



November 2023

## ETS Customer Announcement

### Background

For many years Mann Lines have applied a Bunker Adjustment factor (BAF) to freight charges to allow for the fluctuations in the cost of fuel used.

The EU operates an Emissions Trading Scheme (ETS) which several industries are part of, through which it is necessary to surrender an EU Allowance (EUA) for each tonne of carbon emitted. From 01.01.2024, the maritime industry will become a part of this scheme and will need to buy and surrender one EUA for every tonne of CO<sub>2</sub> emitted on voyages to and from EU ports.

Mann Lines do it's best to minimise emissions by using some of the most efficient vessels available. Our next vessel is currently under construction and will be capable of operating on methanol as well as traditional fuel. We will make as many other investments as possible to reduce emissions. However, there is currently no alternative fuel available in the quantities needed by the maritime industry, meaning that for the near future, it will be necessary to continue to use fossil fuels.

The cost of the ETS is such that we have no alternative but to pass on the cost to our customers through an ETS surcharge from 1<sup>st</sup> January 2024 by adding the cost of ETS to our BAF calculation.

There will be a phased implementation to the scheme, such that 40% of emissions in 2024 will be covered, increasing to 70% in 2025 and 100% in 2026.

### How our ETS surcharge will be calculated

One tonne of fuel consumed emits 3.206 tonnes of carbon. The 40% year one factor can then be applied during 2024. The cost of an EUA is a market driven price and we will use the daily price for the previous month. Multiplying these elements gives the cost of the ETS per tonne of fuel consumed.

Mann Lines will then add this to the cost of fuel used in it's standard BAF calculation to give the additional ETS surcharge.

### Example

The average prior period fuel price was EUR 800 / tonne.

The average prior period EUA was EUR 80, therefore the ETS element is 103 / tonne of fuel consumed (80 x 3.206 conversion factor x 40% year one phase in).

Using our BAF calculation the total e (not actual), the energy surcharge is therefore as follows:

Average fuel Price	EUR 898 / Tonne	BAF	63%
Average Fuel Price + ETS	EUR 1001 (898 +103) / Tonne	BAF + ETS	70%
ETS Surcharge			7%