OPPORTUNITY GREEN

UK Emissions Trading Scheme: Scope Expansion- Emissions from International Maritime Voyages Public Consultation

Opportunity Green's Response | 20/01/2026

Implications for Regulatory Provisions

Do you agree with our proposal to include 50% of emissions from international voyages within the UK ETS from 1 January 2028? (Y/N) Please explain your response, providing evidence where possible.

Yes, this inclusion is a vital step towards the UK achieving its net-zero targets, as in 2023, based on bunker fuel sales, the UK's international shipping greenhouse gas emissions amounted to 6.3 $MtCO_2e$, significantly higher than emissions from domestic shipping in the same year (4.7 $MtCO_2e$, excluding fishing vessels)[1], highlighting the urgent need for action by 2028 at the latest.

It also supports the UK's compliance with its international legal obligations to reduce emissions from international shipping. In particular, the recent Advisory Opinion on climate change by the International Court of Justice (ICJ) clarified that, as a matter of customary international law, States must use all means at their disposal to avoid activities which take place in their territory, or any area under their jurisdiction, causing significant damage to the environment of another State. Concerning climate change, this obligation includes putting in place regulatory mechanisms designed to achieve the deep, rapid, and sustained reductions of greenhouse gas (GHG) emissions that are

[1] UK Government, 'Final UK greenhouse gas emissions statistics: 1990 to 2023', published 2025, available at: Final UK greenhouse gas emissions statistics: 1990 to 2023 - GOV.UK

necessary for the prevention of significant harm to the climate system[2]. In this regard, States are obliged to regulate the conduct of private actors within their jurisdiction or control[3].

Further, the ICJ recalled that, under the Paris Agreement, developed States are expected to submit "economy-wide" emission reduction targets (i.e., reductions across all sectors, including international shipping)[4], aligned with the legally binding 1.5°C warming goal[5]. The fulfilment of these obligations must be guided by the principle of common but differentiated responsibilities and respective capabilities (CBDR/RC)[6], reflective of the need to equally distribute the burdens of the obligations related to decarbonisation. Thus, States with greater historical emissions and capacity to implement stringent mitigation measures, must lead on ambitious emissions reductions.

Finally, the International Tribunal for the Law of the Sea (ITLOS) confirmed in its Advisory Opinion on States' obligations under the United Nations Convention on the Law of the Sea (UNCLOS) with respect to climate change, that States are obliged under UNCLOS to take "all necessary measures" to prevent, reduce and control marine pollution caused by GHG emissions[7]. ITLOS was clear that these obligations cannot be met simply by participating in global efforts, such as IMO initiatives, and that appropriate domestic action must be taken too[8].

In consideration of the UK's international shipping emissions, and the duty to fulfil the above legal obligations, we agree with the proposed inclusion of 50% of emissions from international voyages within the UK ETS.

Separately, the ICJ confirmed the existence of a customary duty of international cooperation, the principal forms of which under the Paris Agreement are financial assistance, technology transfers and capacity-building[9]. By pricing 50% of emissions from international voyages under the UK ETS, the UK will not only support wider efforts to limit warming but can also help drive global shifts toward zero- near-zero fuels and technologies, indirectly benefitting climate-vulnerable countries that face limited access to sustainable alternatives. Hence, in accordance with the UK's obligations under international law, the UK ETS should integrate support mechanisms to assist those countries in maritime decarbonisation, including technical and financial

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[2] International Court of Justice, 'Obligations of States in respect of Climate Change' (2025), paragraphs 139 and 282, available at: https://www.icj-cij.org/sites/default/files/case-related/187/187-20250723-adv-01-00-en.pdf
[1] Ibid., paragraphs 252, 282 and 428.
[3] Ibid., paragraphs 252, 282 and 428.
[4] Ibid., paragraph 248
[5] Ibid., paragraphs 224 and 248
[6] Ibid., paragraph 148
[7] International Tribunal for the Law of the Sea, 'Request for an advisory opinion submitted by the Commission of Small Island States on climate change and international law: Advisory Opinion' (2024), paragraph 189, available at: https://www.itlos.org/fileadmin/itlos/documents/cases/31/Advisory_Opinion/C31_Adv_Op_21.05.2024_orig.pdf
[8] Ibid., paragraphs 189, 201, and 202. For further analysis, see Opportunity Green's legal briefing for policymakers on the ITLOS Advisory Opinion, available at: <https://www.opportunitygreen.org/publication-itlos-advisory-opinion>
[9] International Court of Justice, 'Obligations of States in respect of Climate Change' (2025), paragraph 262, available at: https://www.icj-cij.org/sites/default/files/case-related/187/187-20250723-adv-01-00-en.pdf

assistance (for more details please refer to our response to question 8 of the consultation).

Do you agree with the intention to not provide a 5% reduction in allowance surrender for ice class vessels? (Y/N) Please explain your response, providing evidence where possible.

Yes. Evidence from the EU suggests that the 5% reduction in allowance surrender does not accurately represent the emissions burden of operating ice class vessels[10]. This study showed that while ice class is correlated with higher fuel consumption - and thus emissions - for some vessel types, for others ice classification does not correlate with increased fuel consumption. This suggests that for some vessel types, ice class has only a small effect on fuel consumption, which may be insignificant compared to operational parameters such as vessel speed. Overall, this study concluded that "a blanket compensation for ice-class vessels' due to increased fuel consumption and cost is difficult to justify".

Moreover, between 2018 and 2022, only 50% of ice-class vessels reporting to the EU ETS MRV sailed in ice conditions. As highlighted by Heikkilä et al, it is possible that a blanket 5% emissions allowance for ice class vessels could create a perverse situation in which it is economically favourable for a shipowner to convert a vessel to ice class, even when not operationally required.

Importantly, a 5% reduction in allowance surrender for ice class vessels could also serve to incentivise shipping routes through the Arctic. Shipping through the Arctic is associated with a range of environmental and social issues while burning conventional fossil shipping fuels in the Arctic also results in increased climate impacts compared to their use in other areas[11]. This is due to emissions of black carbon, a powerful climate pollutant with a 100-year global warming potential[12] (GWP) hundreds of times higher than CO_2. In the atmosphere, black carbon contributes to warming by absorbing incoming solar radiation, before it falls and is deposited on the Earth's surface. This deposited soot reduces the reflectivity of the normally white surface of sea ice and snow, further increasing the absorption of solar radiation. Because of the proximity to sea ice and snow, black carbon emitted in the Arctic – for instance due to Arctic shipping – has a particularly strong climate impact[13].

The sensitivity of the Arctic to black carbon can have severe implications. For example, diverting shipping routes through the Arctic can have larger 100-year climate

[10] Heikkilä, M., Grönholm, T., Majamäki, E. and Jalkanen, J.P., 2024. Effect of ice class to vessel fuel consumption based on real-life MRV data. Transport Policy, 148, pp.168-180.
[11] Opportunity Green, 2025, Five reasons why the climate benefits of Arctic shipping might be too good to be true, available at: Five reasons the climate benefits of Arctic shipping might be too good to be true — Opportunity Green
[12] Clean Arctic Alliance, Black Carbon in the Arctic, available at: Black Carbon in the Arctic - Clean Arctic Alliance
[13] Sand, M., Berntsen, T.K., Seland, Ø. and Kristjánsson, J.E., 2013. Arctic surface temperature change to emissions of black carbon within Arctic or midlatitudes. *Journal of Geophysical Research: Atmospheres*, *118*(14), pp.7788-7798.

impact[14] than using the conventional route via the Suez Canal, even though the Arctic route is shorter. As such, it is important to avoid underestimating the climate impacts of shipping through the Arctic, and to avoid any exemptions on allowance surrender for ice class vessels.

Future Review

What measures should the UK Government undertake to ensure that both the UK ETS and the IMO's Net Zero Framework, following adoption, can effectively support the decarbonisation of the UK maritime sector? Please provide supporting evidence for your views, including costs and benefits.

The UK Government should champion the UK ETS and the IMO's Net-Zero Framework as complementary instruments that drive maritime decarbonisation, while actively embedding equity safeguards to prevent reinforcing global inequities. Both frameworks offer crucial opportunities for climate action, particularly when designed to enable broad participation and deliver benefits for developing countries with differing national circumstances and capacities.

Climate-vulnerable countries, particularly Least Developed Countries (LDCs) and Small Island Developing States (SIDS), face acute barriers to maritime decarbonisation due to limited access to finance, despite heavy reliance on shipping for essential goods, food security, and economic participation. Without targeted support, these nations risk being locked into high-carbon pathways while facing rising transport costs that undermine both international climate goals and national development trajectories.

As shipping is a globally interconnected system, effective decarbonisation requires collaborative efforts worldwide, to achieve the goals under the IMO's 2023 GHG Strategy[15], and to comply with the legal duty of international collaboration in accordance with customary international law (see response to Question 1 above). The UK should lead by example, demonstrating how regional carbon pricing can support global equity by:

1. **Earmarking UK ETS maritime revenues for international climate finance**. Allocate a meaningful proportion of UK ETS maritime revenues to support decarbonisation in developing countries, directly aligning with the UK's pledge to provide £11.5 billion in international climate finance between 2021 and 2026[16] under the UNFCCC's $100 billion USD annual mobilisation

[14] Fuglestvedt, J.S., Dalsøren, S.B., Samset, B.H., Berntsen, T., Myhre, G., Hodnebrog, Ø., Eide, M.S. and Bergh, T.F., 2014. Climate penalty for shifting shipping to the Arctic. *Environmental Science & Technology*, *48*(22), pp.13273-13279.

[15] International Maritime Organization, 2023, IMO Strategy on Reduction of GHG Emissions from Ships, available at: 2023 IMO Strategy on Reduction of GHG Emissions from Ships

[16] UK Government, updated 2025, Guidance: International Climate Finance, available at: International Climate Finance - GOV.UK

target[17]. Direct funding toward removing barriers to zero/near-zero emission fuel adoption in developing country ports and shipping corridors, including infrastructure development and skills development.

2. **Ensuring UK ETS and the IMO Net-Zero Framework are harmonised**. The UK Government should not wait for adoption of the NZF - particularly in light of States' duty to take unilateral action to protect the marine environment from climate harm under UNCLOS (see our response to Question 1 above) - but commit to reviewing its ETS approach once adopted, similar to the EU's approach.

3. **Supporting the design of an equitable revenue distribution and fund governance framework at the IMO**. The IMO's Regulation 41 mandates revenues be used for purposes including technology transfer, capacity building, just transition, and mitigation of negative effects on food security, with particular attention to LDCs and SIDS[18]. Equitable design of the IMO Net-Zero Fund is essential to enabling a just and inclusive transition worldwide. Clear fund governance structures that guarantee inclusive representation, accessibility to funds, and equity-focused disbursement are crucial and may increase the likelihood of consensus at the IMO[19].

Strengthening global maritime decarbonisation creates tangible UK advantages. Reducing global emissions accelerates zero- near-zero fuel availability, creates export markets for UK green maritime technologies developed through programmes like UK SHORE[20], positions the UK as a climate leader, and demonstrates policy coherence between domestic action and international commitments.

Potential Impacts of UK ETS Expansion to International Maritime Voyages

Do you think that the proposed expansion to international maritime voyages could lead to any adverse impacts? (Y/N) This could include, but is not limited to, impacts on prices and availability of goods for consumers, impacts on the competitiveness of the UK maritime sector, impacts on supply chains, shift to other transport modes, or trade impacts. Please explain your response, providing evidence where possible.

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[17] United Nations Framework Convention on Climate Change, 2016, Report of the Conference of the Parties on its twenty-first session, held in Paris from 30 November to 13 December 2015, available at: Report of the Conference of the Parties on its twenty-first session, held in Paris from 30 November to 11 December 2015. Addendum. Part two: Action taken by the Conference of the Parties at its twenty-first session.

[18] IMO, 2025, Circular Letter No.5005, available at: Circular Letter No.5005 - Draft Revised Marpol Annex Vi (Secretariat).pdf

[19] Opportunity Green, 2025, Adjournment of the IMO's Net-Zero Framework – what does it mean? Available at: Adjournment of the IMO's Net-Zero Framework – what does it mean? — Opportunity Green

[20] UK Department for Transport and Keir Mather MP, 2025, The future of UK Shipping Office for Reducing Emissions (UK SHORE), available at: The future of UK Shipping Office for Reducing Emissions (UK SHORE) - GOV.UK

Yes, though these impacts can be mitigated through thoughtful policy design that considers impacts on climate-vulnerable trading partners.

While the consultation notes that costs passed through from the UK ETS to final consumer prices are expected to be minimal on average, even modest increases in maritime transport costs can impact on countries already facing structural transport disadvantages. SIDS and LDCs currently pay double the global average for the transportation of their trade[21], with shipping costs playing a significant role in shaping food prices, economic participation, and development outcomes. However, evidence indicates that when revenues are recycled into climate finance, regional ETS measures can provide net benefits to SIDS and LDCs[22].

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Would changes to the global carbon pricing landscape (e.g. the IMO NZF or EU ETS) affect the impacts of the proposed UK ETS expansion to international maritime voyages? If so, how?

As outlined above, regional measures such as the UK ETS and the global IMO NZF can be complementary and both are essential to achieving global climate targets, as each is able to address the gaps left by the other. Harmonised global and regional decarbonisation approaches can maximise emissions reductions while minimising barriers to participation in international trade and should be understood as mutually reinforcing rather than competing mechanisms.

The IMO NZF's global pricing mechanism based on fuel intensity targets can narrow but is insufficient to fully close the price gap between fossil fuels and zero- near-zero emission fuels[23]. Therefore, the UK ETS expansion to international voyages can provide stronger incentives to close this remaining gap, accelerating the deployment and availability of ZNZ fuels, by reducing investment risk and creating economies of scale. This would benefit UK shipping operators while also lowering barriers faced by climate-vulnerable countries.

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[21] UNCTAD, 2021, Assessment of the Impact of the IMO Short-Term GHG Reduction Measure on States, available at: UNCTAD Assessment of the Impact of the IMO Short-Term GHG Reduction Measure on States

[22] Transport and Environment, 2024, Making Waves: The international impacts and opportunities of the EU's carbon market for shipping, available at: Making Waves: The international impacts and opportunities of... | T&E

[23] Carbon Market Watch, 2025, From Compromise to Consequence: Evaluating the IMO's Net –Zero Framework and its Implications for the EU, available at: clean report CMW IMO NZF measures_v14.docx