

THE IMPACT OF AN EU MARITIME EMISSIONS EMISSIONS TRADING SYSTEM ON OIL TRADES



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The European Union (EU) is including maritime transportation into the European Emission Trading System (ETS), however, there is limited knowledge on the impact this will have for shipping markets and operators and whether it will succeed in abating carbon emissions in the shipping industry. Accordingly, this paper investigates both how much money the ETS could raise for research and development through the European shipping sector as well as what amount of CO2 emissions could be expected to be abated through this mechanism.

APPROACH:

Data was collected through a sample of 38,701 from 2017 to 2019 by oil tankers in European waters to measure the potential impact of the ETS on the industry under a variety of different scenarios as based on how costs are passed along and how strong the price on emissions is set (ranging from 10-50 USD per tonne of CO2 emitted) to outline the estimated range of effects the ETS will have on the European oil shipping industry.

MAIN FINDINGS:

- With a carbon allowance price at 10-50 USD per tonne, it is estimated that the industry could generate 0.3-1.4 billion USD per year.
- The ETS emission allowance fee could reduce emissions from the European oil shipping industry and would provide significant funding to accelerate the decarbonization of the industry. The funding would provide incentives for the industry to move faster in deploying retrofitting technologies.
- Even with a low price on emissions, the ETS would provide sufficient incentives for specific abatement measures such as wind-assistance technologies.