's recent introduction of a carbon emissions reduction initiative. That clause will address liability should the operator of a large commercial vessel fail to begin drafting an IMO-mandated vessel-specific carbon emissions reduction plan, beginning on January 1<sup>st</sup> 2023.