

Right Hon Ed Miliband MP

Secretary of State for Energy Security and Net Zero

Department for Energy Security and Net Zero

55 Whitehall London

SW1A 2HP

Cc: Rt Hon Heidi Alexander MP, Secretary of State for Transport

Xx January 2025

Dear Secretary of State

We write, along with the representatives of the international shipping and maritime community outlined below, with regards to your Department's recently launched consultation on expanding the UK Emissions Trading Scheme (ETS) to include maritime greenhouse gas emissions from 2026.

The shipping industry is essential for ensuring the secure transportation of materials, goods, and people both within the UK and worldwide. In 2022, 14.2 million passengers travelled to and from the UK via ship, while 69.5m tonnes of freight – such as cars and vehicle equipment – and 73.5m tonnes of cargo – anything from bananas to bicycles - transited in and out of the country. With over 110,000 vessels calling at UK ports annually, our industry plays a crucial role in maintaining the smooth and efficient operation of various aspects of UK life, such as providing high-skilled employment, safeguarding the nation's energy supply, and ensuring the safe movement of imports/exports. [Internationally, the sector represents XXbn or yy% global trade]

The sector is firmly committed to supporting the Net Zero transition and advancing maritime decarbonisation, with many in the industry already investing in and pioneering green technological advances such as shore power and alternative fuels and training the current and future maritime workforce in the skills required to help us reach net zero. However, whilst we support the proposed ETS expansion in its aims to incentivise decarbonisation, aspects of the current proposals present challenges to the industry and could undermine wider Government aims.

Securing the UKs leading position in the offshore renewable energy sector

The growth of the offshore wind sector presents a significant opportunity for the UK, from renewable energy generation to job creation and economic growth. The shipping industry is vital to the UK's offshore wind sector, playing an essential role in the installation, maintenance and long-term success of offshore wind projects. For

example, the UK has more than 50% of the global fleet of wind farm crew transfer vessels.

However, the sector remains concerned that the current proposals to include offshore vessels above 5000GT in 2026, represents a significant, and detrimental, divergence from the EU ETS scheme's entry into force in 2027. This divergence in timelines has the potential to cause market distortions, leading some operators to avoid UK ports, and jeopardise the UK's leading role in the offshore renewables energy sector. In addition, the 5000GT limit would capture installation vessels within scope, and would have the potential to increase costs and impact the market for offshore installations, harming the ambition to increase offshore renewable capacity at a time of vital importance to the UK's wider energy strategy.

In order to achieve the governments net zero goals and maximise the economic and employment benefits of the transition, it is therefore crucial that the UK ETS scheme align as closely as possible with the EU ETS scheme.

Placing the UK at the heart of international emissions regimes and ensuring global competitiveness

To facilitate global trade and reach global emissions targets, will of course require international cooperation, collaboration and commitment. We support efforts, set out in the consultation, to align UK policies with international measures to reduce shipping emissions and are hopeful that a new economic measure from the International Maritime Organization (IMO) will be adopted in April 2025 and implemented in 2027. Amongst the IMO Member States there is strong support for the raised funds to be used to incentivise first movers, support R&D and to bolster the decarbonisation efforts of developing countries. We hope that the UK can in due course fully adopt these international measures and encourage the current proposals to fully consider and align wherever feasible with these international measures.

With the introduction of the UK ETS, it is also essential that any new requirements, should consider existing regimes and seek to reduce administrative burdens for operators, UK Government and enforcement agencies, wherever feasible. It is therefore crucial that the UK adopts a Monitoring, Reporting, and Verification (MRV) system that aligns with international standards to simplify compliance. Indeed, with varying ETS regimes across the world, and many operators covering multiple jurisdictions, lengthy documentary requirements may act as a deterrent to doing business in the UK and a high administrative burden may act to discourage those who only call more occasionally, but nonetheless carry vital goods.

Given the diverse nature of the global regulatory environment, alignment with international standards will be essential in order ensure that the UK remains an attractive destination for global shipping.

Our shared ambitions to drive the clean energy transition

The UK shipping industry, and global sector represented here, share the UK government's ambitions to drive forward the clean energy transition, secure productive and innovative jobs, and ensure that the UK remains the destination for global business, and maritime decarbonisation is a key lever in the transition. [The UK Chamber of Shipping, on behalf of the organisations and sectors represented here,] would therefore welcome the opportunity to convene representatives of the UK and international sector to discuss these challenges with you and explore how we can best work together to support our shared goals of supporting the UK's thriving maritime industry and driving the UK's clean energy transition.

Thank you for your attention.

Yours sincerely,

[Insert list of signatories]