

UK ETS (“Emissions Trading Scheme”) – effective from 1 July 2026

Members who trade within EU waters are already familiar with the EU ETS. The United Kingdom has now promulgated regulations which brought into force on 1 July 2026 their own ETS regime which members trading between UK ports (or while in any UK port where there is a single UK port call) will have to comply with.

An ETS is essentially a scheme under which certain industry participants must buy and surrender “emission allowances” based on the greenhouse gases they emit (in the UK regulations these are carbon dioxide, methane and nitrous oxide). The UK has operated an ETS scheme for other industries since 2020 but this has been now extended to the maritime industry from 1 July.

While similar in general mechanism to the EU ETS, the UK ETS is not as widely applicable as the former. It is restricted to ships:

- Over 5,000GT
- Performing domestic voyages (between UK ports)
- While they are in a UK port

It is not applicable at present to international voyages into or out of a UK port (other than during the stay in port), although the relevant authorities are, we understand, currently considering extending the regime’s reach in due course.

What will be required of shipowners who intend to trade UK ports? They will need to:

- Have an approved emissions monitoring plan
- Monitor greenhouse gas emissions
- Submit to the relevant authority annual emissions reports (independently verified)
- Purchase and surrender UK ETS allowances determined by their reported emissions

As with the EU ETS, the commercial expectation is that the charterer will bear the cost of emissions arising from its employment of the vessel. Charterparty clauses can allow the charterer to surrender its own UK ETS allowances direct to the authorities, or require them to reimburse owners for the value of the allowances owners have to surrender in relation to the period of the charter.

This allocation of responsibilities between owner and charterer will need to be dealt with in future charterparties where trading to the UK is anticipated or a possibility.

Members should ensure that any future charterparties (and existing long-term charters) potentially involving trading between UK ports or into single UK ports (in relation to the port stay) from 1 July 2026, include provisions that will satisfy the requirements of the UK ETS and appropriately allocate responsibilities between the parties. In doing so, they may consider the extent to which any existing BIMCO or other ETS related clauses are sufficiently broad to cover the UK ETS scheme, with or without amendments. In the Club's view inclusion of the BIMCO ETS Clause for Time Charters will be appropriate for inclusion in Charters where it is anticipated the vessel will call at UK ports.

As always, the Club will be happy to assist members with drafting clauses or reviewing draft clauses under negotiation.

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