Aligning global shipping with society’s goals
How did the Sea Cargo Charter come to be?
How did we get there?

• **April 2018**: IMO Agreement sets level of ambition

• **June 2018**: Workshop on climate risk and collective ambition for the Poseidon Principles in London

• **September 2018 & April 2019**: Workshops in Singapore and Geneva to gather feedback from a broad group of stakeholders on the development of the Sea Cargo Charter

• **June 2019**: Launch of the Poseidon Principles

• **October 2019**: Drafting group kick-off meeting at the Global Maritime Forum Annual Summit in Singapore

• **November 2019 – March 2020**: Drafting begins on initial principles, now known as the Sea Cargo Charter

• **March 2020**: Webinars to seek feedback on initial draft from a wider group of stakeholders

• **March 2020 – July 2020**: Drafting group finalizes the Sea Cargo Charter

• **7 October 2020**: Launch of the Sea Cargo Charter at the Global Maritime Forum Virtual High-Level Meeting
The **Sea Cargo Charter** is a framework for assessing & publishing the climate alignment of our chartering activities.

It sets a standard for reporting emissions, thus enhancing **transparency** and creating a global baseline to support and work towards the greater goals for our society and the goal to align our maritime activities to be **environmentally responsible**.
Objectives & Scope

- What is its objective?
  To create a global baseline to support and work towards the greater goals for our society, and to align chartering activities to be environmentally responsible.

- Which environmental factors?
  Climate alignment is currently the only environmental factor considered by the Charter.

- Who is the Charter for?
  The Sea Cargo Charter is applicable to all dry and wet bulk charterers: those with interest in the cargo on board; those who simply charter out the vessels they charter in; as well as the disponent owners and all charterers in a charterparty chain.
Scope

The Sea Cargo Charter must be applied by Signatories in all bulk Chartering Activities that are:

- on time and voyage charters, including contracts of affreightment and parcelling, with a mechanism to allocate emissions from backhaul and ballast voyages,
- and for voyages carried out by dry bulk carriers, chemical tankers, oil (crude and product) tankers and liquified gas carriers,
- and where a vessel or vessels are of at least 5,000 gross tonnage and engaged in international trade.

The Sea Cargo Charter is applicable to parties involved in a contract for the purchase and sale of commodities, including chains or strings of such contracts, even if such parties do not assume the position of a charterer (e.g. FOB sellers or DAP buyers), but expect their contractual counterparties to become charterers.
Structure

**Principle 1**  
**Assessment**  
requires assessment of chartering activities’ climate alignment & defines methodology for calculation.

**Principle 2**  
**Accountability**  
to ensure that information provided is practical, unbiased, & accurate, Signatories only use reliable data types, sources & service providers.

**Principle 3**  
**Enforcement**  
to include the recommended Sea Cargo Charter Clause to ensure data collection is consistent with the commitments made by Signatories.

**Principle 4**  
**Transparency**  
to ensure both the awareness of the Sea Cargo Charter, & that accurate information can be published by the Secretariat in a timely manner.
We will annually assess climate alignment in line with the Technical Guidance for all chartering activities.

**Our Commitment**

Signatories will, on an annual basis, calculate the GHG emission intensity and total GHG emissions of their chartering activities, and will assess their climate alignment (carbon intensity relative to established decarbonization trajectories). This requirement takes effect for each Signatory in the following calendar year after the calendar year in which it became a Signatory.
IMO Initial Strategy

“to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008”

Background: Calculating Climate Alignment
What is a decarbonization trajectory?

The trajectory is produced using the IMO 3rd GHG study and emission reduction ambition set by MEPC in 2018.

The Sea Cargo Charter’s Trajectories consider:
- IMO absolute reduction target
- Projected transport demand from IMO GHG3

CO2 is the only GHG considered to follow the approach taken by IMO MEPC, and the Sea Cargo Charter will allow for revisions for new data and policy changes.
Selecting the right metric

- There are different types of metrics to assess climate alignment:
  - EEDI – *Energy Efficiency Design Index*, based on design characteristics of vessel
  - AER – *Annual Efficiency Ratio*, used by the Poseidon Principles
  - EEOL – *Energy Efficiency Operation Index*, based on operational carbon intensity based on activity

The Sea Cargo Charter uses EEOL to calculate climate alignment

The selection of this single metric is guided by an ambition that the Sea Cargo Charter use a *carbon intensity metric* which produces *the closest measure of the vessel’s true carbon intensity in operation* to a high level of granularity.

Background: Calculating Climate Alignment
Voyage carbon intensity

Data required:

- Amount of **fuel consumption** for each type of fuel in metric tonnes (over both ballast and laden legs)
- **GHG emission factor** of each fuel type
- **Distance traveled** in nautical miles (while laden with transported cargo)
- Amount of **cargo transported** in metric tonnes over the given voyage

\[
x_i = \frac{\text{Total voyage } CO_2}{\text{Total voyage transport work}} = \frac{C_i}{T_iD_i}
\]

For voyage \(i\):

- \(C_i\) is the total carbon emissions computed using the fuel consumption and emission factor of each type of fuel
- \(T_i\) is the amount of cargo transported
- \(D_i\) is the laden distance travelled on voyage \(i\)

For category \(j\):

\[
x_j = \frac{\text{Total category } CO_2}{\text{Total category transport work}}
\]
1. Calculate voyage alignment:

\[ \Delta_i = \left( \frac{x_i - r_s}{r_s} \right) \times 100 \]

\[ \Delta_j = \left( \frac{x_j - r_s}{r_s} \right) \times 100 \]

2. Calculate category alignment:

3. Calculate annual activity alignment:

   Aggregate category alignment by weighing with transport activity

For voyage \( i \):

\( r_s \) is the required carbon intensity for the ship type and size class for time period \( t \)

A positive alignment score means a voyage is misaligned (above the decarbonization trajectory), whereas a negative or zero score means a voyage is aligned (on or below the decarbonization trajectory).

Background: Calculating Climate Alignment
**Step 1: Voyage alignment**

<table>
<thead>
<tr>
<th>Vessel type</th>
<th>Vessel size</th>
<th>IMO</th>
<th>Voyage ID</th>
<th>Year</th>
<th>Transport Work (Mtnm)</th>
<th>CO₂ (t)</th>
<th>Actual CO₂ Intensity (gCO₂/tnm)</th>
<th>Required CO₂ Intensity (gCO₂/tnm)</th>
<th>Alignment Delta (%)</th>
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</thead>
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<td>#######</td>
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<td>62.0</td>
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<td>32514.0</td>
<td>43.0</td>
<td>38.70</td>
<td>11.1</td>
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</tbody>
</table>

**Worked example**
**Step 2: Category alignment**

<table>
<thead>
<tr>
<th>Vessel type</th>
<th>Vessel size</th>
<th>Year</th>
<th>Transport Work (Mtnm)</th>
<th>CO₂ (t)</th>
<th>Actual CO₂ Intensity (gCO₂/tnm)</th>
<th>Required CO₂ Intensity (gCO₂/tnm)</th>
<th>Alignment Delta (%)</th>
</tr>
</thead>
<tbody>
<tr>
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<td>28312.0</td>
<td>33.7</td>
<td>35.73</td>
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<tr>
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<td>2080.7</td>
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<td>-7.0</td>
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<td>38.70</td>
<td>-1.4</td>
</tr>
</tbody>
</table>

**Worked example**
Step 3:
Annual activity alignment

The portfolio is climate aligned because it is 2.6% below the carbon intensity required for decarbonization in 2021 on average.

Worked example
Principle 2 | Accountability

We recognize the important role that verification mechanisms play in providing unbiased information to the industry. We will make our best effort to rely on such mechanisms, and any mandatory regulations, as explicitly identified in the Technical Guidance, for the provision of information used to assess and report on climate alignment.

Our Commitment

For each step in the assessment of climate alignment, Signatories will rely exclusively on the data types, data sources, and service providers identified in the Technical Guidance.
Accountability Requirements

- Specific accountability requirements regarding data types, data sources, and providers are stated at each step.
  
  **Step 1: Sourcing Data**
  **Step 2: Calculating voyage level carbon intensity & alignment**
  **Step 3: Calculating climate alignment of chartering activities**
  **Step 4: Disclosure**

- Two pathways:
  - **Preferred pathways** recommended: include verification mechanisms to maintain data veracity.
Accountability
Step 1: Sourcing Data

- One method for both pathway tracks
- Data sourced from:
  - **Owner** → voyage charter (together with noon/voyage reports)
  - **Signatory** → time charter
  - Estimated data → missing ballast legs
- Ensured by a recommended charter party clause

Preferred & Allowed Pathways Tracks

Source data for voyages under voyage charter from Owner

Source data for voyages under time charter from Signatory

Source data for missing ballast legs from one of three ways:
  a. AIS
  b. Extrapolation from actual ballast legs
  c. Distance or voyage calculator

Method:
Signatory collects data
Accountability
Step 2: Calculating voyage level carbon intensity & alignment

- Calculation of:
  - **voyage carbon intensity** (EEOI)
  - **voyage decarbonization delta**

- 2 methods for undertaking the calculations: either internally by the Signatory itself or by a **third party**.

- Source **standard decarbonization trajectories** from the Secretariat.
Accountability
Step 3: Calculating climate alignment of chartering activities

- Calculation of:
  - vessel category climate alignment
  - overall climate alignment

- 3 methods for undertaking these calculations:
  - preferred pathway includes verification of data and methodology by a third party (verification statement)

Diagram:

**Preferred Pathways Track**

- Source voyage alignments from Third party (from step 2)
  - Method 1: Third party performs calculations
    - Third party issues verification statement
  - Signatory performs calculations
  - Method 2 (a): Signatory performs calculations
  - Method 2 (b): Third party validates methodology for performing calculations

**Allowed Pathway Track**

- Source data from Signatory (from step 2)
  - Method 3: Signatory performs calculation
Accountability
Step 4: Disclosure

- One method for both pathway tracks.
- Additional information submitted to the Secretariat (will not be made public) to establish a quality control mechanism.

**Signatory reporting requirements**

<table>
<thead>
<tr>
<th>Becomes public</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Vessel category climate alignment</td>
</tr>
<tr>
<td>• Total annual activity climate alignment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Only shared with Secretariat and other Signatories</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Percentage of eligible chartering activities non-reporting.</td>
</tr>
<tr>
<td>• Percentages of eligible chartering activities for which preferred and allowed tracks were used.</td>
</tr>
<tr>
<td>• Percentages of eligible chartering activities for which measured and estimated data were used, and the source for estimated data.</td>
</tr>
<tr>
<td>• A list of the names of the third parties it used, if any, to complete steps 2 and 3 and the associated verification statement / report.</td>
</tr>
</tbody>
</table>

**Note:** Disaggregated data at a voyage level are NOT shared with the Secretariat.
Principle 3

Enforcement

We will ensure ongoing compliance with the Sea Cargo Charter for new chartering activities through contractual means by using the Sea Cargo Charter Clause in charter parties. We will contribute to the update of the Sea Cargo Charter Clause through the annual review process.

Our Commitment

Signatories will agree to work with owners, disponent owners and business partners to collect and process the information necessary to calculate carbon intensity, total GHG emissions and assess climate alignment.
Meeting enforcement requirements

- **Sea Cargo Charter Clause** - recommended charter party clause
- Included as part of the charter party agreement negotiated with the contractual counterparty.
- Ensures provision of data and consent for sharing data (with third party) and establishes appropriate privacy protections.
Principle 4  Transparency

"We will publicly acknowledge that we are a Signatory of the Sea Cargo Charter and we will publish the results of the climate alignment scores of our chartering activities on an annual basis in line with the Technical Guidance.

Our Commitment
1. Upon becoming a Signatory, the Signatory will publicly acknowledge that it is a Signatory.
2. On an annual basis, each Signatory will report the vessel category climate alignment scores and total annual activity climate alignment score of its chartering activities and supporting information to the Secretariat no later than April 30 (starting on the calendar year after the year of becoming a Signatory).
3. On an annual basis, each Signatory will publish their climate alignment scores in relevant institutional reports on a timeline that is appropriate for that Signatory (starting on the calendar year after the year of becoming a Signatory).
Transparency Requirements

**Requirement 1**
Upon becoming a Signatory, that Signatory will publicly acknowledge that it is a Signatory of the Sea Cargo Charter.

**Requirement 2**
On an annual basis, each Signatory will report the vessel category climate alignment scores and the total annual activity alignment score of its chartering activities and supporting information as per the accountability requirements to the Secretariat no later than 30 April. This requirement takes effect for each Signatory in the calendar year after the calendar year in which it became a Signatory.

**Requirement 3**
On an annual basis, each Signatory will publish the vessel category climate alignment scores and the total annual activity alignment score of its chartering activities in relevant institutional reports on a timeline that is appropriate for that Signatory.

**Publication by Sea Cargo Charter Secretariat**
The Secretariat will collect reported submissions from all eligible Signatories. By 15 June annually, the Secretariat will publish all vessel category climate alignment scores and total annual activity climate alignment scores at www.seacargocharter.org
**Reporting timeline**

- **Jan. 31**: Signatories collect data from owners for the previous year’s chartering activities.
- **April. 30**: Signatories report climate alignment scores and supporting documentation.

*The first calendar year of reporting, the Signatory reports on its chartering activities for the previous year (year of becoming a Signatory), starting from the next fiscal quarter date after the date of becoming a Signatory. Fiscal quarters starting dates are set as follows: Q1 - January 1st, Q2 - April 1st, Q3 - July 1st, Q4 - October 1st. Starting from the second calendar year of reporting, the Signatory reports on the entire previous calendar year.*
Becoming a Signatory
Governance

- The Sea Cargo Charter is governed by a separate legal entity, the Sea Cargo Charter Association, whose object is the management, administration, and development of the Charter.
- Led by a Steering Committee made up of Signatories. All Signatories become members of the Association.
- Global Maritime Forum to act as Secretariat with UMAS and Smart Freight Centre as Advisors.
- Self-funded by Signatory organizations
  - One-time Signatory Fee: 7,500 EUR
  - 2021 Annual Fee: 4,000 EUR
How to become a Signatory

STEP 1
- Submit **Standard Declaration** *(formal commitment)*
- Submit **Signatory Application** *(contacts & practical information)*

STEP 2
- Prepare and submit the **Self-Assessment** within 5 months of becoming a Signatory
THANK YOU

Please send any questions to the Secretariat of the Sea Cargo Charter Association at: info@seacargocharter.org

www.seacargocharter.org

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