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CIRCULAR

UK ETS Maritime Sector—Regulatory Developments and Compliance Actions

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Notification to: Ship Owners/ Managers/ Operators/ Verifiers

Introduction

This circular is issued to update stakeholders on the UK Emissions Trading Scheme (UK ETS) and its introduction for maritime emissions. It addresses:

- Domestic UK ETS for maritime (effective 1 July 2026)
- Proposed expansion to international maritime emissions (from 1 January 2028)
- Scope, applicability, and ship thresholds
- Monitoring, Reporting, and Verification (MRV) obligations
- Allowances and surrender requirements
- Exemptions and penalties for non-compliance
- Outlook and strategic considerations for shipping companies

Domestic UK ETS – Maritime Sector (Effective 1 July 2026)

Scope and Timing:

- Applies to cargo and passenger ships $\geq 5,000$ GT performing intra-UK voyages and port stays in UK ports.
- Ships will be subject to an additional layer of carbon-pricing obligations alongside EU ETS and FuelEU Maritime.
- Emissions covered include CO₂, with CH₄ (methane) and N₂O (nitrous oxide) also included.

Obligations:

- Ships are required to monitor, report, and verify (MRV) emissions in accordance with UK ETS guidance.
- Shipowners/operators must purchase and surrender UK Emissions Allowances (UKAs) corresponding to verified emissions.
- MRV and surrender deadlines will be communicated by the administering authority; companies should establish procedures in advance.

Implementation Notes:

- Some implementation details remain under development, and further guidance from UK authorities is expected.
- Processes and procedures may not be fully aligned at the start; a phased and evolving approach is anticipated.
- While the UK seeks alignment with EU ETS, no formal integration is planned at this stage.

Practical Steps for Companies:

- Prepare monitoring and reporting systems to meet UK ETS requirements.
- Open UK ETS trading accounts or Maritime Operator Holding Accounts before the scheme becomes active.
- Ensure allowance surrender processes are in place to meet deadlines and avoid penalties.

International UK ETS Expansion – Maritime Sector (Proposed 1 January 2028)

Scope and Timing:

- Proposed to include international voyages starting or ending at UK ports.
- Companies would report 100% of emissions but surrender allowances for 50% of total emissions, similar to EU ETS.
- Applies to ships $\geq 5,000$ GT, including those already covered under the 2026 domestic UK ETS.

Outlook:

- Rules for international voyages and additional vessel types are still evolving.
- Companies should adopt flexible compliance systems to prepare for:
 - Changes in voyage scope
 - Potential linking with EU ETS or other carbon markets
 - Interaction with upcoming IMO carbon intensity measures and national climate rules in other jurisdictions

Allowances and Compliance

UK ETS Allowances (UKAs):

- One UKA corresponds to one tonne of CO₂ equivalent emitted.
- Allowances can be purchased through primary market auctions or secondary market transactions once accounts are established.
- Surrender of allowances is mandatory for verified emissions; failure to surrender will trigger penalties.

MRV Requirements:

- Ships must have approved monitoring plans.
- Annual emissions must be verified by accredited verifiers and reported to the UK ETS authority.

- Verified emissions determine the number of allowances to be surrendered.

UK ETS Reporting Platform:

Companies and vessels should ensure:

- The official “Manage your UK Emissions Trading Scheme reporting” online service is used for UK ETS compliance activities.
- Emissions monitoring plans are applied for and managed through the platform.
- Verified annual emissions reports are submitted via the platform within the applicable regulatory deadlines.
- Relevant personnel are familiar with the platform’s functions and compliance timelines.

Penalties for Non-Conformance:

- Publication of the company’s name.
- Financial penalties per excess tonne of CO₂ equivalent emitted without surrendered UKAs.
- Potential further enforcement or expulsion in cases of repeated non-compliance.

Act Now

Ship Owners/ Managers/ Operators/ Verifiers are strongly encouraged to take proactive measures to ensure compliance, including:

- Review onboard systems, monitoring, and reporting procedures in line with UK ETS domestic and future international requirements.
- Prepare flexible MRV and allowance surrender systems to adapt to evolving guidance.
- Open UK ETS trading accounts or Maritime Operator Holding Accounts in advance.
- DBS verifiers will verify compliance with UK ETS requirements at the first company-level or shipboard audit.

For further guidance, companies should consult:

<https://manage-emissions-reporting.service.gov.uk/landing>

<https://www.gov.uk/government/publications/participating-in-the-uk-ets/participating-in-the-uk-ets#registry>