

Whitepaper

# **Navigating EU ETS Compliance**

## **A Step-by-Step Guide to GHG Monitoring & Reporting**



## 1. Understand **Applicability**

- **Identify operations covered by the EU ETS:** Determine whether the company's activities fall under sectors included in the EU ETS, such as power generation, manufacturing, and, recently, maritime shipping.
- **Assess scope:** For maritime operators, this includes voyages to, from, and between EU ports, as well as emissions while at berth.

## 2. Establish **a monitoring plan**

- **Prepare a monitoring plan:** Develop a detailed plan outlining how emissions will be measured. This must comply with EU MRV (Monitoring, Reporting, and Verification) regulations.
- **Approval by authorities:** Submit the monitoring plan to the relevant national authority for approval.
- **Key elements of the plan:**
  - Emission sources (e.g., fuel combustion, industrial processes).
  - Monitoring methods (e.g., direct measurement, fuel consumption calculations).
  - Data collection and quality assurance procedures.

## 3. Monitor **Emissions**

- **Set up monitoring systems:** Install or upgrade equipment to measure emissions accurately, such as flow meters, fuel sensors, and automated reporting systems.
- **Ensure data accuracy:** Maintain accurate records of fuel consumption, emission factors, and other relevant metrics.

## 4. Report **Emissions**

- **Annual emissions report:** Prepare and submit a verified annual emissions report to the relevant authority.
- **Use THETIS-MRV (for shipping):** Maritime operators must report emissions using the EU's THETIS-MRV system.
- **Include all required data:**
  - Total emissions (in CO<sub>2</sub> equivalent).
  - Verification by an accredited third party.
  - Supporting evidence (e.g., fuel invoices, logbook data).

## 5. Verify **Emissions**

- **Engage an accredited verifier:** Hire an independent, EU-accredited verifier to ensure the emissions data is accurate and compliant.
- **Verification process:**
  - Review monitoring methods and data sources.
  - Cross-check calculations and ensure consistency with the monitoring plan.

## 6. Acquire and **Surrender Allowances**

- **Calculate allowances needed:**
  - Determine the number of allowances required to cover reported emissions.
  - Each allowance represents the right to emit 1 ton of CO<sub>2</sub>.
- **Purchase allowances:**
  - Obtain allowances through:
    - Free allocation (for eligible sectors).
    - Auctions conducted by the EU.
    - Trading on secondary markets.
- **Surrender allowances:**
  - Submit allowances equal to the verified emissions by the annual deadline (typically in April of the following year).

## 7. Optimize Emissions **Reduction**

- **Implement energy efficiency measures:**
  - Upgrade equipment, adopt cleaner technologies, or improve operational practices.
- **Switch to low-carbon fuels:**
  - Use alternatives like LNG, biofuels, or renewable energy where possible.
- **Invest in offsetting:**
  - Explore mechanisms like certified carbon credits to offset emissions not covered by allowances.

## 8. Stay Informed **and Engage**

- **Monitor regulatory updates:** EU ETS regulations evolve, especially with the Fit for 55 package. Stay informed about changes, such as expanded sectors or stricter caps.
- **Engage stakeholders:** Work with suppliers, customers, and industry groups to align with best practices and compliance strategies.

### Consequences of **Non-Compliance**

- **Financial penalties:** Companies failing to surrender sufficient allowances face significant fines (€100 per excess ton of CO<sub>2</sub>).
- **Operational restrictions:** Persistent non-compliance may result in suspension or restrictions on activities, particularly for shipping companies.
- **Reputational damage:** Non-compliance can harm relationships with regulators, customers, and investors.

### Support for **Compliance**

- **Use digital tools:** Leverage software solutions for emissions monitoring and reporting.
- **Consult experts:** Engage consultants or industry experts for guidance on specific compliance needs.
- **Collaborate:** Join industry initiatives and partnerships to share best practices and reduce compliance costs.

By following these steps, companies can effectively meet their obligations under the EU ETS, reduce their carbon footprint, and contribute to broader climate goals.