Aligning global shipping with society’s goals
Here’s how a group of charterers is contributing to shipping’s low carbon future
How did the Sea Cargo Charter come to be?

- Poseidon Principles
- SEA Cargo Charter
- Shipping sector commitments
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**.
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 Drafting Group

Industry:

Supported by:
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 **dry and wet bulk charterers** as well as the disponent owners and all charterers in a charterparty chain.
The Sea Cargo Charter must be applied by Signatories in bulk charting activities that are:

• on time and voyage charters, including contracts of affreightment and parceling, with a mechanism to allocate emissions and ballast voyages,

• 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 engaged in international trade (excluding inland waterway trade).

All charterers are eligible to join:
• those with interest in the cargo on board;
• those who simply charter out the vessels they charter in;
• disponent owners;
• all charterers in a charterparty chain;
• companies involved in pools.

Scope

Starting from 1 January 2022, vessels under 5,000 GT are included.
Reporting to the Sea Cargo Charter is divided into four segments:

**SEGMENT 1** – Charterparties where the Signatory is the only time charterer and there is no charterparty chain or, if there is a charterparty chain, the Signatory is the final time charterer.

**SEGMENT 2** – Charterparties where the Signatory is the voyage charterer.

**SEGMENT 3** – Charterparties where the Signatory is an intermediate time charterer in a charterparty chain, or the bareboat charterer.

**SEGMENT 4** – Owned vessels: if, in addition to being a charterer on certain transactions, Signatories or companies within the same group also own vessels, they can also choose to include voyage of their owned vessels in their reporting.

*Segments 1 and 2 are mandatory. Segment 3 is optional. Segment 4 is optional and only open to Signatories who are also reporting in Segments 1-3.*
**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.
Assessment

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 decarbonisation 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”

- the Absolute Target

“to reduce CO₂ emissions per transport activity by at least 40% by 2030, pursuing efforts towards 70% by 2050 compared to 2008”

- the Intensity Target

**Ambition of the Sea Cargo Charter**

For the purpose of the Sea Cargo Charter, the Absolute Target is used (because it is more ambitious than the Intensity Target – see figure above). This Target is converted into a relative carbon-intensity target to have a methodology better-suited for voyage-level comparison of emissions.
Calculating climate alignment
Climate alignment = degree to which voyage carbon intensity of a vessel category is in line with a decarbonisation trajectory

decarbonisation trajectory
A decarbonisation trajectory is a representation of how many grams of CO₂ can be emitted to move one tonne of goods one nautical mile (gCO₂/tnm) over a time horizon to be in line with the IMO Absolute Target.

The method used for establishing the decarbonisation trajectory up to 2050 is derived from emission and transport work data from the Fourth IMO GHG Study.

EEOI metric to calculate carbon intensity
EEOI is a carbon intensity metric which produces the closest measure of the vessel’s true carbon intensity in operation to a high level of granularity.

Data required:
- fuel consumption (ballast & laden legs)
- fuels GHG emission factor
- distance traveled
- cargo transported

Methodology in a nutshell
1. Calculate **voyage** alignment

2. Calculate **vessel category** alignment

3. Calculate **annual activity** alignment

Calculating climate alignment

A **positive alignment score** means a voyage is **misaligned** (above the decarbonization trajectory).

A **negative or zero score** means a voyage is **aligned** (on or below the decarbonization trajectory).

A DETAILED OVERVIEW OF THE METHODOLOGY IS TO BE FOUND IN THE TECHNICAL GUIDANCE.
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 pathway** is recommended: includes 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
Accountability
Step 2: Calculating voyage level carbon intensity & alignment

- Calculation of:
  - voyage carbon intensity (EEOI)
  - voyage decarbonisation delta

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

- Source standard decarbonisation 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)
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 Template is available on the website for a standardized disclosure by all Signatories.

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

**Signatory reporting requirements**

<table>
<thead>
<tr>
<th>Becomes public</th>
<th>Only shared with Secretariat and other Signatories</th>
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<tbody>
<tr>
<td>- Vessel category climate alignment</td>
<td>- Percentage of eligible chartering activities non-reporting.</td>
</tr>
<tr>
<td>- Total annual activity climate alignment</td>
<td>- Percentages of eligible chartering activities for which preferred and allowed tracks were used.</td>
</tr>
<tr>
<td>- Scope’s segments included in activities reported</td>
<td>- Percentages of eligible chartering activities for which measured and estimated data were used, and the source for estimated data.</td>
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<tr>
<td></td>
<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>
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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.
- Supported by **Data Collection Templates** (TC&VC & general parceling, chemical parceling) to support data collection.
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.
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.
Annual Disclosure Report 2023

- **33 Signatories** reported the **climate alignment of their chartering activity** for 2022.
- Together, these 33 Signatories **moved over 17% of total bulk cargo transported by sea in 2022**.
- **14 Signatories were aligned** with the IMO’s goal of reducing shipping emissions by at least 50% by 2050.
- Signatories were **on average +1.7% misaligned** with the decarbonisation trajectory in 2022 (simple average).
- Scores ranged **from -21.8% (aligned) to +21.4% (misaligned)**.
Annual Disclosure Report

- For the second time, some of the world’s largest energy, agriculture, mining, and commodity trading companies publish the climate alignment of their shipping activities.

- Signatories gained unprecedented insights. This access to new data allows them to:
  - better understand the climate impacts of their business activities;
  - work with their business partners in driving carbon efficiency;
  - support operational and strategic decision-making with real data.
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. All Signatories are members of the Association.
- Led by a **Steering Committee** made up of 10 to 15 Signatories.
- Global Maritime Forum acts as the **Secretariat** with UMAS and Smart Freight Centre as **Advisory**.
- Self-funded by Signatory organizations.
Becoming a Signatory
How to become a Signatory

**STEP 1**
- Submit **Standard Declaration** *(formal commitment)*
- Submit **Signatory Application Form** *(contacts & practical information)*
- Submit signed **Membership Agreement** *(agreeing with rules of the Association)*

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

There are two different kinds of fees:

**Signatory Fee**
The Signatory Fee is a one-time payment when becoming a member of the association

€10,000 in 2023

**Annual Fee**
Paid annually. In the first year, the Annual Fee is required in addition to the Signatory Fee.

€7,500 in 2023
Why joining?

The benefits for our Signatories

- Contributing to an initiative that is ground-breaking in the spheres of shipping: align with societal goals and contribute to the decarbonisation efforts.
- Understanding of climate alignment of your chartering activities.
- Inform decision-making: access to valuable asset-level information that can be used to assess potential climate risks that may impair returns in the future.
- Incorporate climate change mitigation in business practices.
- Benefit of being part of a network of like-minded organizations; support & exchange of best practices within the Association.
THANK YOU

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

Resources & more information can be found at: www.seacargocharter.org

LinkedIn  Twitter  Facebook