

UK ETS extension to maritime | The case for Lifeline Ferries

Ferry services are an essential part of the UK's national infrastructure. They are not discretionary or optional forms of travel: for more than **2.4 million people**, ferries provide critical access to healthcare, education, employment, and essential goods. Each year, there are **37.8 million domestic ferry passenger journeys**—over **100,000 every day**—and for many island and coastal communities, there is simply **no road, rail or air alternative**. These services are, in effect, lifelines.

As the UK Emissions Trading Scheme (UK ETS) expands to include maritime transport, the impact on these routes will be immediate and unavoidable. There is currently **limited grid capacity, insufficient shore power**, and no **alternative fuels** available at scale across the UK to support meaningful emissions reductions. This means that, as currently proposed, the UK ETS will function not as a decarbonisation tool but as a **straight cost pass-through** to operators, users, and local economies.

As a result, there could be significant cost escalation across lifeline routes. Based on evidence from the EU ETS experience, estimates show that fuel costs for operators could rise by **25–30%**, and passenger fares by up to **15%**. These pressures will fall on families, commuters, small businesses, food and essential goods supply chains, and the tourism sector that underpins many island economies.

There is clear precedent for a more proportionate approach. Scottish Islands have been granted an exemption from the schemes and the **EU ETS** includes exemptions for routes essential to island connectivity until **2030**.

The Isle of Wight, despite having no fixed link to the mainland and having been formally recognised as providing lifeline services during COVID, faces significant impacts under the current UK ETS proposals, despite significant investment in green technology, due to lack of available grid capacity both on the island and on the mainland with no timeframe for remediation. Without an exemption, the ETS expansion would penalise the community, with one operator estimating costs £1 million initially, rising in 2028. Similar pressures will fall on services to the Isles of Scilly, the Channel Islands and the Isle of Man, where ferries provide the only dependable year-round transport links for their communities.

Additionally, consideration should be given to the GB-Northern Ireland routes - which are essential for economic and social connectivity, given the scheme will add additional burden, cost and complexity, further straining the Windsor Framework. For these routes operators estimate costs may rise by approximately £15 per unit and expected passthrough that will exceed £9m p.a.

This situation places ferry companies in an impossible position. We are committed to decarbonisation, having already made substantial investments in more sustainable vessels, including methanol-ready ships, shore-power capability and rotor sails. However, the infrastructure needed to fully realise the emissions-reducing benefits of these innovations is not in place. Imposing significant ETS costs under these circumstances would divert essential investment away from clean technologies, and perversely incentivises smaller, more polluting vessels, undermining shared decarbonisation objectives.

What we are asking Parliament to support is precise and targeted.

- **An evidence-based, route-level assessment before additional costs are imposed.**
- **Time-limited exemptions for lifeline ferry services.**
- **Commitment to develop infrastructure to allow ferry operators to realise their investment and reduce emissions.**

These steps would ensure that the decarbonisation policy is **effective, proportionate, and fair**, while safeguarding the transport links that many communities quite literally cannot live without.

UK ETS extension to maritime | The bigger picture

From July 2026, the UK Emissions Trading Scheme (UK ETS) will extend to maritime transport. Parliament is being asked to approve this expansion **with less than five months' preparation time**, despite **the absence of essential technical guidance** and the **necessary portside infrastructure**.

As things stand, **the scheme risks creating cost rather than decarbonisation and will fall short of its intended objectives**.

Shipping is a strategic national asset and a cornerstone of the UK's prosperity:

- **£46.2 billion total** Gross Value Added (GVA) supported across the economy. **£16.1 billion** in direct GVA.
- Over **98,000 people** employed directly, **supporting 728,000 jobs** in total.
- **100,000 vessel calls** at UK ports annually—**one every five minutes**, facilitating **95% of UK trade**, and playing a **pivotal role in the UK's green energy transition**

A central challenge is that ships cannot meaningfully reduce emissions under current UK conditions. Shore power, alternative fuels, and upgraded grid capacity are all prerequisites for genuine abatement, yet none of these are available at scale in UK ports. Without the tools to cut emissions, operators face an unavoidable reality: **the UK ETS functions not as a decarbonisation mechanism but as a carbon tax, increasing operating costs without reducing emissions**.

The Government's own Impact Assessment raises further concerns about value for money. It estimates £179 million in administrative costs compared with just £22 million in abatement investment—**meaning that for every £1 spent on actual emissions reduction, £8 is spent on bureaucracy**. This imbalance undermines the scheme's efficiency and raises questions about whether it delivers meaningful environmental benefit.

There is also no commitment to reinvest ETS revenues into maritime decarbonisation. While the EU has ringfenced ETS income for green maritime measures, the UK has not followed suit. Without revenue recycling, **the scheme risks diverting capital away from innovation, weakening business confidence, and slowing the development of cleaner ships and port infrastructure**.

The competitive implications for the UK are significant. The sector faces potential reductions in UK port calls, higher freight and passenger costs, and the risk of duplicative regulation alongside the EU ETS. Operators also warn of possible **double charging and carbon leakage**—where emissions (and economic activity) are displaced to ports outside the UK. Concerns about **a weak enforcement framework**, including the absence of a ship-level compliance document equivalent to the EU's, add to the uncertainty. **The ETS also undermines the UK's offshore competitiveness**. Essential to the construction, operation, and maintenance of offshore wind, subsea cables, and energy infrastructure critical to net-zero, inclusion in the ETS from 2027 will divert investment from fleet renewal, **weaken the offshore supply chain, and ultimately slow, rather than accelerate, the transition**.

Shipping is a global industry, and **global rules remain the most effective pathway to net zero**. The International Maritime Organisation (IMO) is currently negotiating a Global Net Zero Framework. Acting unilaterally before these negotiations conclude **risks fragmenting regulation, undermining international progress, and imposing substantial costs without delivering proportionate emissions savings**.

What we are asking Parliament to support

- **A delay to maritime inclusion until infrastructure and technical guidance are in place.**
- **Ringfencing maritime ETS revenues to support meaningful decarbonisation, as the EU has.**
- **Protection for lifeline ferry services and the island communities that depend on them.**
- **Alignment with emerging IMO frameworks and existing EU systems.**