

Emissions Trading
Department for Energy Security and Net Zero
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London
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BY EMAIL ONLY

23 January 2024

Consultation reference: UK ETS scope expansion to maritime sector

To whom it may concern,

Thank you for the opportunity to respond to the proposals for expanding the UK Emissions Trading Scheme (UK ETS) to the maritime sector, published on 28 November 2024.

The British Ports Association (BPA) is the national trade association for ports, harbours and terminals, speaking for members who own and operate over 400 ports, terminals and port facilities across the UK and collectively handle 86% of all port tonnages. We represent the interests of a diverse group of ports, including 45 out of the 50 major ports in the UK, to all tiers of government and devolved nations. The UK ports sector operates in a competitive, market-led policy framework and plays a fundamental role in the UK economy, handling 95% of the UK's international trade, 458m tonnes of cargo each year, and support 125,000 direct jobs making in the foundation for the wider maritime economy. As an island nation that is dependent on ports and shipping, it is essential that the UK ETS supports the industry in remaining competitive, ensures a level playing field, whilst continuing to drive decarbonisation efforts. U

The BPA fully supports the UK's commitment to achieving net zero by 2050 and recognises the expansion of UK Emissions Trading Scheme as an important step towards the decarbonisation of the UK transport sector. It is critical to recognise that shipping remains the most carbon-efficient mode of transportation accounting for approximately 1% of domestic UK emissions. UK ports are a vital part of the solution to achieving the UK's climate goals demonstrating a strong commitment to the energy transition by investing in alternative fuels, technology and operational efficiency improvements.

Having closely examined the proposals outlined in the document, BPA strongly supports option one: to reduce the UK ETS obligations to 50% of vessels travelling between Northern Ireland and Great Britain to ensure a level playing field with routes between Republic of Ireland and Great Britain. In our response we further highlight and recommend the need for:

- A "de minimis threshold" and additional exemptions for certain vessels and services to avoid imposing an undue administrative burden on operators and ports.
- At a minimum, delaying requirements on offshore vessels to align with EU ETS deadlines in order to protect UK's competitiveness in attracting opportunities to support the energy transition.
- A pilot review period, 'emergency brake', or alternative mechanism to reverse the inclusion of maritime emissions in event that the EU or other international schemes are

expanded or introduced to cover the same emissions which would have detrimental effects on UK port competitiveness and trade.

Our response to the consultation below aims to reflect the consolidated views of the UK ports sector, however, does not prejudice any individual responses from ports in our membership. We look forward to continuing our engagement with government to ensure that the UK ETS supports the sector in reaching its decarbonisation goals and the long-term success of the maritime industry.

Yours Sincerely,

Rhona Macdonald
Senior Sustainability Advisor
British Ports Association

Section A: Implementing the UK ETS for maritime

Definition of a domestic voyage

1. Do you agree with the proposed definition of a domestic voyage? (Y/N) Please explain your response, providing evidence where possible.

While BPA is largely supportive of the application of the UK ETS to capture domestic voyages and intentions to include emissions from 'one-port' voyages, using a definition based on a 'port call' may result in unintended negative consequences for ports and vessel operators. Specifically, we are of the view that certain elements of the proposed approach, such as the inclusion of emissions from offshore vessels and emissions at berth, exceeds what is reasonable for the definition of a 'domestic voyage'.

1. Offshore vessels

The offshore sector includes a wide range of vessel types engaged in activities such as servicing offshore installations, aquaculture, construction, cable laying and decommissioning. These vessels typically do not operate between ports, rather travel from a port to offshore fields or developments. Capturing the emissions from these vessels fails to take into account their unique and critical role in helping the UK achieve its ambitious offshore wind and decarbonisation targets. Furthermore, offshore ships of 5,000 GT and above will not fall under the scope of the EU ETS until 1 January 2027, whilst ships of 400 GT and up to 5,000 GT will be reviewed by 31 December 2026 for inclusion at a later stage.

An earlier start date in the UK risks incentivising evasive behaviour, such as operators avoiding UK ports to reduce costs. To avoid market distortions, double payments and ensure a level playing field for UK-based operators, **BPA strongly recommends that offshore vessels (as described above) be exempt from the UK ETS, or, at a minimum, should align with the EU ETS dates to ensure consistent and fair application across jurisdictions.**

2. Inclusion of emissions at berth

The proposal to include emissions at berth for vessels of 5000 GT and above, including all movements within UK ports, whilst at anchor, or moored, will also require further consideration if the scheme is to achieve the desired decarbonisation outcomes for the sector. This includes:

Port infrastructure and Incentives

BPA acknowledges that the intention of the UK ETS is to incentivise the uptake of future fuel infrastructure. We also agree that the installation and switch to shore power will be a key component in the future maritime energy mix and presents substantial emission reduction opportunities for the sector, although it is important to note that the demand and potential for installing shore power will vary across ports.

As of 2024, only a handful of UK Ports are equipped with large shore power connections. This is due to broad prohibitive barriers, including high capital costs, electricity prices and charges, and a lack of grid capacity and demand uncertainty. BPA has raised these concerns with DESNZ and DfT on multiple occasions, as well as in our [Reducing Emissions from Shipping in ports: Examining the Barriers to Shore Power](#) publications which provides recommendations to address these challenges.

In the absence of appropriate incentives and ongoing significant barriers to the provision of fuel infrastructure and shore power connections in ports, the UK ETS risks being viewed as a financial penalty with no feasible opportunities and additional support for ports to improve their environmental performance. In the EU, regulatory frameworks and financial incentives encourage and mandate the use of shore power, including FuelEU Maritime and Alternative Fuel Infrastructure Regulation (AFIR), however, a lack of comparable provisions in the UK renders shore power projects economically unviable for the majority of UK ports. Proposing a tax on emissions at berth without the corresponding shoreside infrastructure to facilitate the transition to alternative fuels means operators will be penalised for behaviour they cannot change. This not only undermines the intended outcomes of the proposal, but also the efforts of UK ports and shipping companies to decarbonise their operations.

Furthermore, it is critical to recognise that shipping remains the most carbon-efficient mode of transportation accounting for approximately 1% of domestic UK emissions. UK ports are a vital part of the solution to achieving the UK's climate goals, however, in the absence of appropriate incentives and major barriers to the provision of necessary alternative fuel infrastructure and technology to support the decarbonisation of the maritime sector, the UK ETS in isolation will fall short of the environmental objectives proposed and could result in reverse modal shift. The UK Government should be encouraging more freight to move by water and there is the risk that with the absence of the necessary infrastructure incentives, the UK ETS will make maritime less competitive against other modes, such as road and rail that are more polluting per ton mile.

Thus, BPA is of the view that the UK ETS in isolation will not be sufficient to address these gaps and further clarity on what supporting measures will accompany the scheme is required to drive genuine emissions reductions.

Tramp Vessels and Emergency Calls

BPA welcomes the proposal to apply a “de minimis threshold” to certain vessels with very low emissions in the scope of the UK ETS, however, would support extending this to cover tramp vessels (i.e. vessels with no scheduled routes or fixed ports of call) and vessels making emergency calls to UK ports for whom the regulatory requirements may be burdensome, for



example, an oil or gas tanker calling in a UK port for a few voyages bringing gas and oil (or a Dry bulk vessel loading and unloading any cargoes. Similar provisions exist under the EU MRV and EU ETS Regulations, where certain stops are not classified as “ports of call” and are excluded from compliance requirements. The UK should align its approach with the EU system as far as possible to maintain consistency and prevent regulatory distortion.

Referring to Article 3(b) of the EU MRV Regulation, the following stops are not considered as “ports of call”:

- Stops for the sole purposes of refuelling or obtaining supplies (including fodder for vessels transporting animals as cargo);
- Stops for relieving the crew of a ship other than an offshore ship;
- Stops for going into dry-dock or making repairs to the ship and/or its equipment;
- Stops in port because the ship is in need of assistance or in distress;
- Ship-to-ship transfers carried out outside ports;
- Stops made solely to take shelter from adverse weather or rendered necessary by search and rescue activities.

In light of the scheme being expanded to include vessels of 400 GT and above, BPA would recommend additional exemptions be applied to workboats to avoid overly burdensome requirements on smaller vessels that play a critical role in ensuring the safe navigation of vessels entering UK ports. For instance, in UK ports, dredgers may travel from an international port and stay in harbour for several days or weeks before returning to bunker. We are concerned that their time in harbour would be classified as a ‘port call’ meaning they would fall within the regulations which could have negative implications on the viability of many UK ports (please see further details on exemptions under question 41).

Administrative and cost Burden

Covering all emissions at berth, including at anchor and whilst mooring, will require ship operators with vessels of 5,000 GT and above to register through a UK MRV system, establish compliance plans and Maritime Operator Holding Accounts (MOHA). This will impose a significant and disproportionate administrative burden on operators, particularly on those vessels that make infrequent or one-off visits to UK ports. The additional administrative burden and cost of complying with the scheme could also lead to market distortion as operators look to reroute to ports out with the scheme. In addition, the BPA has on numerous occasions raised concerns to Government regarding the capacity of the UK’s environmental regulators, thus, BPA is of the strong opinion that a ‘de minimis threshold’ is applied to certain ‘ports of call’ to avoid the overly burdensome and labour intensive process of registering infrequent or certain vessel calls.

We further note that one of the state intentions is to encouraged abatement of emissions at berth, however (as stated above in question 1), with no viable options for ports to provide the required alternative fuel infrastructure, additional work is required to further explore the possible unintended economic consequences of this proposal on ports, for instance, potential negative implications on port revenue if a cruise vessel chooses to not come alongside or reroute elsewhere.

2. Do you agree that the proposed definition will capture all relevant domestic emissions? (Y/N) Please explain your response, providing evidence where possible.

Yes, BPA believes that the above definition will capture all relevant domestic emissions, however, please see question 1 above for initial concerns on this proposal and potential implications on UK ports.

3. Do you envisage this definition leading to any loopholes or perverse incentives? (Y/N) Please explain your response, providing evidence where possible.

Yes, this proposal could result in loopholes and perverse incentives due to the challenges and concerns outlined in question 1 above.

It is critical to recognise that shipping remains the most carbon-efficient mode of transportation accounting for approximately 1% of domestic UK emissions. UK ports are a vital part of the solution to achieving the UK's climate goals, however, in the absence of appropriate incentives and major barriers to the provision of necessary alternative fuel infrastructure and technology to support the decarbonisation of the maritime sector, the UK ETS in isolation will fall short of the environmental objectives proposed and could result in reverse modal shift, disincentivising the more energy efficient short sea shipping routes in favour for road transportation. For example, an established short sea shipping route for liquid bulk between Ghent and Portland has resulted in 2000 fewer vehicle movements, over 958,000 saved road kilometres and a 62% reduction in CO2 emissions, nearly 3000 per trip (<https://www.juiseashipping.com/>). Inclusion of emissions at berth for this service would render the route economically unviable and increase the overall carbon emissions of the product transport.

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

Whilst we agree on the inclusion of domestic voyages, we have significant concerns on the impact of the inclusion of emissions at berth on ports and operators. Please refer to question 1 for more details. On international voyages, BPA is of the view that international emissions should not be covered due to concerns raised below on the risk of double counting and the administrative burden that would be imposed on operators and ports to comply with both the UK and EU ETS requirements. BPA further recommends that, if the UK agrees to include international maritime emissions, that special consideration should be given for tramp vessels, especially those that call very infrequently in ports, as is reflected in the EU ETS. Implementing similar exemptions and aligning with EU practices will guarantee fairness for operators and limit administrative burden on vessels making infrequent and essential stops. Please refer to questions 11, 12, 16 and 41 for further comments on exemptions.

Administrative Burden

If, as proposed, the inclusion of emissions at berth intends to cover all emissions at UK ports, including all movements within port limits, this could impose a substantial administrative burden on operators of vessels that make infrequent or 'one-off' visits to a UK port by requiring them to register to a UK MRV system. The additional administrative burden and cost of complying with the

scheme could lead to market distortion as vessels look to call at ports out with the scheme to avoid additional compliance costs. Similarly, as mentioned, BPA would support the extension of a “de minimis threshold” to not only include certain vessels with very low emissions in the scope of the UK ETS (see questions 11, 12, 41), but also encompass tramp vessels (i.e. with no scheduled routes or fixed ports of call) and vessels making emergency calls to UK ports to align with the EU ETS where certain stops are not classified as “ports of call” and are excluded from compliance requirements.

Shore power and clean energy infrastructure

On infrastructure, BPA reiterates its view that in the absence of supplementary incentives to overcome the significant barriers to investment in shore power and clean energy, the UK ETS in isolation will not fairly and effectively achieve the overarching decarbonisation ambitions of the scheme. Instead, the inclusion of emissions at berth, including all movements within port limits, may put many UK ports at an unfair disadvantage for behaviour they cannot change as vessel operators seek alternative routes to reduce costs and meet the regulatory requirements. (see question 1).

Double counting by EU ETS

Including all emissions at berth from vessels travelling both domestically and internationally risks overcharging operators that are subject to both the UK ETS and EU ETS and MRV reporting requirements. For example, ferries operating between UK and European ports already report emissions under the EU MRV and surrender allowances for 50% of their voyages (to and from the UK). If the UK ETS includes 100% of emissions at berth, these same emissions could be charged again under the UK system, leading to an effective overcharge of emissions beyond 100%. Such an overcharge could impact the competitiveness of UK ports as vessel operators may be encouraged to seek alternative routes to avoid the additional costs.

BPA strongly urges the Government to further assess the possible consequences of overcompliance to ensure that the UK ETS is exercised in a manner that is fair for operators and ports.

Furthermore, as part of the EU ETS, to reduce the risk of carbon and business leakage to neighbouring ports outside of the Union, the regulations require shipping companies and vessels stopping in transshipment ports outside the EU or European Economic Area (EEA), but less than 300 nm from an EU/EEA port, to include 50% of the emissions from the voyage to that port as well. Whilst no UK ports have yet been identified as neighbouring container transshipment ports (NCTP), the EU is under regular pressure to extend the scope of the EU ETS to cover stops in UK ports.

In the event that the EU unreasonably extends their ETS to cover stops in UK ports, BPA would strongly encourage the UK government to consider supplementing the existing proposal with an ‘emergency brake’, or similar mechanism, to be able to quickly reverse the inclusion of international shipping emissions to protect the viability of shipping routes in the UK.

Disparity in carbon pricing obligation through differing emissions coverage on routes between Northern Ireland and Great Britain, and Republic of Ireland and Great Britain

Questions 5. 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? (Y/N) Please explain your response, providing evidence where possible.

Yes. BPA is concerned about the continued viability of trade and passenger routes between Northern Ireland and Great Britain (GB) if the corresponding net zero infrastructure and incentives, including shore power and other alternative fuels and technologies, are not in place to ensure this is delivered in a manner that is fair and avoids distorting competition (see questions 1 and 4). As a result, **BPA is of the view that routes between Northern Ireland (NI) and GB should face equivalent carbon pricing obligations** as those between the Republic of Ireland (RoI) and the UK to avoid driving trade towards competitor trade routes and negatively impacting NI ports.

6. 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? (Y/N) a. 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. As mentioned above, with a lack of incentives to support the uptake of net zero infrastructure, the UK ETS risks being viewed as a financial penalty with no feasible opportunities for ports and operators to reduce their emissions. To avoid any unintended negative consequences on port revenue and trade, BPA agrees with the position that routes between Northern Ireland (NI) and Great Britain (GB) should face 50% (equivalent) carbon pricing obligations to that between Republic of Ireland (RoI) and UK.

With regards to time limit, the International Maritime Organisation (IMO) is due to agree on a basket of candidate mid- and long-term measures which will likely include a carbon levy-based approach and additional mechanisms to account for the emissions of international shipping. Furthermore, to avoid carbon and business leakage to neighbouring ports, the EU is under regular pressure to extend the scope of the EU ETS to cover stops in UK ports. In the event that the EU or other international schemes are expanded or introduced to cover the same emissions already included in the UK ETS, **BPA recommends that the UK Government implements an ‘emergency brake’, or alternative mechanism to reverse the inclusion of maritime emissions to avoid potential detrimental effects on UK port competitiveness and trade as outlined in this response.**

7. 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? (Y/N) Please explain your response, providing evidence where possible.

No. Expanding the scheme to cover UK-EEA would substantially increase the administrative burden on operators and risk double counting, risking the economic viability of UK ports as outlined in questions 1 and 4.

9. Do you consider that there are differing impacts of these two approaches which we should consider when making a final decision? (Y/N) Please explain your response, providing evidence where possible.

As indicated above, between the two approaches proposed in this consultation, the BPA recommends the government to implement the 50% of submission requirements of the UK ETS only for the Northern Ireland to other part of the UK routes. Any other proposal impact other routes which have nothing to do with the issue being addressed and will undermine international efforts at IMO.

10. Do you foresee any additional consequences of this policy intervention that we should be aware of? (Y/N) Please explain your response, providing evidence where possible.

No.

Threshold for the scheme

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

Tramp vessels and emergency calls

Yes. As mentioned BPA welcomes the proposal to apply a “de minimis threshold” to certain vessels with very low emissions in the scope of the UK ETS, however, would support extending this to cover tramp vessels (i.e. vessels with no scheduled routes or fixed ports of call) and vessels making emergency calls to UK ports for whom the regulatory requirements may be burdensome. Similar provisions exist under the EU MRV and EU ETS Regulations, where certain stops are not classified as “ports of call” and are excluded from compliance requirements. The UK should align its approach with the EU system as far as possible to maintain consistency and prevent regulatory distortion.

Referring to Article 3(b) of the EU MRV Regulation, the following stops are not considered as “ports of call”:

- Stops for the sole purposes of refuelling or obtaining supplies (including fodder for vessels transporting animals as cargo);
- Stops for relieving the crew of a ship other than an offshore ship;
- Stops for going into dry-dock or making repairs to the ship and/or its equipment;
- Stops in port because the ship is in need of assistance or in distress;
- Ship-to-ship transfers carried out outside ports;
- Stops made solely to take shelter from adverse weather or rendered necessary by search and rescue activities.

Dredging and other work boats

Responding on the assumption that the threshold of the scheme will be lowered to include vessels of 400 GT and above, BPA would prefer to see additional exemptions applied to workboats to avoid applying overly burdensome requirements on smaller vessels that play a critical role in ensuring the safe navigation of vessels entering UK ports.

For example, dredgers play a vital role in maintaining navigable depths, ensuring safe passage for vessels, enhancing port efficiency by preventing delays and enabling smooth operations while supporting environmental management by reducing flood risk. Dredging also boost economic activity by attracting larger vessels and ensuring ports remains operational and competitive.

In the likelihood that the scheme is expanded to include smaller vessels it would then encompass most dredgers that are used in ports. This same applies to all other workboats, including, but not limited to, pilot boats, tugboats, crew transfer vessels (CTVs), harbor maintenance vessels and offshore vessels (see question 1). Given their integral role in maintaining and improving the functionality, safety and economic viability of UK ports, **BPA strongly supports applying additional exemptions to capture these vessels to avoid undue administrative burden and increased costs as a result of registering with a UK MRV and monitoring emissions.**

12. If you support a de minimis threshold, should a simplified process apply or should the requirements of the UK ETS not apply at all? (Y/N) Please explain your response, providing evidence where possible.

As mentioned above, BPA supports applying a ‘De minimis Threshold’ to reduce the administrative burden on smaller vessels, however, noting that the future intention is to expand the scheme to include vessels of 400 GT and above, BPA would further support the inclusion of exemptions on work boats given the critical role they play on ensuring the safe navigation of vessels (see questions 11 and 41) for more details.

Inclusion of methane and nitrous oxide emissions

Question 13. 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? (Y/N) Please explain your response, providing evidence where possible.

The inclusion of methane within the UK ETS is understandable when considering its significant global warming potential and its equivalency in carbon emissions. However, from a port perspective, it is important to recognise that the use of methane as a marine fuel, particularly in the form of LNG offers tangible local air quality benefits. Methane combustion produces significantly lower levels of nitrogen oxides (NOx), sulphur oxides (SOx), and particulate matter compared to traditional marine fuels such as heavy fuel oil (HFO) and marine gas oil (MGO). This improvement in local air quality is critical for port environments, which are often located in urban or densely populated areas where air pollution directly impacts public health. Methane, as a

transitional fuel, has already contributed to cleaner port operations and reduced exposure to harmful pollutants for surrounding communities. Therefore, the focus on methane emissions within the ETS must strike a careful balance. Overly stringent measures may inadvertently discourage ship operators from continuing their shift toward LNG and other lower-emission fuels in the interim which could delay environmental progress until alternative, zero-emission fuel sources such as green hydrogen or ammonia become widely available and economically viable.

Further possible exemptions

Scottish island Ferry Services

Question 16. Do you think an exemption is necessary for specific ferry services serving island communities in Scotland? (Y/N) Please explain your response, providing evidence where possible.

Yes, BPA is grateful for the Government's recognition of this exemption for the Scottish Islands Community. As the UK's domestic ferry network is the lifeblood of many communities across the UK mainland with vessels transporting hundreds of thousands of people annually to and from islands and remote regions around the UK coastline. They are often the only way to commute to work, access medical assistance and educational institutions, as well as the main delivery method for critical supplies.

If these services were obliged to adhere to the UK ETS requirements, this risks increasing the cost of services for UK residents, particularly in remote or economically sensitive areas due to the lack of complementary measures, such as improved infrastructure or subsidies for transportation costs.

In order to do so, as indicated in other part of this consultation, the UK government needs to put in place a more complete package of net zero incentives, levers and power infrastructure within the Industrial Strategy, Trade Strategy and any future DfT -specific maritime strategy and new Decarbonisation Map to stimulate more sustainable innovations (such as the EU's 'Fit for 55' packages), rather than hinder them.

BPA would further advocate for the extension of this exemption to other lifeline ferry services in England, including services to and from the Isle of Wight and Isles of Scilly for the same reasons as mentioned above.

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

No.

Impacts of the scheme

Decarbonisation impacts

Question 35. Does the section above capture all relevant short and long term decarbonisation impacts of the UK ETS? (Y/N) Please explain your response, providing evidence where possible.

BPA welcomes the acknowledgement that other incentives are needed to overcome the ongoing barriers to decarbonisation in the sector, and reiterated that the UK ETS in isolation will not achieve the desired decarbonisation outcomes.

Shore power and clean energy infrastructure

On infrastructure, BPA reiterates its view that in the absence of supplementary incentives to overcome the significant barriers to investment in shore power and clean energy, the UK ETS in isolation will not fairly and effectively achieve the overarching decarbonisation ambitions of the scheme. Instead, the inclusion of emissions at berth, including all movements within port limits, may put many UK ports at an unfair disadvantage for behaviour they cannot change as vessel operators seek alternative routes to reduce costs and meet the regulatory requirements. (see question 1). To encourage widespread adoption of shore power facilities, the UK must address the economic disincentives created by high electricity costs. A combination of subsidies, regulatory measures, and collaboration with vessel operators is essential to make shore power a viable and attractive alternative. Balancing environmental priorities with operator concerns will be crucial to achieving emissions reduction goals while maintaining the competitiveness of UK ports.

Offshore vessels

The offshore sector includes a wide range of vessel types engaged in activities such as servicing offshore installations, aquaculture, construction, cable laying and decommissioning. These vessels typically do not operate between ports, rather travel from a port to offshore fields or developments. Capturing the emissions from these vessels fails to take into account their unique and critical role in helping the UK achieve its ambitious offshore wind and decarbonisation targets. Furthermore, offshore ships of 5,000 GT and above will not fall under the scope of the EU ETS until 1 January 2027, whilst ships of 400 GT and up to 5,000 GT will be reviewed by 31 December 2026 for inclusion at a later stage.

An earlier start date in the UK risks incentivising evasive behaviour, such as operators avoiding UK ports to reduce costs. To avoid market distortions, double payments and ensure a level playing field for UK-based operators, **BPA strongly recommends that offshore vessels (as described above) be exempt from the UK ETS, or, at a minimum, should align with the EU ETS dates to ensure consistent and fair application across jurisdictions.**

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

Yes, this proposal could result in loopholes and perverse incentives due to the challenges and concerns outlined in this response in relation to infrastructure, double counting and the administrative burden imposed on operators to account for emissions at berth, including all movements within ports.

It is critical to recognise that shipping remains the most carbon-efficient mode of transportation accounting for approximately 1% of domestic UK emissions. UK ports are a vital part of the solution to achieving the UK's climate goals, however, in the absence of appropriate incentives and major barriers to the provision of necessary alternative fuel infrastructure and technology to

support the decarbonisation of the maritime sector, the UK ETS in isolation will fall short of the environmental objectives proposed and could result in reverse modal shift, disincentivising the more energy efficient short sea shipping routes in favour for road transportation. For example, an established short sea shipping route for liquid bulk between Ghent and Portland has resulted in 2000 fewer vehicle movements, over 958,000 saved road kilometres and a 62% reduction in CO2 emissions, nearly 3000 per trip (<https://www.juiseashipping.com/>). Inclusion of emissions at berth for this service would render the route economically unviable and increase the overall carbon emissions of the product transport.

Potential distributional impacts and carbon leakage risk

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

Yes. It is critical to recognise that shipping remains the most carbon-efficient mode of transportation accounting for approximately 1% of domestic UK emissions. UK ports are a vital part of the solution to achieving the UK's climate goals, however, in the absence of appropriate incentives and major barriers to the provision of necessary alternative fuel infrastructure and technology to support the decarbonisation of the maritime sector, the UK ETS in isolation will fall short of the environmental objectives proposed and could result in reverse modal shift, disincentivising the more energy efficient short sea shipping routes in favour for road transportation.

Section B: Potential further expansion of the UK ETS to additional maritime emissions

Future review of the threshold for the scheme

Question 41. Do you agree that a lower threshold could support the maritime sector to decarbonise? (Y/N) Please explain your response, providing evidence where possible.

Without addressing these gaps, the UK ETS might have a limited effect on decarbonisation efforts. As many regional and non-major ports lack the necessary shoreside infrastructure to facilitate a switch to cleaner fuels or reliance on shore-power, the UK ETS may have a limited impact on reducing actual emissions while at port. The scheme could end up resembling 'a pay-to-go' model without any environmental benefits. These ports that are less-equipped to adapt to low-carbon technologies may see reduced shipping activities in the area, facing higher financial challenges and risk compared to larger ports (see questions 1 and 4 for more details on shore power and port infrastructure needs).

BPA would recommend that an economic impact assessment be carried out to better understand the potential effects of this proposal, and would further support a post-implementation review and impact assessment be undertaken once the UK ETS expansion to maritime has entered into force.

Responding on the assumption that the threshold of the scheme will be lowered to include vessels of 400 GT and above, BPA would prefer to see additional exemptions applied to workboats

to avoid applying overly burdensome requirements on smaller vessels that play a critical role in ensuring the safe navigation of vessels entering UK ports.

For example, dredgers play a vital role in maintaining navigable depths, ensuring safe passage for vessels, enhancing port efficiency by preventing delays and enabling smooth operations while supporting environmental management by reducing flood risk. Dredging also boost economic activity by attracting larger vessels and ensuring ports remains operational and competitive.

In the likelihood that the scheme is expanded to include smaller vessels it would then encompass most dredgers that are used in ports. This same applies to all other workboats, including, but not limited to, pilot boats, tugboats, crew transfer vessels (CTVs), harbor maintenance vessels and offshore vessels (see question 1). Given their integral role in maintaining and improving the functionality, safety and economic viability of UK ports, **BPA strongly supports applying additional exemptions to capture these vessels to avoid undue administrative burden and increased costs as a result of registering with a UK MRV and monitoring emissions.**

Coverage of International Routes

47. Should the UK ETS be expanded to include emissions from all international voyages starting or ending in the UK in future? (Y/N) Please explain your response, providing evidence where possible.

No. In the event that the EU or other international schemes are expanded or introduced to cover the same emissions already included in the UK ETS, BPA recommends that the UK Government implements an 'emergency brake', or alternative mechanism to reverse the inclusion of maritime emissions to avoid potential detrimental effects on UK port competitiveness and trade if operators must comply with more than 1 scheme.

48. 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? (Y/N) Please explain your response, providing evidence where possible.

No.