The Sea Cargo Charter
Summary of requirements and implications for Signatories

The Sea Cargo Charter is a framework for assessing and disclosing the climate alignment of chartering activities around the globe.

The Sea Cargo Charter is a framework for creating common, global baselines that are consistent with, and supportive of, broader societal goals to better enable the alignment of chartering activities with responsible management of environmental impacts.

The Charter is consistent with the policies and ambitions of the International Maritime Organization (IMO), including its ambition to reduce shipping’s total annual greenhouse gas (GHG) emissions by at least 50% by 2050 compared to 2008.

The Charter is aligned 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.

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.

Background

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 the society we serve. Therefore, all industry participants must play a role in addressing adverse impacts. Financial institutions have already taken the first step by launching the Poseidon Principles in June 2019, which this initiative also supports.

The Sea Cargo Charter has been developed by a drafting group chaired by Jan Dieleman, President of Cargill Ocean Transportation and composed of representatives from all major segments in the industry (Anglo American, Dow, Euronav, Norden, Stena Bulk, Total, Trafigura and supported by Stephensen Harwood), in collaboration with the Global Maritime Forum, UMAS and Smart Freight Centre.

Scope

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 LNG 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.

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 Principles of the Sea Cargo Charter and their requirements

The requirements for Signatories fall under the four Principles that constitute the Sea Cargo Charter:

1. **Assessment of climate alignment.**
   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.

2. **Accountability.**
   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.

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

4. **Transparency.**
   Signatories will publicly acknowledge their Signatory status of the Sea Cargo Charter and will publish the results of the climate alignment scores of their chartering activities on an annual basis in line with the Technical Guidance.

**Timeline for Signatories**

The general timeline of the requirements for Signatories is as outlined in the figure below.

**Fees for Signatories**

The Signatory Fee is EUR 7,500 and is paid once 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.