



FACT SHEET - FEBRUARY 2026

UK ETS: A crucial policy for the shipping sector

The expansion of the UK ETS into the shipping sector provides a significant opportunity to drive investment in UK green shipping technology

Key Stats

- Today, the shipping industry pays no tax on the fuel it uses or its emissions. In comparison, road users paid £25 billion in the 2024/25 financial year in fuel duty
- A fuel duty on shipping would cost the sector ~£1 billion annually. The UK ETS is estimated to raise a fraction of this (£250 million) from domestic shipping and port calls
- The money raised is crucial for providing the Government with a revenue stream to invest in green shipping technology, providing growth and jobs in coastal communities
- The UK ETS will have minimal impact on consumer costs, with it increasing the costs of large goods like TVs and refrigerators by just pence
- The EU already has an ETS covering both domestic and international emissions, raising revenues and allowing investment in green shipping solutions, leaving the UK to cede first-mover advantage on green tech if we don't act
- The expansion of the UK ETS to the domestic shipping sector has been on the agenda since 2022, providing ample time for industry to prepare

The [UK Chamber of Shipping](#) is calling for a delay in the extension of the UK Emissions Trading Scheme (UK ETS) to shipping emissions. This would be a big mistake. The UK ETS is a crucial tool for raising revenue, which could be used to invest in green shipping technology, delivering jobs and growth to the UK and, in particular, coastal communities.

The UK ETS is expected to have minimal additional costs for consumers

The additional costs to consumers associated with the UK ETS are expected to be low. For example, increased costs associated with Irish Sea crossings are estimated to be less than 2%, [not the 6% heard in other estimates](#). Overall, the impact on the price of goods is expected to be minimal, [adding just pence](#) to the cost of large goods such as TVs and refrigerators.

The UK ETS provides a significant opportunity to raise revenue for investment

We agree with the UK Chamber of Shipping that a share of UK ETS revenues should be invested back into the decarbonisation of the sector. Delaying the expansion of the scheme means that there would be a delay in raising revenue, which could be invested into crucial technologies that the UK could be a leader in, like on-shore power, which allows ships to plug in at ports and green fuels.

Not only would this harm the UK's long-term competitiveness in the future of shipping, but it also delays the reduction of pollution from shipping, affecting coastal communities. The sector also has long-lived assets, of between [25 and 30 years](#). Every year that action is delayed, it locks in emissions for decades to come.

The EU ETS, which already covers domestic and international shipping emissions, is expected to raise [~£8.7 billion this year](#) from the shipping sector. The EU is already planning to mobilise [£2.5 billion](#) of this money to unlock investments and scale up production of green fuels by the end of 2027. This money will go into removing investment barriers and bridging the financial gap for sustainable alternative fuels, supporting the production of sustainable fuels, and research and innovation. EU countries are also investing in shipping decarbonisation. France is planning to direct [£60 million](#) of revenues to cut emissions from the sector, and Spain plans to direct [£216 million](#).

The UK ETS has the potential to raise [£250 million](#) from covering domestic and port emissions. By delaying the UK ETS, the UK risks ceding first-mover advantage to the EU in shipping decarbonisation. Resulting in the UK losing green jobs, economic growth, and technological leadership to other nations, remaining dependent on imported fossil fuels and, in the future, on imported green fuels.

Industry has had 4 years to prepare for the introduction of the ETS

The UK has had an emissions trading scheme since 2005, which today covers heavy industry, power and the aviation sector. The extension of the ETS to shipping emissions was first signalled by the Government in [March 2022](#), and in June 2023, the [Government stated](#):

“The Authority will expand the UK ETS to domestic shipping based on vessel activity. We intend for this expansion to be implemented from 2026 and are minded to apply the scheme to vessels over 5000 Gross Tonnage (GT) as outlined within the consultation.”

The Government then consulted on the details in [November 2024](#) and confirmed the expansion in [November 2025](#), providing sufficient warning to the sector on the introduction of the policy.

The sector is already required to monitor its emissions through the UK Monitoring, Reporting and Verification scheme, which is largely aligned with the reporting requirements for the ETS, resulting in minimal additional burden. The Government is also already allowing for an adjustment period, where shipping operators are not required to surrender allowances from the first year the scheme is operational until the deadline for the second year on 30 April 2028. Providing extra time for shipping operators to familiarise themselves with the operation of the scheme.

Today the shipping sector pays no tax on fuel or its emissions

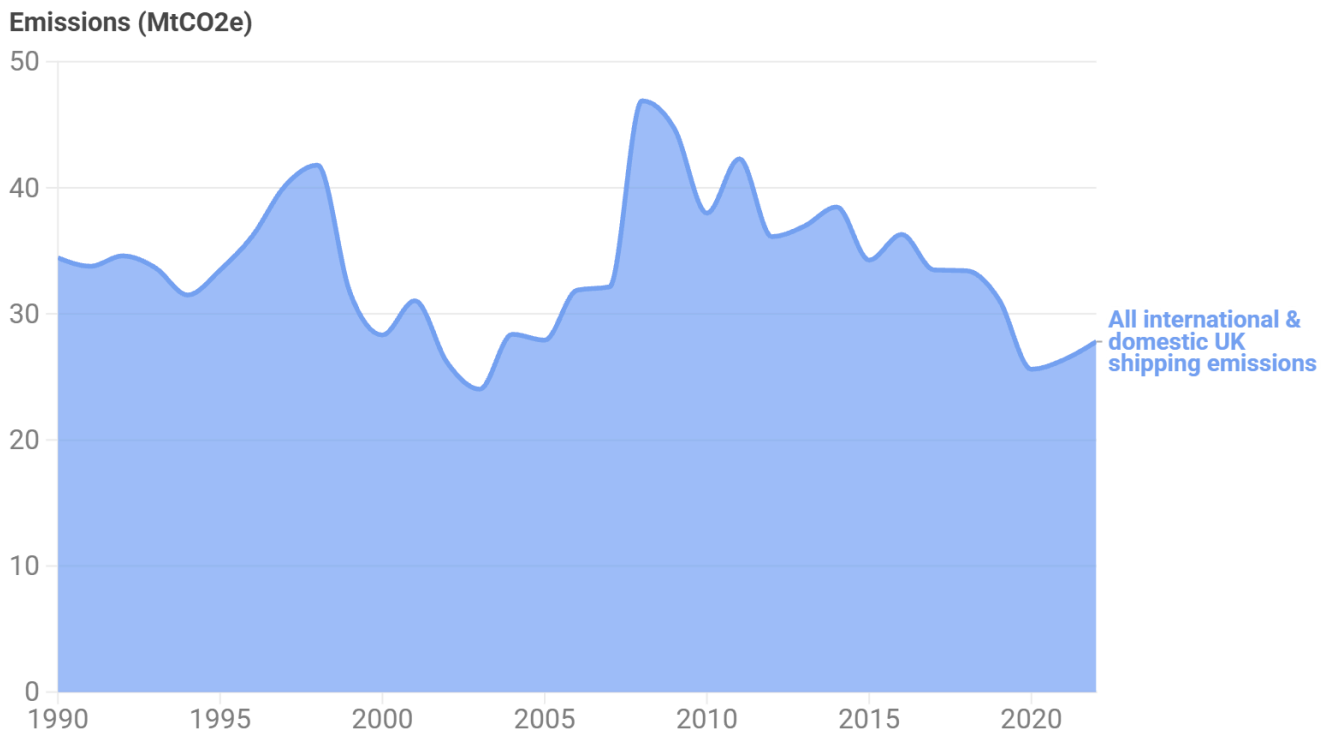
Unlike other transport modes like cars, vans and trucks, shipping is not subject to fuel or emission charges. Whilst road users paid just under [£25 billion](#) in fuel duty in the 2024/25 financial year, the shipping sector has paid nothing either in fuel duty or emissions taxes in the UK. If fuel duty were applied to the shipping sector at the same rate as for road transport, it would have to pay around £1 billion annually. In comparison, the estimated [£250 million](#) cost of the UK ETS for domestic shipping and port emissions is a fraction of the cost. Its introduction is important as it ensures tax fairness across transport modes and addresses market failures. It also provides a source of revenue for the Government, which can be invested in public services or green shipping technology.

The sector still has a long way to go to meet emissions reduction targets

Whilst the shipping sector is essential to the UK economy, transporting [95%](#) of our trade globally and directly contributing [£16.1 bn per year \(GVA\)](#), it is also highly polluting. Vessels rely almost entirely on fossil fuels of the dirtiest kind and produce nearly one-fifth of UK transport greenhouse gas emissions.

Whilst UK shipping emissions have decreased over the past few decades, by 19% since 1990, there is currently still a long way to go to comply with Carbon Budgets. Most importantly, the [Climate Change Committee](#) stated that “policy development has been insufficient in the shipping sector” and that there are “no credible policies in place to meet the required emissions reduction by the Sixth Carbon Budget.”

Shipping emissions in the UK have declined, but not enough to meet Carbon Budgets



Source: T&E (2024) • well to wake emissions

The extension of the UK ETS to emissions from the shipping sector was the first step in correcting this. If the extension were to be delayed, it would put the UK back in a position where there is not even one policy to reduce emissions from the UK shipping sector.