



# The Sea Cargo Charter

## Frequently Asked Questions

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## **How do I contact the Secretariat of the Sea Cargo Charter Association?**

Please send any questions to the Secretariat of the Sea Cargo Charter Association at: [info@seacargocharter.org](mailto:info@seacargocharter.org)

# Background

## Shipping and chartering

The maritime sector has provided efficient economic services that have played a key role in enabling the growth of global trade and global economic development. However, this has not been without some adverse consequences unique to the maritime sector. The continued success of the maritime sector is intrinsically linked to the well-being and prosperity of society. Therefore, all industry participants must play a role in addressing adverse consequences.

The Sea Cargo Charter was developed in recognition of charterers' role in promoting responsible environmental stewardship throughout the maritime value chain. They are an initiative unique to charterers and bridge climate change commitments set out by the International Maritime Organization (IMO) as well as the corporate expanding environmental expectations.

The Sea Cargo Charter was developed through a global consultation. The Charter borrows the concept of creating globally agreed common baselines that can act as established minimum standards from the Poseidon Principles. By making valuable asset-level climate alignment data available to Signatories, the Sea Cargo Charter is supportive of the United Nations' Sustainable Development Goals, the Global Logistics Emissions Council (GLEC) Framework, the Carbon Disclosure Project (CDP), Energy Transitions Commission, and the many others that are developing to address adverse impacts.

## What is the IMO, and what did they decide regarding GHG emissions?

The IMO is the United Nations' specialized agency with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships. The IMO approved an Initial greenhouse gas (GHG) Strategy in April 2018 to reduce GHG emissions generated by shipping activity. This Initial Strategy sets out the following levels of ambition:

1. To reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008.
2. To reduce CO<sub>2</sub> emissions per transport work by at least 40% by 2030, pursuing efforts towards 70% by 2050 compared to 2008.

According to the IMO, the shipping industry's governing body, the sector currently accounts for c2.2% of global emissions. Left unchecked, shipping emissions are expected to grow by 50-250% by 2050.

While CO<sub>2</sub> represented almost all of the industry's GHG emissions (98%), methane (CH<sub>4</sub>) emissions from ships increased over this period (particularly over 2009–2012) due to increased activity associated with the transport of gaseous cargoes by liquefied gas tankers due to methane slip. There is potential for this trend to continue in the future if shipping moves to liquefied natural gas (LNG)-powered ships.

Nations pledged in the 2015 Paris Agreement "to achieve a balance between anthropogenic emissions by sources and removals by sinks of GHG in the second half of this century". This means getting to "net zero emissions" between 2050 and 2100. 2050 therefore represents a key milestone in the Paris Agreement, which the IMO explicitly references in its Strategy.

The Strategy does not alone secure 1.5°C or clearly show that efforts have been pursued to achieve this. The Strategy increases the possibility of being able to keep global average temperature increases within this limit. Immediate measures to implement the Strategy will be required to urgently peak and reduce GHG emissions in line with 1.5°C. The Strategy will be reviewed in light of the United Nations' Intergovernmental Panel on Climate Change (IPCC) 1.5°C report in September 2018. Critical to the viability of 1.5°C is whether the Strategy is converted into significant GHG reductions before 2023, and this is dependent on the outcome of future IMO meetings and their ability to agree and then rapidly deploy policy measures.

# The Sea Cargo Charter

## What is the Sea Cargo Charter?

The Sea Cargo Charter is a framework for assessing and disclosing the climate alignment of chartering activities. The Sea Cargo Charter creates common global baselines that are consistent with and supportive of society's goals to better enable charterers to align their chartering activities with responsible environmental impacts. The four Principles constituting the Sea Cargo Charter are:

1. Assessment of climate alignment
2. Accountability
3. Enforcement
4. Transparency

## What is the objective of the Sea Cargo Charter?

The Sea Cargo Charter 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 charterers' maritime activities to be environmentally responsible. The objective is to organize a group of aligned and committed charterers to take ownership of a set of principles to integrate climate considerations into charterparties, consistent with the climate-related goals of the IMO.

The Charter aims to be voluntary, practical to implement, verifiable, fact-based, and effective. Signatories commit to implementing the Charter in their internal policies, procedures and standards.

The Charter is intended to evolve over time following a regular review process to ensure that the Charter is practical and effective, is linked to and support the IMO's GHG measures developed through 2023, and that further environmental factors are identified for inclusion.

## What is the objective of each of the Principles?

### Principle 1 - Assessment of climate alignment

This Principle provides step-by-step guidance for measuring charterers' climate alignment with the agreed climate target. It establishes a common methodology for calculating the carbon intensity and total GHG emissions, and thus also provides the input needed to track the decarbonization trajectories used to assess Signatories' alignment.

### Principle 2 - Accountability

To ensure that information provided under the Principles is practical, unbiased, and accurate, it is crucial that Signatories only use reliable data types, sources, and service providers.

### Principle 3 - Enforcement

This Principle provides the mechanism for meeting the requirement of the Sea Cargo Charter. It also includes a recommended charter party clause, the Sea Cargo Charter Clause, to ensure data collection. While the wording of the Sea Cargo Charter clause is strongly recommended, it is not compulsory for Signatories. However, if all Signatories start using it, it will de facto be in common usage.

### Principle 4 - Transparency

The intent of the transparency principle is to ensure both the awareness of the Sea Cargo Charter, and that accurate information can be published by the Secretariat in a timely manner. Furthermore, transparency is key in driving behavioral change.

## **What is the scope of the Sea Cargo Charter, and why?**

Climate alignment is currently the only environmental factor considered by the Sea Cargo Charter. This scope will be reviewed and may be expanded by Signatories on a timeline that is at their discretion.

The Sea Cargo Charter is applicable to 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.

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

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

In addition, 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. When such parties become signatories to the Sea Cargo Charter, they shall use their best endeavors to ensure that their contractual counterparties adhere to the Sea Cargo Charter.

The scope will be reviewed and may be expanded by Signatories on a timeline that is at their discretion.

## **When was the Sea Cargo Charter officially launched?**

The Sea Cargo Charter was launched at the Global Maritime Forum Virtual High-Level Meeting on 7 October 2020.

## **Who has been involved in developing the Sea Cargo Charter?**

Workshops and presentations were held in late 2018-early 2019 in Singapore and Geneva to elicit feedback from a wide group of stakeholders (charterers and owners) on the development of the Sea Cargo Charter. The development of the Sea Cargo Charter was led by a drafting group constituted in October 2019 and chaired by Jan Dieleman, President of Cargill Ocean Transportation. The drafting group was spearheaded by representatives from all major segments in the industry – Anglo American, Dow Chemical, Euronav, Norden, Stena Bulk, Total, Trafigura - with support from Stephenson Harwood and in collaboration with the Global Maritime Forum, UMAS and Smart Freight Centre.



## Were shipowners involved in the discussions of the Sea Cargo Charter?

Shipowners of varying sizes and geographies have been engaged and consulted throughout the process of developing the Sea Cargo Charter, and some shipowners were members of the drafting group.

## Have international groups and NGOs been involved?

The Global Maritime Forum, Smart Freight Centre and UMAS have been part of this work since its inception. They have also been working with other initiatives – such as the Poseidon Principles – to ensure that various initiatives within the shipping sector are compatible.

A broader group of NGOs and other stakeholders have been kept informed throughout the process.

## How is the Sea Cargo Charter related to the Poseidon Principles?

The ambition to develop the Sea Cargo Charter finds its source in the very early stages of the Poseidon Principles. The four core Principles are the same for both the Poseidon Principles and the Sea Cargo Charter, but the two frameworks rely on different metrics. The Poseidon Principles uses AER - and can therefore rely on the IMO DCS to collect data -, while the Sea Cargo Charter uses EEOI and thus have a different approach to source data.

## What are the elements that will be addressed in future reviews of the Sea Cargo Charter?

Signatories to the Sea Cargo Charter recognize that the Charter is intended to evolve over time and agree to contribute to a review process when they, as Signatories, decide to undertake it. This process will ensure that the Sea Cargo Charter is practical and effective, is linked to and supports the goals set by the IMO, and that further adverse impacts are identified for inclusion.

Elements considered for future reviews include (the following list is not exhaustive):

1. Publication IMO MEPC 68 INF. 24, commissioned by the IMO secretariat, is an addendum to the Third IMO GHG Study and contains a dataset estimating the carbon intensities of individual ship types and sizes between 2010 and 2012. This shall be updated using evidence from the Fourth IMO GHG Study to recalibrate decarbonization trajectories if necessary. This process will be ongoing in order to ensure the relevance of the Sea Cargo Charter.
2. The Sea Cargo Charter aims at including fuels' lifecycle emission factors in the methodology. Lifecycle emission factors are currently being discussed at the IMO and a decision on this is expected in 2021 (tbc).
3. The quantification of GHG emission intensity according to the Sea Cargo Charter will, initially, be expressed in terms of CO<sub>2</sub> emissions, with the intent to move to CO<sub>2</sub> equivalent in line with any changes agreed by the IMO.

## Becoming a Signatory

### Who can be a Signatory?

At present, all bulk charterers 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 - can become Signatories.

While the Sea Cargo Charter has been primarily developed for the traditional cargo owners, many shipowners, even though this is not their primary activity, also have significant chartering activities and can thus become Signatories to the Sea Cargo Charter too.

### What is the benefit of becoming a Signatory?

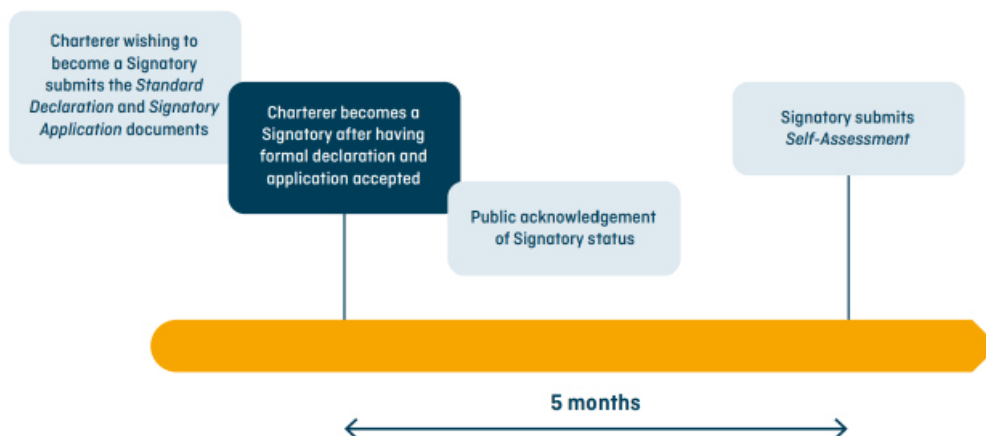
Becoming a Signatory of the Sea Cargo Charter creates a standardized method to request information from owners and measure climate alignment in a way that is useful as an industry for meeting the IMO's Initial Strategy. This not only allows Signatories to benchmark themselves vis a vis other Signatories but also provides them with a better understanding of their emissions related to their chartering activities, which have become increasingly important in their relationship with business partners, lenders, shareholders etc.

### How can my company become a Signatory?

The organization must complete and send the Standard Declaration and Signatory Application to the Secretariat of the Sea Cargo Charter Association.

### What is the process of becoming a Signatory?

Organizations wishing to become a Signatory of the Sea Cargo Charter must submit the Standard Declaration together with the Signatory Application to the Secretariat of the Sea Cargo Charter Association. Once accepted into the Association, the Signatory will have five months to complete and submit the Signatory Self-Assessment to the Secretariat. All documents are available from the Secretariat.



**Figure 16.**  
Timeline for becoming a Signatory of the Sea Cargo Charter

### What is the purpose of the Standard Declaration?

The Standard Declaration is the formal commitment required of charterers to become a Signatory. It announces the intent of the charterer to follow all requirements of the Charter. The Standard Declaration is available from the Secretariat.



## **What is the purpose of the Signatory Application?**

Along with the Standard Declaration, a charterer wishing to become a Signatory must complete the Signatory Application. This document outlines who is responsible for contact, reporting, invoicing, and other necessary functions to implement and maintain the Sea Cargo Charter within the Signatory's organization. The Signatory Application is available from the Secretariat.

## **What is the purpose of the Self-Assessment?**

The purpose of the Self-Assessment is to ensure that each Signatory has made appropriate arrangements to fulfil its obligations under the Sea Cargo Charter and identified any challenges to doing so. The Self-Assessment is as brief as possible to reduce the administrative burden, while still addressing the core responsibilities of Signatories to the Sea Cargo Charter. The Self-Assessment questions are available from the Secretariat.

## **How does this fit with other initiatives?**

The Sea Cargo Charter is designed from and in line with the Poseidon Principles and is also intended to support other initiatives, such as the United Nations' Sustainable Development Goals, the Global Logistics Emissions Council (GLEC) Framework, the Carbon Disclosure Project ("CDP"), Energy Transitions Commission, and the many others that are developing to address adverse impacts.

## **What are the fees for Signatories?**

The Signatory Fee is EUR 7,500 and is paid to the Sea Cargo Charter Association when becoming a Signatory. The Annual Fee for 2021 is EUR 4,000 and is paid annually to the Sea Cargo Charter Association in accordance to the Governance Rules. In the first year, the Annual Fee is required in addition to the Signatory Fee. The annual fee is exempted for Signatories who join the Sea Cargo Charter in 2020.

Because the budget of the Sea Cargo Charter Association is set in euros, the fees are also set in euros to avoid currency risks.

## **What are the benefits of being a Signatory?**

The Sea Cargo Charter was developed in recognition of charterers' role in promoting responsible environmental stewardship throughout the maritime value chain. Signatories will be recognized for contributing to an initiative that is ground-breaking in the spheres of shipping. Furthermore, Signatories will also gain access to valuable asset-level information that can be used to assess potential climate risks that may impair returns in the future.

## **I'm not a charterer – can I endorse the Sea Cargo Charter?**

The Sea Cargo Charter is only applicable to charterers 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.

Currently, there is not an official way to endorse or formally support the Sea Cargo Charter. Please contact the Sea Cargo Charter Secretariat to register your interest so that you can be contacted should a pathway for endorsement become available.

## Alignment

### What is climate alignment?

For the purposes of the Sea Cargo Charter, climate alignment is defined as the degree to which voyage carbon intensity of a vessel category is in line with a decarbonization trajectory (produced by the Secretariat of the Sea Cargo Charter based on agreed and clearly-stated assumptions) that meets the IMO's goal of reducing total annual GHG emissions by at least 50% by 2050 based on 2008 levels (absolute target). The IMO Initial Strategy's absolute target exceeds the intensity targets of reducing GHG emissions by 40% by 2030 and 70% by 2050, such that meeting the absolute target ensures that all IMO Initial Strategy objectives are achieved.

Alignment means that the annual activity of the Signatory is in line with the decarbonization trajectories over time. This may not happen every year; however, one misaligned year or two does not mean that it is impossible for the annual activity to align. It may take time to establish a downward trend in line with the trajectory over time.

### What is carbon intensity? How is it measured?

In shipping, carbon intensity represents the total operational emissions generated to complete one unit of transport work, which is measured in grams of CO<sub>2</sub> per tonne-nautical miles. For the Sea Cargo Charter, this is measured using a carbon intensity measure which is reported in unit grams of CO<sub>2</sub> per t-nm (gCO<sub>2</sub>/t-nm).

### How is the required carbon intensity value for each year up to 2050 calculated?

The values in Table 6 of the Technical Guidance can be extrapolated beyond 2022 using the linear relation presented in Figure 18 whose equation is  $y = -0.0219087236x + 45.0803518591$ .

### What are decarbonization trajectories?

In the context of the Sea Cargo Charter, a decarbonization trajectory is a representation of how many grams of CO<sub>2</sub> can be emitted to move one tonne of goods one nautical mile (gCO<sub>2</sub>/tnm) over a time horizon to be in line with the IMO's minimum threshold of 50% absolute emissions reduction.

The IMO's Strategy refers to GHG emissions for its absolute reduction but carbon intensity for its relative target. There is no reason for this distinction. The Charter derives its trajectories using an absolute reduction in carbon emissions. While this is a proxy for GHG emissions, it is the dominant source of GHG emissions in shipping and considered to be appropriate for now. In the future, other GHG emissions could be included in scope.

Decarbonization trajectories are specified by vessel categories defined by ship type and size because carbon intensities vary as a function of ship type and size, as well as a ship's technical and operational specification. The trajectory is used to help calculate the alignment of voyages, vessel categories and annual activity of Signatories.

### Who produces the decarbonization trajectories?

The Secretariat and official Advisors of the Sea Cargo Charter Association will produce and provide standard decarbonization trajectories for each ship type-class and size for Signatories, based on agreed and clearly stated assumptions. The trajectories and vessel categories are based on the Third IMO GHG study and an update considering the implications of the Fourth IMO GHG study will be undertaken in due course. Current initial analysis indicates that no significant changes are required in the trajectories.

They are produced in a format that allows for simple weighted aggregation. This is to ensure that once the carbon intensity of voyages is understood, it is simple and practical to understand climate alignment. This also ensures that numbers are comparable between Signatories.

## **How do the decarbonization trajectories align with the Paris Agreement?**

The trajectories are consistent with the IMO Strategy's minimum threshold of a 50% reduction of absolute carbon emissions in international shipping. This alone does not secure the Paris Agreement's well below 2°C global mandate and efforts to limit the temperature increase even further to 1.5°C.

## **How can annual alignment be improved in the short/medium term?**

The annual alignment can be improved by chartering vessels with lower carbon intensity through better performing vessels, more efficient operation or higher utilisation efficiency.

## **Is there an impact of carbon offsetting on the climate alignment?**

Being a Signatory to the Sea Cargo Charter does not preclude the use of carbon offsetting, but these are not considered when reporting emissions and assessing climate alignment under the Sea Cargo Charter: the full extent of operational emissions are captured in the assessment of climate alignment.

## Calculating EEOI

### What are the exact data needed in the calculations and who provides these data?

The carbon intensity metric requires the following data to compute it:

1. The amount of fuel consumed for each type of fuel in metric tonnes (over both ballast and laden legs)
2. The GHG emission factor of each fuel type
3. Distance travelled in nautical miles (while laden with transported cargo)
4. Amount of cargo transported in metric tonnes over the given voyage

Signatories are only allowed to use measured data to calculate their climate alignment. Signatories are expected to already have all the necessary data for time charters so only need to source data from owners for voyage charters. If and only if measured data can't be sourced for ballast legs, the Signatory will source estimated data exclusively for ballast legs.

### Are ballast legs and backhauls included in the calculations?

In order for all the actual emissions related to the transport work to be accounted for, the emissions from the previous ballast leg are to be included when calculating carbon intensity. While backhaul voyages increase utilisation, they are still to be considered as voyages contributing to emissions thus are to be accounted accordingly.

All ballast legs are accounted for in the calculations as estimated data must be sourced for missing ballast leg if measured data can't be sourced.

### What is the source of the CO<sub>2</sub> emission factors?

The carbon emission factors to be used can be found Resolution MEPC.308(73) and in Appendix 5 of the Sea Cargo Charter Technical Guidance.

### Does the methodology consider lifecycle emissions? What happens if alternative fuels are used for which CO<sub>2</sub> emission factors are not provided in Resolution MEPC.308(73)?

As ship owners and operators strive to keep up with emission reduction expectation, alternative fuels are being introduced to the industry. Currently, carbon factors for net or low carbon fuels based on lifecycle emissions are not considered. If desired, the consumption of these fuels can be documented in the supplementary fuel fields in the recommended Sea Cargo Charter Clause for data reporting which is available from the Secretariat. In order to still account for this activity, a fuel mapping chart is provided in Appendix 5 that specifies the carbon factors to be applied when calculating carbon intensity.

This is likely to evolve when new information become available from the IMO.

### What is the impact of the fuel type used?

Different fuels have different carbon content according to their chemical composition. This combines with the efficiency of the vessel's operation to determine the carbon intensity of voyages. The carbon emission factors to be used can be found in Resolution MEPC.308(73) and in Appendix 5 of the Sea Cargo Charter Technical Guidance. It should be noted that low sulphur variants carry the same carbon emission factor as high sulphur equivalents.

## **What about changes in ship design, specificities, efficiency, impact of retrofit works...?**

The impact of retrofits, improved ship design and operational efficiency measures is accounted for through fuel consumption relative to the transport work carried out.

## **What is the impact of the (slow) speed strategy/performance of vessels?**

The impact of operational efficiency measures is accounted for through fuel consumption relative to the transport work carried out.

## **Is there an impact of the age of the vessel?**

Typically, older vessels have higher fuel consumption meaning that carbon intensity may be higher; however, operational efficiency is also an important factor which may make up for the older technology.

## **Will double accounting of carbon emissions by different stakeholders related to the same cargo be an issue?**

Given that the aim of the Sea Cargo Charter is not to create an absolute emissions inventory, there is no risk of accounting for the same emissions multiple times. Using carbon intensity as a metric precludes this problem from occurring.

## **Will the process for collecting data be applied on time by the various parties?**

The data required for carbon intensity calculation is already readily available to vessel operators as it is collected for operational purposes and the keeping of mandatory logs. Therefore, no problems are envisaged with regard to data availability, although data requests and sharing may take time to be implemented; the recommended Sea Cargo Charter Clause ought to ease this process.

Signatories typically collect data on an ongoing basis so it is expected that they will have collected all needed data by 31 January for the last voyages of the previous year.

## **What are the consequences if Signatories can't obtain approval from all owners to collect the relevant data to perform the calculations?**

It is the opinion of the drafting group that they are well within their rights to ask their business partners for this information and that they will be able to source the data that are needed. However, it is recognized that collecting 100% of relevant data may not be possible in some circumstances.

In this instance, Signatories will be required to disclose the percentage of their eligible chartering activities for which they have non-disclosure to the Secretariat and their fellow Signatories. This information will be available to other Signatories. Please see Table 4 in the Technical Guidance of the Sea Cargo Charter for an example of this.

## **Is there a minimum threshold of data collection under which the calculations would be considered as non-relevant?**

There is no minimum threshold, but Signatories will be required to disclose the percentage of the eligible chartering activities for which there is non-disclosure. If there are significant inconsistencies, it will fall to the governance system to determine how to address the issue. This is to preserve the integrity and legitimacy of the Sea Cargo Charter, as this percentage is expected to improve over time.

## **Would it be possible to run a test on a theoretical portfolio of chartering activities?**

While the purpose of the Sea Cargo Charter is intended to represent actual transport work conducted during the reporting period, the alignment of annual activity can be carried out based on estimates from historic data or AIS activity.

## **Enforcement of the Charter**

### **What does enforcement look like?**

The enforcement process is outlined in the Technical Guidance and is the primary guide to meeting the requirements of the Sea Cargo Charter. The Secretariat, in conjunction with the Steering Committee will, as outlined in the Charter and the articles of association, update the technical guidance to ensure the Sea Cargo Charter is up to date.

### **What is the purpose of the Sea Cargo Charter Clause?**

It was at the request of the drafting group and shipowners that were consulted that the Sea Cargo Charter should include a recommended charterparty clause to request data from owners so that Signatories do not have to negotiate similar wording with every business partner.

The Sea Cargo Charter Clause provides a suggestion to Signatories about how to request the data required to calculate climate alignment at the voyage level. Incorporating this clause within charterparties will guarantee collection of the necessary data in a harmonized way across the activities of all Signatories.

While the clause wording is strongly recommended, it is not compulsory for Signatories. However, if all Signatories start using it in new contracts it will de facto be in common usage.

### **Has the clause been endorsed by industry associations?**

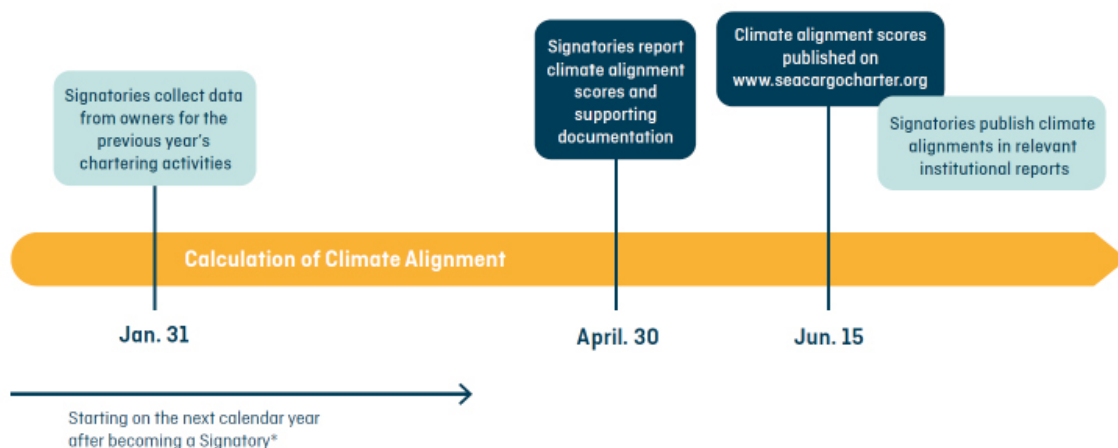
The Secretariat will continue to engage with those organisations to whom the market has entrusted the production of contractual terms with a view to including the wording of the recommended Sea Cargo Charter Clause as part of the industry's wider recognized standard terms.

## Reporting & Transparency

### What is the process for calculating and reporting climate alignment?

Signatories will annually assess climate alignment in line with the Technical Guidance for all eligible chartering activities. This means that Signatories will calculate the carbon intensity of voyages in order to assess vessel category climate alignments (by ship type and size) and their total annual activity climate alignment, using measured data and decarbonization trajectories produced by the Secretariat.

The timetable for implementation below highlights when there are important deadlines for alignment and reporting to comply with the Sea Cargo Charter.



\*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 1, Q2 - April 1, Q3 - July 1, Q4 - October 1. Starting from the second calendar year of reporting, the Signatory reports on the entire previous calendar year.

### What exactly do Signatories need to report? What of that becomes public?

As a Signatory of the Sea Cargo Charter, the reporting requirements are:

- (a) total annual activity climate alignment of a Signatory's eligible chartering activities reported as a +/- percentage,
- (b) vessel category climate alignments (defined by ship type and size) of a Signatory's eligible chartering activities reported as a +/- percentage,
- (c) percentage of eligible chartering activities non-reporting,
- (d) percentages of the chartering activities for which preferred and allowed pathway tracks were used,
- (e) percentages of eligible chartering activities for which measured and estimated data were used and the source for estimated data,
- (f) 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.

Only the Signatory's total annual climate alignment score (a) and alignment scores by categories (b) will be published. All other information listed above will be shared with other Signatories but will not be made public. This is intended to establish a quality control mechanism for Signatories while also ensuring that information that may be regarded as sensitive by some Signatories is not publicly disclosed.



## **What qualifies as “eligible chartering activities”?**

The Sea Cargo Charter aims to capture as much of the Signatories’ activity as possible which includes all voyages where the Signatory is the owner of the cargo being transported. If the Signatory charters out vessels, there is no obligation to report the activity carried out to transport cargo which is not owned by the Signatory but may still be included.

## **What is the difference between the reporting of the Sea Cargo Charter and the EU-MRV/IMO-DCS?**

The main difference is that the European Union Monitoring, Reporting and Verification (EU-MRV) and the IMO Data Collection System (IMO-DCS) are annual aggregations which do not offer the granular insight that reflects the day to day reality for charterers. The Sea Cargo Charter obliges reporting on a voyage basis thus providing emissions data that charterers can use to make better climate aligned decisions.

## **Does becoming a Signatory create significant reporting requirements?**

Every effort has been made to minimize the reporting requirements of the Sea Cargo Charter.

It is required that Signatories include their total annual activity climate alignment score and vessel category alignment scores in relevant institutional reports (e.g. sustainability reports) on a timeline that is appropriate for them.

## **How will the climate alignment scores be published?**

The Sea Cargo Charter Association will publish the climate alignment scores of Signatories on its website by 15 June annually. The Association will also publish a report which will provide some context in order to put the alignment score in perspective and correctly interpret them.

Signatories are required to publish their own climate alignments in relevant institutional reports (e.g., sustainability report). There is however nothing to stop individual Signatories to publish their climate alignments together with additional information that go beyond their obligations under the Sea Cargo Charter.

## **Governance**

### **How is the Sea Cargo Charter governed?**

The Sea Cargo Charter Association will manage, administer, and develop the Sea Cargo Charter. The members of the Sea Cargo Charter Association are the Signatories to the Sea Cargo Charter.

### **What are the roles within the Sea Cargo Charter Association?**

#### **Steering Committee**

The Steering Committee shall be comprised of 10 to 15 representatives of Signatories to the Sea Cargo Charter, with one representative per Signatory. One member will act as a Chair, one member as Vice Chair, one member as Treasurer. Management support roles may grow with the Sea Cargo Charter as determined by the Steering Committee. To this end, these roles will develop into the chairs of various working groups to incorporate a greater range of environmental and social factors and issues, adopted by the Steering Committee and Signatories as they see fit.

Steering Committee members must hold a senior position relevant for the Sea Cargo Charter. The Steering Committee leads the Annual Meeting and holds other meetings as necessary. Members of the Steering Committee are volunteers and are therefore not compensated by the Association.

#### **Signatories**

All Signatories are members of the Sea Cargo Charter Association and are encouraged to participate in and contribute to the management of the association in a manner that supports the Principles and is appropriate for their institution.

The charterers who have become Signatories will appoint a senior representative to join relevant meetings of the Association, such as the Annual Meeting. Just as with the Steering Committee, the representative must hold a position relevant to the Sea Cargo Charter.

Signatories can nominate a representative from their institution to become a member of the Steering Committee. Nominees are then voted into positions by all Signatories and serve a term in the Steering Committee as outlined in the Governance Rules.

### **What are the support roles within the Association?**

#### **Secretariat**

The role of the Secretariat is to maintain the day-to-day business and administration of the Steering Committee, Charter, and the Signatories. The Secretariat will serve a facilitating function in the Steering Committee.

The Secretariat role can be fulfilled by a relevant non-profit and independent third-party entity. This role is currently fulfilled by the Global Maritime Forum.

#### **Advisory**

The Advisory, similar to their existing role in the drafting group, will advise and guide the technical discussions and expertise of the Charter, including creating and revising the scope of the Charter, decarbonization trajectories and ensuring the used methodologies and data found in the Charter are current, relevant, and simple to implement for Signatories. As the Sea Cargo Charter grows, the Advisory will be involved in working groups. The Advisory will also take part in the Steering Committee meetings as needed.

Current advisors are Smart Freight Centre and UMAS.