



GUIDELINES ON EU MRV AND ITS AMENDMENTS AND EU ETS REGULATION FOR SHIPOWNERS AND MANAGERS

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1.0 Introduction:

In 2015, the European Parliament and the Council adopted Regulation (EU) 2015/757 on monitoring, reporting and verification (MRV) of carbon dioxide emissions from maritime transport – called as the EU MRV Regulation. Since 1st January 2018, the MRV regulation requires ships of 5,000 GT and above to monitor and report their fuel consumption, CO₂ emissions, and other related parameters on all voyages to, from and between EU ports as well as while the vessel is in EU port.

Feeling a need for a robust monitoring, reporting and verification system to ensure the effectiveness of any market-based measure, efficiency standard, or other relevant measure, In April 2023, EU Council adopted a series of legislative proposals known as the “Fit for 55” package with the aim to reduce (Greenhouse Gas) GHG emissions by 2030 by 55% reduction, relative to 1990.

Regulation (EU) 2023/957 amending Regulation (EU) 2015/757 has been published in order to provide for the inclusion of maritime transport activities in the EU Emissions Trading System (EU ETS) and the monitoring, reporting and verification of additional greenhouse gases and emissions from additional ship types.

- Further, EU Emissions Trading System (EU ETS) will be extended to maritime transport from 1st January 2024.
- The total amount of GHG emissions is to be calculated by adding up the amount of CO₂, CH₄ and N₂O emissions expressed in CO₂-equivalent.

The implementation of EU ETS is a significant addition to the existing EU MRV framework, forming a comprehensive decarbonization framework. Under the EU ETS, companies will be required to submit not only their vessels’ Emission Reports for verification but also a Company level Emission Report summarizing their entire fleet’s performance. Additionally, companies will need to surrender greenhouse gas emission allowances to the administering authority

This guidance document provides an overview of the significant amendments to EU MRV regulation for better understanding of the stakeholders towards compliance.

1.1. Applicability:

Ship types and sizes

Ship Type	Size (GT)	EU MRV enforcement	EU ETS inclusion
Ships Transporting Cargo or passengers for commercial purposes, for voyages	5000 GT and above	In force already	2024
General cargo and offshore ships	400 ≤ GT < 5000	2025	TBD
Offshore ships	5000 GT and above	2025	2027

Applicable Voyages:

- From an EU port to a non-EU port
- To an EU port from a non-EU port
- Between EU ports and
- While the ship is at berth at an EU port

Emissions under the scope of ETS is as below:

- 50% of CO2 emissions from voyages between an EU/EEA port of call and a non-EU/EEA port of call
- 100% of CO2 emissions from voyages between EU/EEA ports of call
- 100% of CO2 emissions while at berth in EU/EEA ports of call

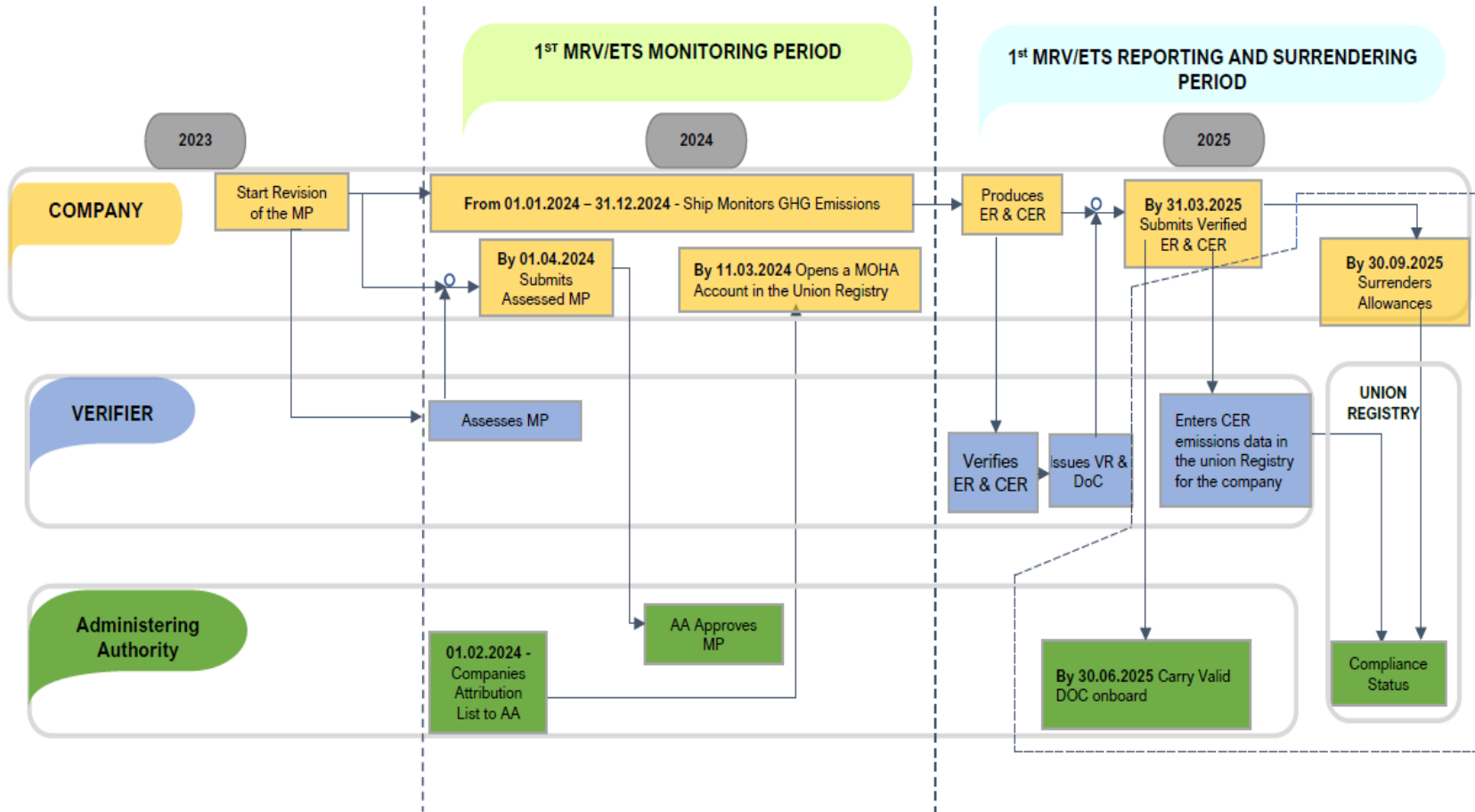
A *Port of Call* in the above context is defined as the port where a ship stops to load or unload cargo or to embark or disembark passengers, or the port where an offshore ship stops to relieve the crew.

- Stops for the sole purposes of refuelling, obtaining supplies, relieving the crew of a ship other than an offshore ship, going into dry-dock (for more details please refer section xxx) or making repairs to the ship, its equipment, or both, stops in port because the ship is in need of assistance or in distress, ship-to-ship transfers carried out outside ports, stops for the sole purpose of taking shelter from adverse weather or rendered necessary by search and rescue activities, and
- stops of containerships in a *neighbouring container transshipment port** are excluded.

*Neighbouring container transshipment port: explain

No	Name of the port	Country
1	EAST PORT SAID	EGYPT
2	TANGER MED	MOROCCO

2. Important Activities and Timelines



3. Roles and responsibilities

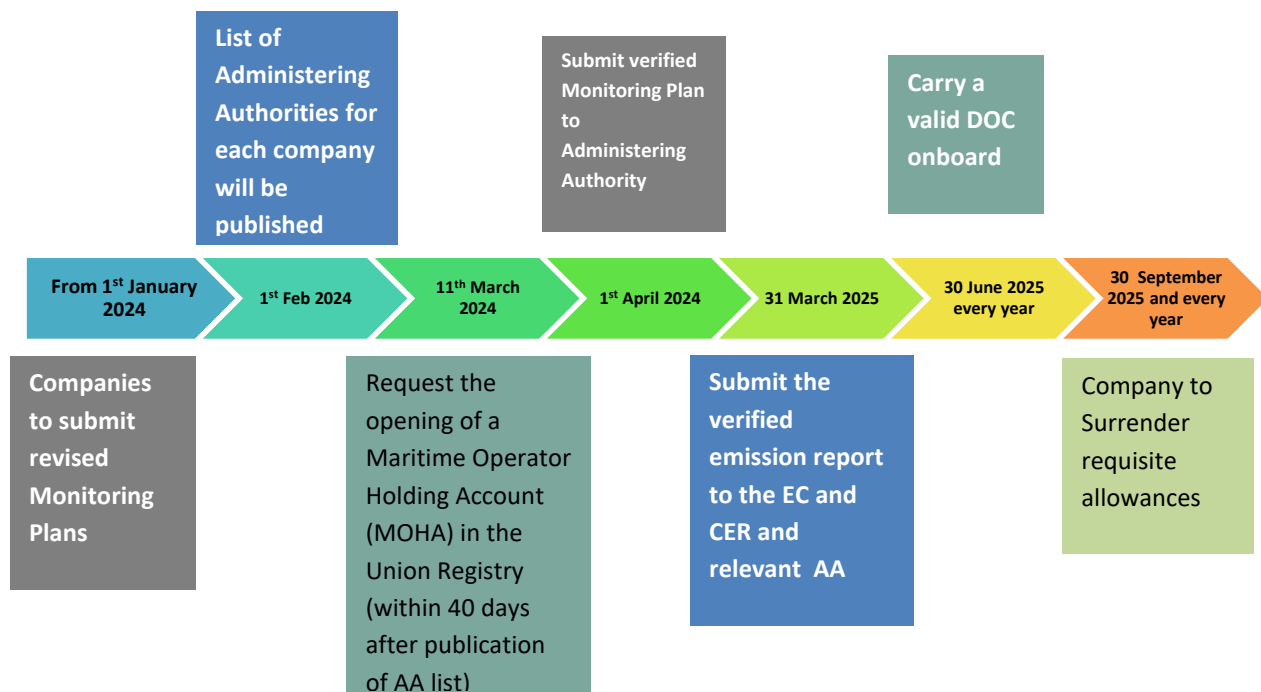
3.1 Company

Company means the shipowner or any other organization or person, such as the Manager or the bareboat charterer, which has assumed the responsibility for the operation of the ship from the shipowner. Refer EU regulation/ISM code

Where the organisation or person, such as the ISM manager or the bareboat charterer, that has assumed the responsibility for the operation of the ship from the shipowner has also assumed responsibility for obligations to surrender ETS allowances (explained in section 8), a document clearly indicating that it has been duly mandated by the shipowner to comply with the ETS obligations is to be submitted to Administering Authority. If such a mandate cannot be provided by the ISM manager, the shipowner is considered as the entity responsible for ETS obligations. The Company should provide the Administering Authority with a list of the ships alongwith IMO number which are under its responsibility for ETS obligations. Whoever has taken the responsible of ETs shall submit the information. In the event of any change to the list, the shipowner shall inform its administering authority in respect of a shipping company without delay and shall provide it with an updated document.

Key principle in this regard is that the entity responsible for ETS compliance is necessarily responsible for MRV compliance

Activities and dates for the Company



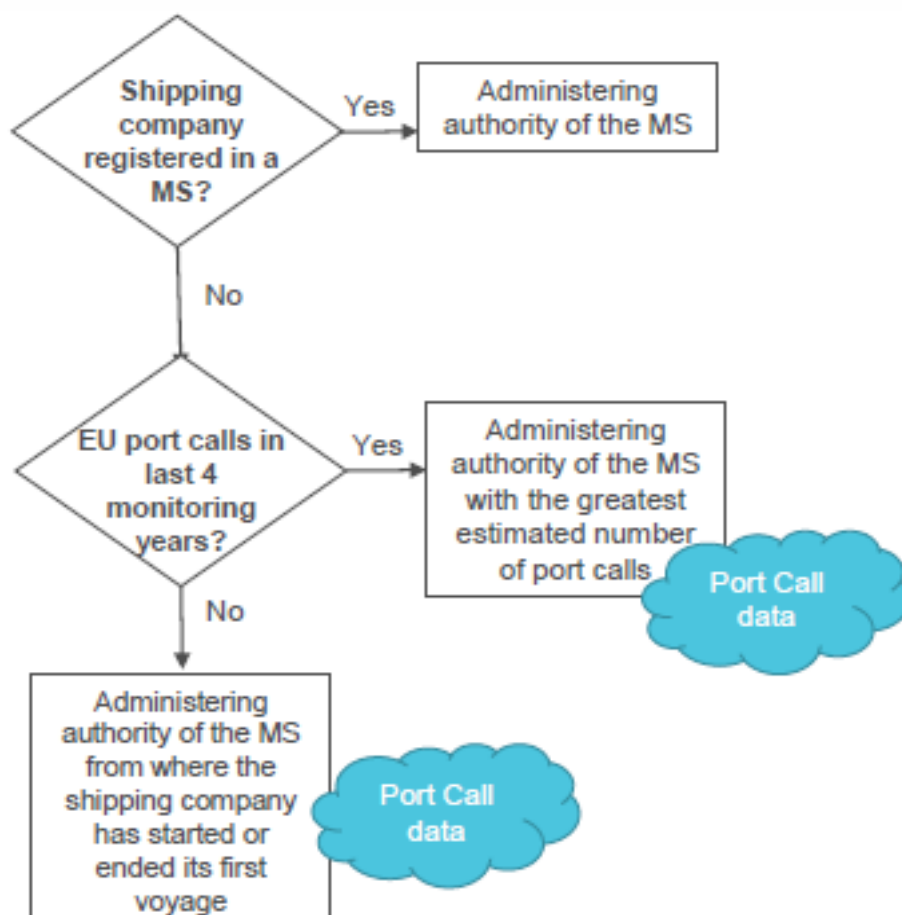
3.2 Administering Authority

The amended Regulation lays down rules on approval of monitoring plans by Administering Authority. "Administering authority in respect of a shipping company" means the authority responsible for administering the EU ETS.

Each company will need to be registered with an administrating authority.

- For companies registered in the EU, the administrating authority is the member state where it is registered
- For companies registered outside the EU, the administrating authority is the member state with the largest number of port calls from voyages performed by the ship company during the last four monitoring years,
- if the ship has not traded in the EU for the last four years, the member state of the first port call in the EU is the AA.

The first list of the administering authorities per company is expected to be published by 01st February 2024. The EU will be updated every two years.



Source: <https://ems.europa.eu/reducing-emissions/news-activities.html>

3.3. Verifier

Verifier means a legal entity carrying out verification activities which is accredited by a national accreditation body under EU MRV/ETS Regulation. The verifier is an independent organisation from the Company, and does not have relationship with the company that could affect its independence and impartiality. Indian Register of Shipping is accredited as an EU MRV verifier by Dutch Accreditation Council, RvA.

3.4 Third Parties / Consultants

Companies can engage third party for performing MRV operational activities namely monitoring and reporting on behalf of the shipping company. A third party that provides services to a shipping company can be granted access to THETIS MRV. This third party needs to be a user in THETIS MRV. However, in all cases (regardless of agreement between the third party/consultant and the shipping company) the shipping Company remains responsible for compliance with MRV and ETS obligations.

4. Monitoring Plans

By 1 April 2024, companies shall, for each of their ships submit to the administering authority a verified monitoring plan that reflects the inclusion of CH₄ and N₂O emissions within the scope of the EU MRV Regulation. The methods for monitoring CH₄ and N₂O emissions should be based on the same principles as the methods for monitoring CO₂ emissions. The rules on data management and control mandate companies to establish procedures for data flow activities and control activities and to have the relevant descriptions of such procedures in the monitoring plan. Such activities concern quality assurance of measurement equipment and IT, review and validation of data, and corrective actions.

Template of revised monitoring plans can be accessed at <https://emsa.europa.eu/reducing-emissions/mrv-changes.html>

Companies are required to submit the monitoring plans through the EU MRV THETIS Platform which can be accessed at <https://mrv.emsa.europa.eu/#public/eumrv>.

5. Emissions Report

From 2025, by March 31 of each year, company shall, for each ship under their responsibility, submit to the administering authority and to the Commission an emissions report for the entire reporting period of the previous year, which has been verified as satisfactory by a verifier. Companies are to continue reporting their greenhouse gas emissions through the existing THETIS-MRV platform.

For voyages starting and ending in two different years, the definition of "reporting period" has been amended. Specifically, the reporting period for such voyages now refers to the timeframe from January 1st to December 31st of the year in question. Any data pertaining to these voyages shall be accounted for under the appropriate year.

Template of emissions report can be accessed at <https://emsa.europa.eu/reducing-emissions/mrv-changes.html>

Companies are required to submit the Emissions Report through the EU MRV THETIS Platform And Companies are required to submit company level emissions report (refer section 7) which can be accessed at <https://mrv.emsa.europa.eu/#public/eumrv>.

6. Partial Emissions Reporting

Requirement of partial emissions reporting is introduced for cases involving change of Company within a calendar year. In the earlier requirement the new Company was responsible for reporting the data for full calendar year. However, as per the amendments, when there is a Change of Company, the previous company shall submit to the administering authority responsible, to the Flag Administration (if EU Member State), to the new Company and to the Commission, as close as practicable to the day of the completion of the change and no later than three months thereafter, a verified report but limited to the period corresponding to the activities carried out under its responsibility.

Companies are required to submit the partial Emissions Report through the EU MRV THETIS Platform which can be accessed at <https://mrv.emsa.europa.eu/#public/eumrv>.

Obligation for the Company to inform the Administering Authority without delay in the following circumstances:

- **Purchase / Sale of ship falling with emissions falling within the ETS scope:** The Company must provide the ship's name and IMO ship identification number.
- **Change of ISM Manager:** The Registered owner / Shipping Company must provide the ship's name and IMO ship identification number and the name and IMO unique company and registered owner identification number of the new shipping company

7. Company Level Reporting

As per the amended EU MRV Regulation, Companies are required to report the aggregated emissions data at the company level of all ships besides emissions report for each ship under its fleet for verification to the verifier and submit verified data to the responsible administering authority.

When performing verification at a company level, the verifier is required to assess the completeness of the reported data and the consistency of those reported data with the information provided by the company, including its verified emissions reports.

By March 31 of each year, starting from 2025, companies shall submit to the administering authority responsible for the aggregated emissions data at the company level.

Template of company level emissions report can be accessed at <https://emsa.europa.eu/reducing-emissions/mrv-changes.html>

Companies are required to submit the company level Emissions Report through the EU MRV THETIS Platform which can be accessed at <https://mrv.emsa.europa.eu/#public/eumrv>.

8. EU Emissions Trading System (ETS)

The EU Emissions Trading System (ETS) is a 'cap-and-trade' system. A cap is a threshold, defining the total amount of greenhouse gases that can be emitted by the operators covered by the system. It is reduced annually, at fixed intervals, in line with the EU's climate target. The cap is expressed in emission allowances, where one allowance gives the right to emit one tonne of CO₂eq (carbon dioxide equivalent). Operators are not allowed to generate more greenhouse gas emissions than their allowances can cover. If they do, fines are imposed. Companies covered by the EU ETS must surrender EU allowances corresponding to their emissions in the Union Registry.

With the recent amendments, EU ETS is extended to maritime transport emissions from 2024. By 30th September 2025 and each year thereafter, shipping companies are required to surrender the required allowances to the responsible administering authority.

For instance, if a company emits 10,000 tonnes of CO₂ falling within the scope of the EU ETS Directive during a reporting period, that company needs to buy and surrender 10,000 EU allowances by 30 September of the following year.

There is a Phase-in period for first 2 years.

Emissions in 2024 : 40% of emissions in the scope (to be surrendered in 2025)

Emissions in 2025 : 70% of emissions in the scope (to be surrendered in 2026)

Emissions in 2026 : 100% of emissions in the scope (to be surrendered in 2027)

Inert example calculation table.

There are three ways to purchase allowances:

Primary Market: European Energy Exchange appointed to manage this. This involves more stringent requirements to participate in auctions and is mainly for large buyers. (>1M per year)

Secondary Market: This is the preferred route to purchase allowances and includes standardized exchange traded products, through organizations such as banks, hedge funds etc.

Free Allocation: Some industries receive a share of their EUAs for free, but the amount has significantly reduced. It is imperative to note that there will be **NO free allowances for shipping**.

9. Union Registry and opening a Maritime Operator Holding Account (MOHA)

Company must first open an account in the Union Registry to be able to trade EU allowances.

EU ETS operations are centralised in a single register called as the Union Registry which is operational since July 2012. It is an IT system similar to online banking ensuring the accurate accounting of EU Allowances. The Union Registry holds Accounts of operators and traders in the carbon market, keeps the balance of allowances, enables transfer of allowances and records annual verified greenhouse gas emissions.

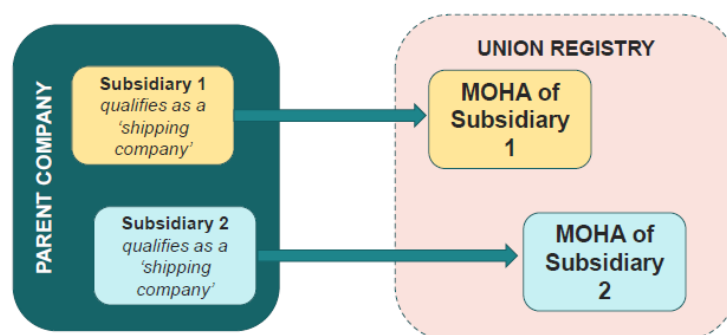
There are different types of accounts in the EU ETS. The Operator, Aircraft Operator, Maritime Operator Holding accounts are for the obliged entities and verifier accounts for accredited verifiers. Shipping companies will need to open a Maritime Operator Holding Account (MOHA) in the EU Member State which is its administering authority for the purpose of:

- (i) registering its annual GHG emissions at company level by 31 March and
- (ii) surrendering requisite allowances by 30 September.

An important principle is that a Shipping Company can have only one MOHA account.

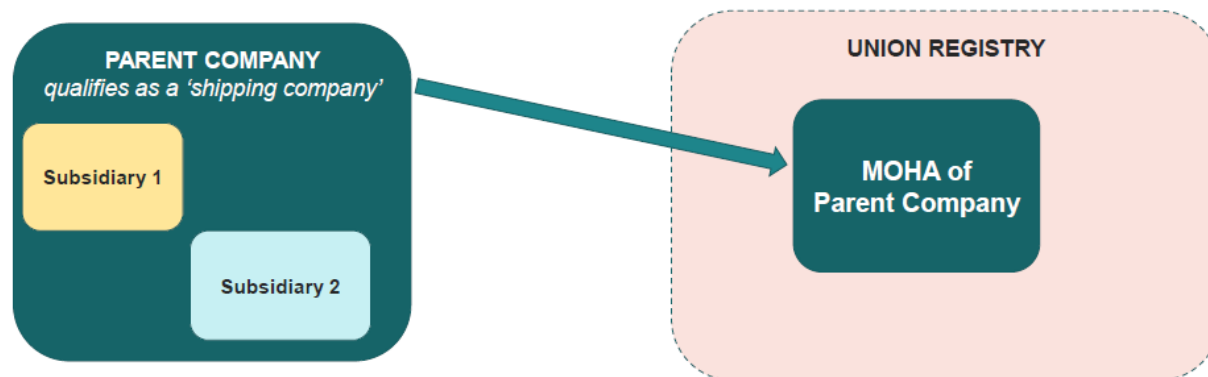
Following are the examples which clarifies who is going to the account holder.

Case 1: If a parent Company has two subsidiaries each qualifying as an independent Shipping Company then each subsidiary can have its own MOHA.



Source: <https://emsa.europa.eu/reducing-emissions/news-activities.html>

Case 2: If only the parent Company qualifies as a Shipping Company, then both the subsidiaries have to use the same MOHA of the parent Company.



Source: <https://emsa.europa.eu/reducing-emissions/news-activities.html>

Shipping company must request for a MOHA to its national administrator. Contact details and website of the national administrators can be found on https://climate.ec.europa.eu/eu-action/eu-emissions-trading-system-eu-ets/union-registry_en#links

Deadlines for requesting the opening of a MOHA

- For shipping companies on the list of shipping companies and their attributed Member State to be published on 1st February 2024: Within 40 working days of the publication of the list of shipping companies and their attributed Member State
- For shipping companies not on the list to be published in February 2024: Within 65 working days of the first port of call of a voyage covered by the EU ETS

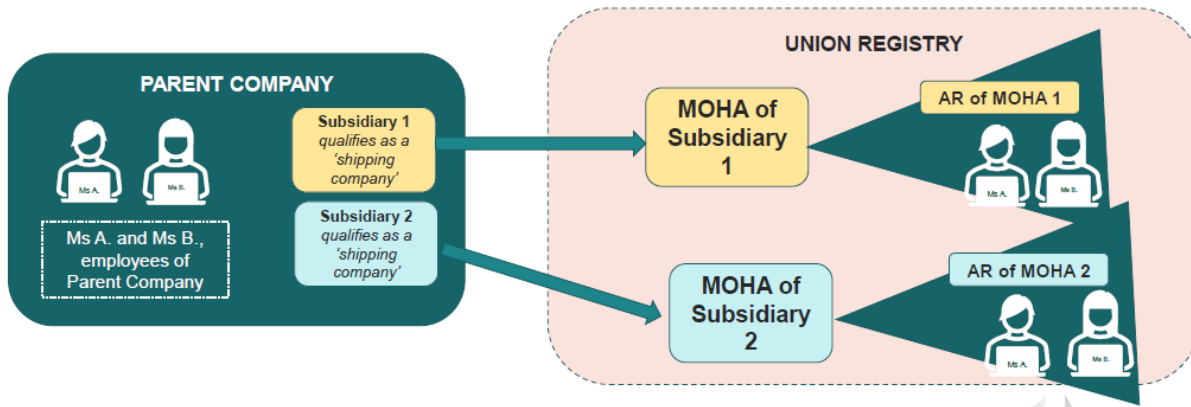
Information to be provided while submitting the request for MOHA:

- IMO unique company and registered owner identification number
- Mandate by the registered owner to the ISM company (where the shipping company is the ISM company)
- List of ships under the responsibility of the registered owner (where the shipping company is the registered owner)
- Document identifying the structure of the group (if the shipping company is part of a group)

National administrators may ask for additional documents depending on national rules (e.g. bank account details, information on the beneficial owner of the legal entity)

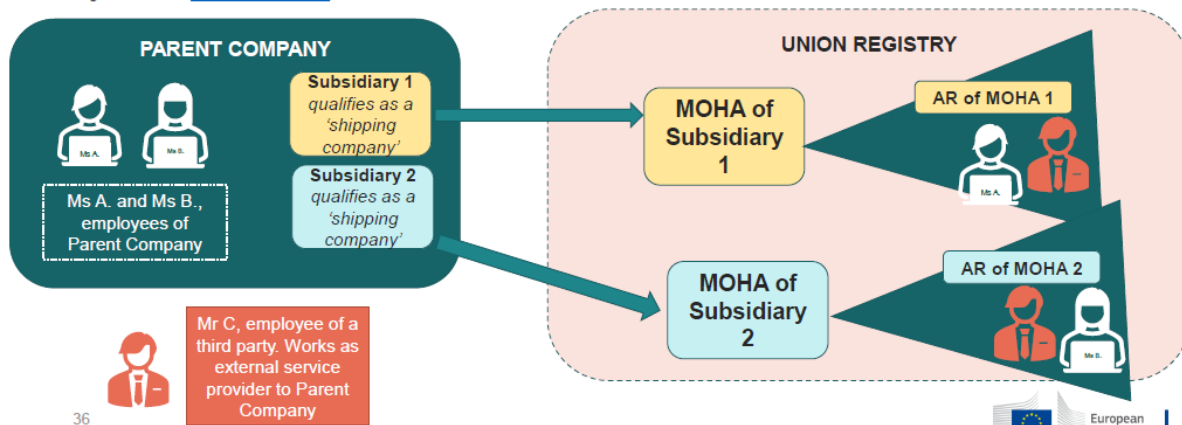
Nomination of Authorised Representative

When requesting the MOHA the shipping company must nominate at least two authorised representatives with access to the MOHA. An authorised representative is a natural person over the age of 18. Authorised representative acts on behalf of the shipping company (e.g. for surrendering of allowances). The same natural person may be the authorised representative (AR) on several MOHAs.



Source: <https://emsa.europa.eu/reducing-emissions/news-activities.html>

A third party may be the authorised representative (AR) on a MOHA, but the second AR is to be from within the Company.



Source: <https://emsa.europa.eu/reducing-emissions/news-activities.html>

Penalty: A fine of EUR 100 for each tonne of CO₂ equivalent emitted for which the shipping company has not surrendered allowances and the obligation to surrender allowances equal to those excess emissions in the following calendar year. A shipping company that could not surrender sufficient allowance for 2 or more consecutive years, the ships of the company could be denied entering EU ports.

10. IRS Services

Indian Register of Shipping (IRS) is accredited as an verifier by Dutch Accreditation Council RvA for the following scope of services:

- Assessment of Monitoring Plan
- Verification of partial emissions report*
- Verification of Emissions Report
- Verification company level emission report*
- Confirmation of company level verified emissions in the Union Registry*

*The process for extending the scope of accreditation for additional activities has been initiated and is likely to be granted soon based on planned assessment by accreditation body, RvA

The service request forms for the above services alongwith the list of supporting documents to be submitted are available on our website <https://www.irclass.org/marine/approval-and-certification-services/about-eu-mrv-regulation/> .

IRS also offers training and awareness workshops for its clients to understand the regulatory requirements for preparation towards compliance with EU MRV and EU ETS requirements.

With a good understanding of the shipping industry and applicable regulatory requirements and having team of qualified technical expertise in fuel and maritime emissions, IRS is well equipped to perform the duties of the verifier's tasks for EU MRV verification.

GET IN TOUCH

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