Aligning global shipping with society’s goals
The Drafting Group

Industry:

Supported by:
How did the Sea Cargo Charter come to be?

- Poseidon Principles
- Sea Cargo Charter
- Shipping sector commitments

International Maritime Organization (IMO)
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 **dry and wet bulk charterers** as well as the disponent owners and all charterers in a charterparty chain.
Scope

- The Sea Cargo Charter must be applied by Signatories in bulk chartering 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).

Until 31 December 2021, vessels under 5000 gross tonnage are excluded. Starting from 1 January 2022, vessels under 5000 GT are also included.


Scope

- 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.
Principle 1: 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 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”
What is a decarbonization trajectory?

The trajectory is produced using the IMO 4th 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 GHG4

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
  - EE0I – *Energy Efficiency Operation Index*, based on operational carbon intensity based on activity

The Sea Cargo Charter uses EE0I 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 as per the bill of lading

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

*For voyage i:*

- \( C_i \): 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

\[
x_j = \frac{\text{Total category } CO_2}{\text{Total category transport work}}
\]

*For category j:*
1. Calculate **voyage** alignment:

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

2. Calculate **vessel category** alignment:

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

3. Calculate **annual activity** alignment:

*Aggregate category alignment by weighing with transport activity*

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**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).
**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>$\text{CO}_2$ (t)</th>
<th>Actual $\text{CO}_2$ Intensity (g$\text{CO}_2$/tnm)</th>
<th>Required $\text{CO}_2$ Intensity (g$\text{CO}_2$/tnm)</th>
<th>Alignment Delta (%)</th>
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<td>#######</td>
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</table>
**Step 2: Category alignment**

<table>
<thead>
<tr>
<th>Vessel type</th>
<th>Vessel size</th>
<th>Year</th>
<th>Transport Work (Mtnm)</th>
<th>$\text{CO}_2$ (t)</th>
<th>Actual $\text{CO}_2$ Intensity (gCO$_2$/tnm)</th>
<th>Required $\text{CO}_2$ Intensity (gCO$_2$/tnm)</th>
<th>Alignment Delta (%)</th>
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</thead>
<tbody>
<tr>
<td>Bulker</td>
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<tr>
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</tbody>
</table>

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

The portfolio is climate aligned because it is 20.7% below the carbon intensity required for decarbonization in 2021 on average.

<table>
<thead>
<tr>
<th>Year</th>
<th>Transport Work (Mt/mm)</th>
<th>CO₂ (t)</th>
<th>Alignment Delta (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
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<td>134106.0</td>
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</table>

![Graph showing carbon intensity over time with a downward trend line and markers indicating data points.]

**Worked example**
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: 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 charting 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.

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

**Signatory reporting requirements**

**Becomes public**
- Vessel category climate alignment
- Total annual activity climate alignment
- Scope’s segments included in activities reported

**Only shared with Secretariat and other Signatories**
- Percentage of eligible chartering activities non-reporting.
- Percentages of eligible chartering activities for which preferred and allowed tracks were used.
- Percentages of eligible chartering activities for which measured and estimated data were used, and the source for estimated data.
- 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.
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
Reporting timeline

*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.

Calculation of Climate Alignment

<table>
<thead>
<tr>
<th>Apr. 30</th>
<th>Jun. 15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signatories report climate alignment scores for the previous year and supporting documentation</td>
<td>Climate alignment scores published on <a href="http://www.seacargocharter.org">www.seacargocharter.org</a></td>
</tr>
<tr>
<td>Signatories publish climate alignments in relevant institutional reports</td>
<td></td>
</tr>
</tbody>
</table>

Starting in the next calendar year after becoming a Signatory*
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. All Signatories become members of the Association.

- Led by a **Steering Committee** made up of 10 to 15 Signatories.

- Global Maritime Forum acts 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 Form** *(contacts & practical information)*
- Submit signed **Membership Agreement** *(joining of the Association)*

**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

Resources & Signatories can be found on the website: www.seacargocharter.org