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Maritime ETS: facts, figures, no myths

T&E explainer; why the maritime ETS matters and how to improve it?

Summary

In this paper, T&E explains why the upcoming review of the Maritime ETS (with a draft proposal expected on 15 July) offers a timely opportunity to strengthen a system that is already operational, has a key role in reducing emissions, and capable of generating the financial resources needed to support the sector's transition.

Key recommendations

Shipping should pay its fair share. Global shipping accounts for over 1,000 Mt of CO2 emissions annually. The maritime ETS provides a strong incentive to cut emissions while mobilising significant resources for industrial decarbonisation: around €10bn per year once fully implemented.

Promoting only a global framework for tackling shipping emissions is betting on the wrong horse. The adoption of the NZF is highly uncertain, and unlikely to enter into force before 2030 in any case. If implemented, its carbon pricing would cover only a small fraction of EU shipping emissions, leaving more than 85% unpriced.

Europe is leaving a major chunk of shipping emissions unaddressed. The upcoming review is an opportunity to include smaller vessels above 400GT, which emit nearly 18 Mt of CO_2 annually. Their inclusion would unlock rapid decarbonisation, raise around €2.4 billion per year from 2028-2035 for Member States, and with appropriate reporting mechanisms would not overburdening small operators.

The maritime ETS will soon generate €10 billion-a-year. Dedicating a targeted share of revenues, around 25%, to scaling up EU e-fuel production could unlock €24 billion by 2039 and deliver 5 million tonnes of green marine fuels, while preserving the polluter-pays principle by ensuring ETS revenues remain public climate funds rather than a blanket subsidy for the sector.

Carbon leakage risks remain limited, manageable, and do not justify weakening the maritime ETS. They can be addressed by expanding the port list to cover non-EU ports within 300 nautical miles by lowering the transhipment threshold from 65% to 40%, and adding an "ETS-as-a-service" clause to share revenues with neighboring countries, improving cooperation and political acceptability.

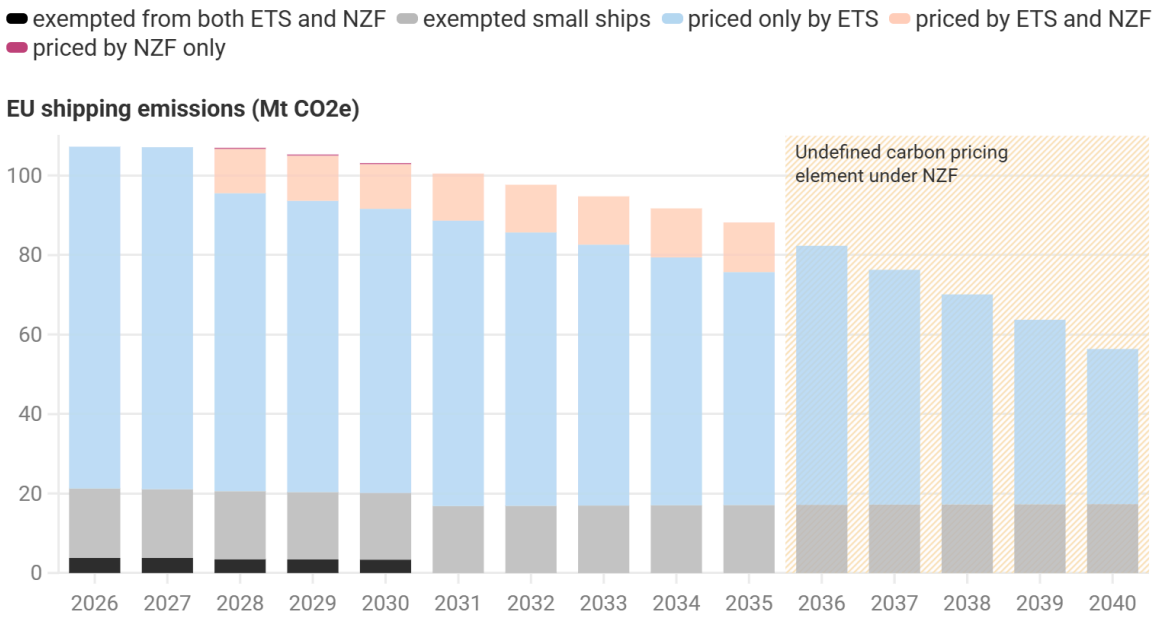
1. Why the EU must keep shipping in the ETS:

Shipping already accounts for around 3% of global CO_2 emissions, and without stronger action these could rise by up to 50% by mid-century. Including maritime transport in the EU ETS is therefore essential. It applies the polluter-pays principle, supports EU climate targets, and generates **around €10 billion per year** that can be reinvested in clean shipping technologies, such as European green e-fuels, while strengthening EU industrial resilience and strategic autonomy.

Future international measures should not be used to justify removing the maritime ETS. Even if adopted, the IMO Net Zero Framework is unlikely to enter into force before 2030, remains uncertain, and **would exempt more than 85% of EU shipping emissions** from meaningful carbon costs. EU tools like the ETS and FuelEU Maritime are therefore indispensable.

At the same time, other regions are moving ahead with maritime carbon pricing, notably the UK, which plans to include shipping in its ETS from 2026 and may link it to the EU system, alongside emerging initiatives elsewhere. This reinforces the EU's strategic interest in maintaining a strong maritime ETS.

Overlap between ETS & IMO NZF carbon pricing will cover less than 15% of EU shipping GHG



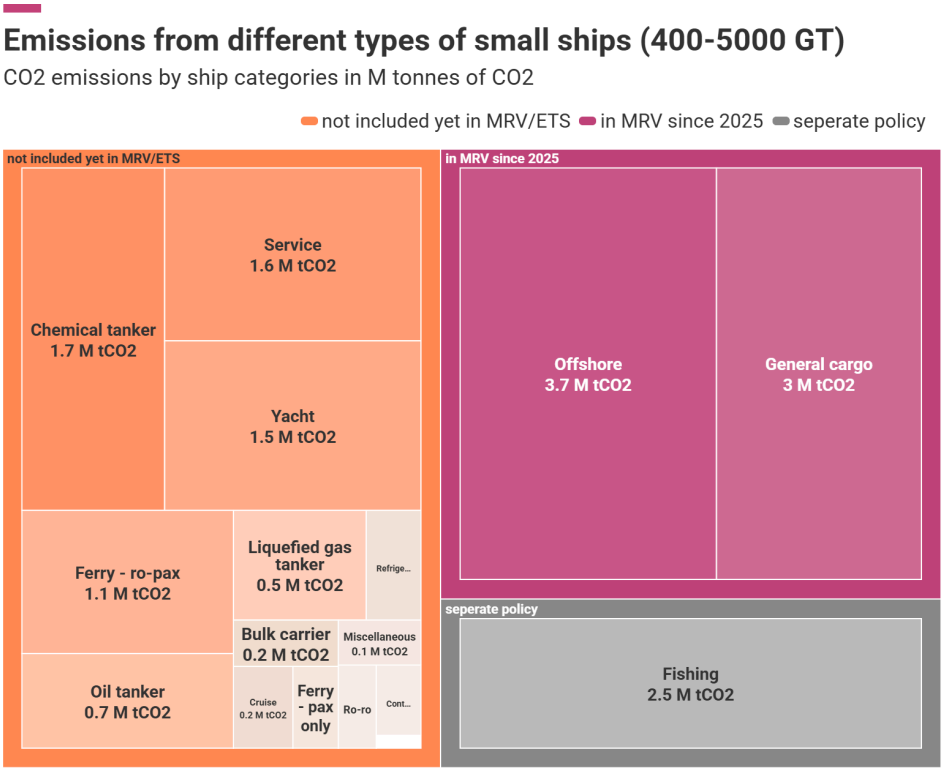
Source: T&E (2025) • Input data from IMO CIA and FuelEU Maritime, emission projections from T&E's in-house calculations. IMO analysis assumes that all ships engaged in international voyages meet Base GFI. Exempted from both ETS and NZF are ships <5,000 GT and purely domestic ships that fall under an ETS exemption (until 2030) and emissions from all ETS exempted ships that fall under the direct compliance target of the IMO NZF. Ships under 5000 GT include non-cargo carrying ships, while ships over 5000 GT are only cargo and passenger carrying ships.

2. Extending the scope to smaller ships is good for climate and for the EU economy

Under the revised EU ETS Directive, the maritime ETS currently applies only to ships above 5,000 GT, but the review should assess the relevance of extending the scope to smaller vessels. In parallel, from 2025 the MRV Regulation includes offshore ships and general cargo between 400 and 5,000 GT, laying the technical and data foundation for their future inclusion in the ETS.

Smaller vessels are a significant yet overlooked source of emissions: **around 7,500 ships** emit nearly **18 Mt of CO_2 annually** and contribute heavily to coastal air pollution. Including them in the ETS would drive decarbonisation, help unlock proven solutions such as battery-electric and hydrogen propulsion, and generate substantial revenues—around **€2.4 billion per year from 2028-2035**—to support the sector's transition.

To limit administrative burden, a targeted approach is possible. Vessels operating mainly within EU waters could be covered under ETS 2, with compliance placed on fuel suppliers rather than ship operators. This would ensure smaller ships face a carbon price while avoiding disproportionate obligations on small operators.



Source: T&E (2025) based on 2024 MRV and AIS data. Non cargo - carrying emissions for small vessels are from European Commission (2025)

3. Using maritime ETS revenues to power zero-emission shipping

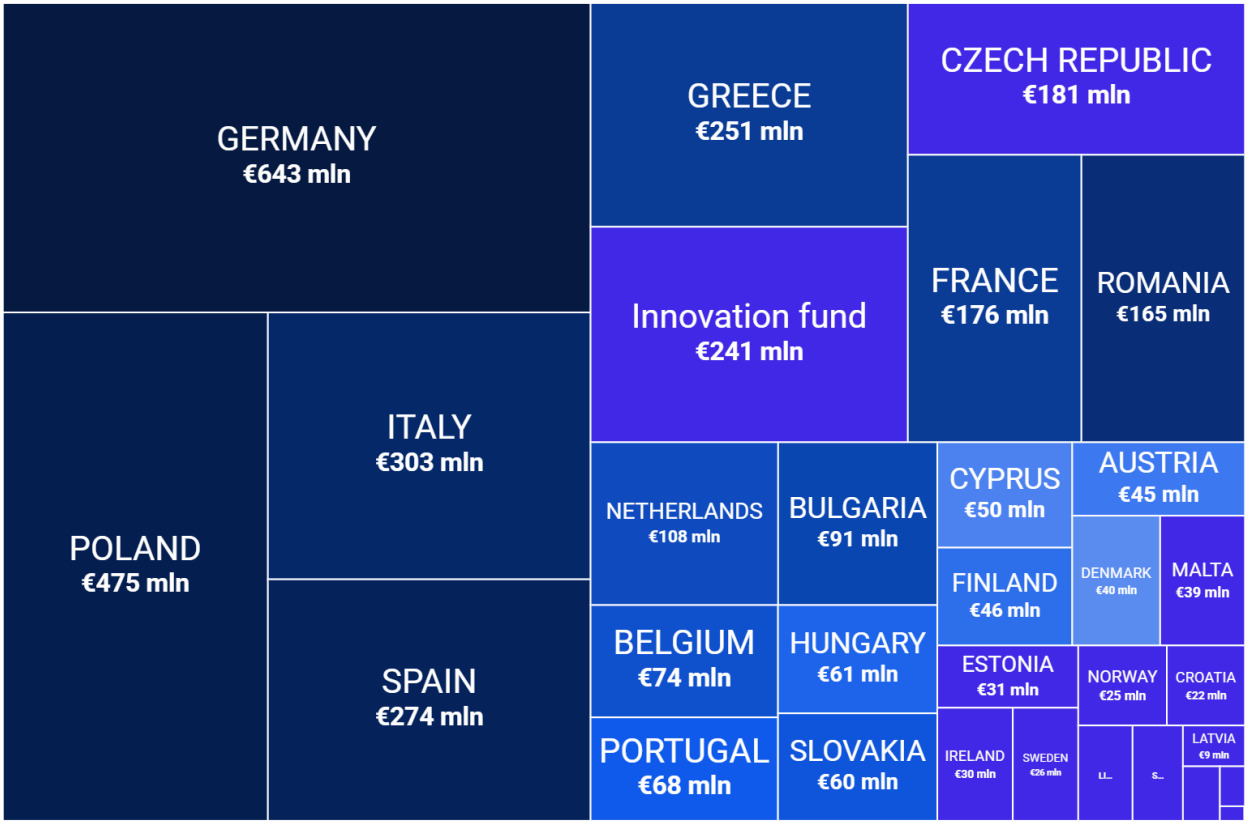
Once fully implemented, the maritime ETS is expected to raise around €10 billion per year. While part of these revenues should support the shipping sector's transition, they must be used strategically to accelerate zero-emission solutions: above all by scaling up European e-fuel production and closing the cost gap with conventional fuels.

Analysis by T&E shows that allocating around **25%** of maritime ETS revenues for e-fuels, for example through a **double-sided auction mechanism**, could mobilise **€24 billion between 2030 and 2039**. This could enable the production of around **5 million tonnes** of green marine e-fuels, such as e-methanol or e-ammonia, while strengthening Europe's clean industrial base. T&E therefore recommends that the ETS review include mandatory allocation of a share of revenues for e-fuel investments.

However, ETS revenues are public climate funds and should not be fully recycled to the regulated sector. In line with the polluter-pays principle, carbon pricing must retain its integrity and continue to drive emissions reductions, not simply compensate emitters.

Potential shipping ETS revenues per Member State

Preliminary estimations assuming full phase-in



Source: 2025 T&E analysis

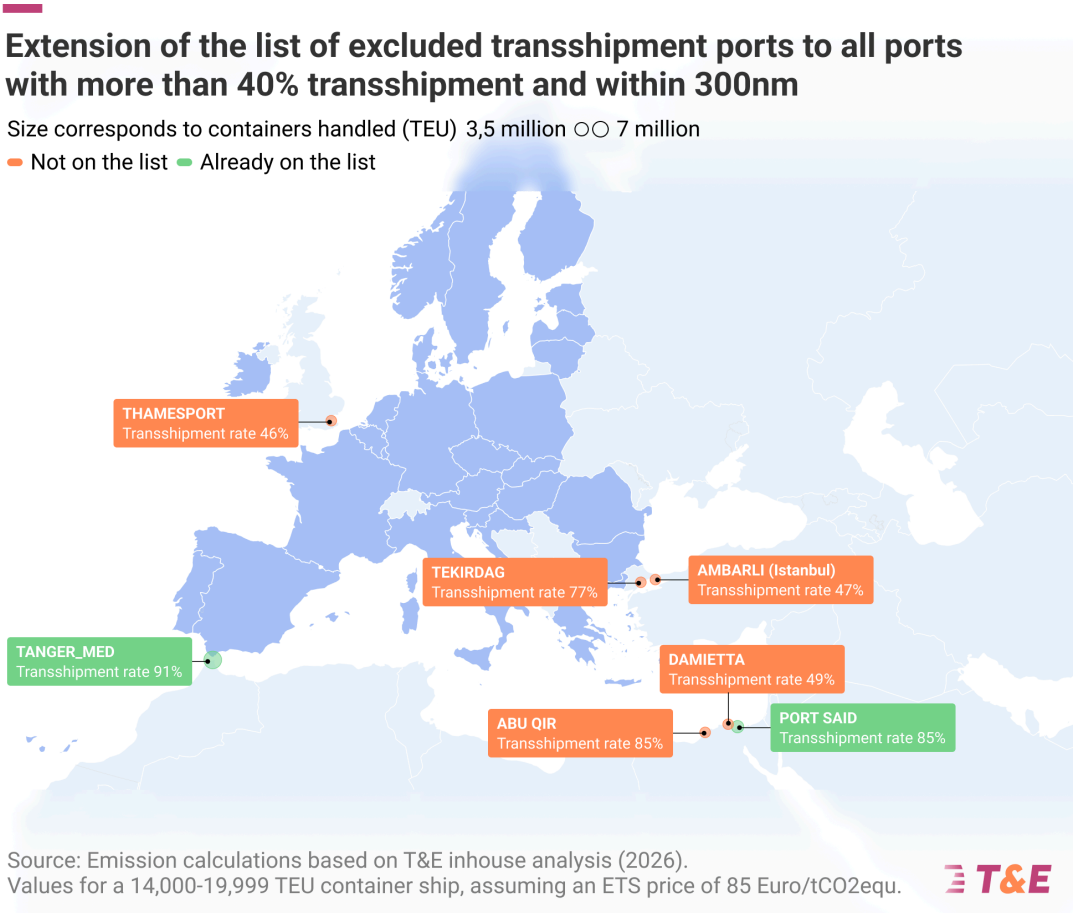
4. Carbon leakage risks are limited and manageable

The Commission's impact assessment from March 2025 concluded that the maritime ETS has a minimal impact on port competitiveness, as environmental costs play only a small role in port choice. In practice, shipping companies have largely passed ETS costs on to customers through surcharges, confirming that business models remain broadly unchanged. T&E analysis even suggests these surcharges may create windfall profits, potentially reinforcing rather than weakening the use of EU ports.

When looking at port traffic, we can also see that the growth in non-EU hubs predates the implementation of the ETS and is better explained by long-standing factors such as national investment, efficiency gains and labour costs, while recent declines at some EU ports are more likely linked to Red Sea disruptions since 2023. Importantly, traffic in most potentially exposed EU ports rebounded in 2024, the year the ETS was introduced.

To address residual risks—particularly in Southern European hubs— **the list of neighbouring container transhipment ports should be extended to other ports located within 300nm, with a transhipment activities threshold lowered to 40% instead of the 65% currently in place**. In addition, an 'ETS-as-a-service' mechanism could be implemented, applying the ETS to 50% of emissions from voyages between EU ports and neighboring non-EU ports, with revenues shared with those countries.

This approach would create a direct financial incentive for these countries to cooperate with the EU's carbon pricing approach, even if they are not formally part of the ETS framework. It would discourage shipping companies from changing their routes through nearby non-EU ports simply to lower their ETS costs, thereby protecting the system's environmental effectiveness, and would broaden the impact of carbon pricing beyond the EU's borders without formally extending EU jurisdiction.



Further information

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