



27 October 2023

Implementing the EU Emissions Trading Systems (ETS) 2024/ Impact on Scandlines and customers

Dear Freight Customer,

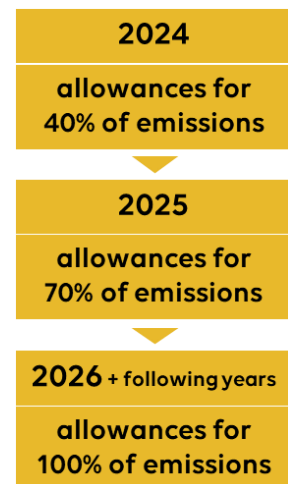
The European Emissions Trading System (ETS) is the world's first major carbon market across countries and industries. It aims to significantly reduce the industry's greenhouse gas emissions cost-effectively by obliging companies to hold an EU allowance (EUA) for each ton of CO₂ they emit.

While maritime transport is one of the most energy-efficient modes of transport, it is also still a large greenhouse gas emitter, representing 3 - 4% of the EU's total CO₂ emissions. The shipping industry was exempted from the EU's Emissions Trading System but will be included as of 2024. The extended EU ETS Directive applies to all ships (regardless of the flag they fly) above a gross tonnage of 5,000, which account for 90% of CO₂ emissions. Shipping companies have to purchase EU allowances for all emissions from intra-EU voyages and all emissions released in EU ports as well as for 50% of the emissions from voyages starting or ending outside of the EU.

Find more details on EU ETS regulations for the Maritime transport on the [EU Commission website](https://ec.europa.eu/economy_finance/eu-ets-maritime).

Phased implementation of CO₂ pricing as of 2024 and inclusion of other greenhouse gases

The inclusion of shipping in the EU ETS aims to create financial incentives for reducing greenhouse gas emissions and promoting a transition to a more sustainable operation. With the extended EU ETS Directive adopted, there will be an initial phase-in period of carbon pricing for maritime transports, requiring shipping companies to purchase/surrender allowances equivalent to a portion of their verified emissions according to the schedule on the right:



This step-by-step implementation will gradually increase the price per ton of CO₂ for shipping between 2024 and 2026. From 2026, the ETS regulations will even be expanded to include emissions of two additional greenhouse gases – methane and nitrous oxide. Although the direct impact of this expansion is limited, it further increases the demand for emission allowances (EUA). Shipping companies have to purchase allowances through auctions on the European Energy Exchange (EEX), the ICE or others exchanges. This means that the price for allowances will be volatile, defined by supply and demand on the market. As the supply of allowances will gradually be reduced by the EU year by year, the cost for allowances will most likely increase, boosting the pressure on shipping companies to accelerate efforts to develop and implement alternative propulsion concepts thus reducing their environmental footprint.

What has Scandlines done to reduce emissions to date?

Scandlines has been working on its Green Agenda since more than a decade supported by massive investments in sustainable technologies. Today, Scandlines owns and operates 6 hybrid ferries – one of the world's largest hybrid fleets. Furthermore, our four double-end ferries on the Puttgarden-Rødby route are equipped with new, low noise pull thrusters, while the two ferries on our Rostock-Gedser route operate with the assistance of rotor sails, thus increasing our vessels energy efficiency and





reducing their fuel consumption and emissions. Thanks to our measures, e.g., we have been able to reduce emissions from double-ended ferries on the Puttgarden-Rødby route by more than 50 percent since 1997.

Impact of the EU ETS on Scandlines and our customers

Even having significantly reduced emissions since many year's Scandlines will need to purchase emissions allowances to cover the emissions created by the ferry operation from 2024 onwards. Those costs will be passed on to passengers and freight customers in the form of a new separate surcharge called 'ETS Emissions Surcharge' applicable to all tickets as of 01 January 2024.

It is expected that the volatility of the EU Allowance (EUA) traded in ETS may increase due to supply and demand factors. Therefore, the emissions surcharge will be updated every month to align with the changes in EUA price and the actual development of freight volume. Below are the estimates of the January 2024 ETS surcharge per route and commencing lane meter:

Scandlines routes	Indication on ETS surcharge per commencing l/m*
Germany-Denmark	
Puttgarden-Rødby v.v.	EUR 0.10
Rostock-Gedser v.v.	EUR 0.30
Transit Germany-Sweden	
Puttgarden-Rødby + Øresund Bridge or Helsingør-Helsingborg v.v.	EUR 0.10
Rostock-Gedser + Øresund Bridge or Helsingør-Helsingborg v.v.	EUR 0.30

* We shall publish the actual ETS surcharge together with the BAF information with minimum 5 days of advance notice prior effective date of implementation.

Sharp focus on zero direct emissions vision

Scandlines is working on being able to operate completely emission-free within a few years. By investing in the new zero direct emission freight ferry, we have taken an important step towards achieving this goal. The ferry will be commissioned in H2/2024 on the Puttgarden-Rødby route where we are currently rebuilding our terminals to accommodate the new larger ferry and fit the necessary charging facilities. The project will launch the new generation of ferries on the Puttgarden-Rødby route, which we have set out to make emission-free (scope 1 and 2) by 2030 as a milestone in our efforts to reach zero emissions for our entire business by 2040 already.

Scandlines will continue on the current trajectory further investing in an even greener, more competitive fleet and thus be able to offer fast, emission-free and therefore cost-efficient transport across the Baltic Sea in the long term.

If you have any questions, please reach out to your Scandlines Freight Sales contact.

Kind regards

Scandlines
Freight Sales

