UK ETS extension to maritime | Parliamentary Briefing

The Government plans to bring the UK domestic maritime sector into the UK ETS from **1 July 2026**, with further consideration of including international voyages. The industry supports net zero but current proposals risk **raising costs for passengers and island communities**, **diverting capital away from decarbonisation**, and **harming UK competitiveness** before essential infrastructure is in place. Parliament is being asked to **approve legislation with less than six months for operators to prepare.**

Our Asks of Parliament

- **Delay inclusion of maritime in the UK ETS** until full evidence and guidance is published
- **Ringfence maritime ETS revenues for decarbonisation projects**, as the EU has committed to do
- **Provide exemptions for lifeline ferry services and island communities** to protect essential connectivity
- **Do not regulate for international emissions** until IMO negotiations are completed

A UK ETS Must Support Decarbonisation - Not Undermine It

As currently envisaged the ETS will operate as a carbon tax, not a decarbonisation lever. Premature taxation will divert capital from decarbonisation.

- The UK Chamber strongly supports emissions reduction, but pricing emissions before access to funding and infrastructure for alternative fuels and power sources exist will not achieve the shared goal of reducing carbon emissions, improve air quality or support the UKs net zero goals.
- The UK ETS will function as a carbon tax, not a decarbonisation tool, because vessels cannot yet access alternative fuels, onshore power or adequate grid capacity to reduce emissions at berth - None of which exists at scale in UK ports today. For example, by 2028, 80% of the global cruise ship fleet will be shore power capable and one third of these vessels call in the UK, yet Southampton is the only UK port with cruise shore power, and even that is limited.
- The stated aim of the extension to maritime as set out by the Government, is to drive and incentivise emissions reduction. However, unlike the EU, which has pledged to ringfence revenues from the EU ETS for targeted maritime decarbonisation projects, the UK has yet to outline such a policy commitment. Without an unequivocal commitment to recycle revenues from maritime under the UK ETS into much needed and vital infrastructure, such as shore power, alternative fuels, vessel retrofits, and hybrid/electric ferries, the UK ETS will simply divert capital away from green investment, including hybrid and electric vessels.

The scheme therefore risks penalising operators before necessary infrastructure exists, undermining vital investment confidence and burdening essential services.

Costs for Passengers and Island Communities Will Rise

The proposals do not currently provide adequate protections for essential connectivity, and will increase costs for coastal communities around the UK

- 2.4 million people rely on lifeline ferry services throughout the UK for access to healthcare, education, and essential goods. There are 37.8 million domestic ferry passengers annually - over 100,000 daily journeys.
- Under the current proposals routes serving the Isle of Wight will face immediate impacts and disproportionate burden. Furthermore, under proposed extensions, routes serving Isles of Scilly, Channel Islands and Isle of Man would also be impacted. Despite these communities being dependent on maritime access, and the government has not conducted any quantitative analysis

of these impacts. Exemptions for Scottish Islands and EU ETS exemptions for island connectivity until 2030 provide a clear precedent.

- Estimates show that without an exemption, annual fuel costs may increase by up to 25-30%. The EU ETS has increased costs on intraEU maritime transport by around £1bn annually, with ticket price impacts estimated up to 15%—similar outcomes are expected under the UK ETS, pushing up costs for constituents within these communities and risking inflationary impacts for freight and goods.
- The Government's own risk assessment acknowledges that there will be cost pass-through to consumers but does not include economic or environmental assessments of these impacts UK specific estimates. Policy is therefore being introduced without evidence on its most affected 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.
- With UK ETS compliance costs projected to reach millions, regional ferry operators face an untenable position. These companies have already invested heavily in green technologies and remain committed to decarbonisation. Imposing significant costs under these circumstances would divert investment away from clean technologies - such as multi-million-pound hybrid vessel designed for future all-electric retrofit - and penalise operators for factors beyond their control.

Failure to apply an exemption would significantly impact these services' capacity to invest in decarbonisation, while maintaining vital links for island communities, who rely on these services for regional and tourism, with severe consequences for these communities.

A global regulatory framework is the best route to reducing global shipping emissions

Fragmented regional ETS regimes may undermine the energy transition and jeopardise world trade through distorted market conditions and unfair competition.

- The IMO (International Maritime Organisation) is negotiating a global Net Zero Framework (NZF). Unilateral UK action risks weakening international consensus, creating fragmentation, and undermining decarbonisation efforts. The industry supports a global regulatory framework for net zero as the cornerstone of maritime decarbonisation, and, following the delayed outcomes of the IMO NZF negotiations in October 2025, industry remains committed to international cooperation, under the leadership of the IMO to achieve this and the UK can lead globally by championing a unified IMO-based approach.
- The alternative is a complicated and inefficient patchwork of national and regional regulatory frameworks which will create market distortions and an unlevel playing field within a global industry.
- The expansion of the UK ETS to domestic voyages paves the way to a further expansion of the scheme to international voyages, as noted in the published impact assessment, to include emissions from international voyages within the remit of the UK ETS. This would risk undermining the IMO negotiations, creating duplicative systems, and damaging the UK's global competitiveness. The UK should not therefore seek to unilaterally implement measures for international emissions (either in port, or from international voyages to/from the UK) until the international negotiations at IMO are concluded.
- In the continued absence of a global measure, full technical and operational dynamic alignment between the UK ETS and EU ETS is essential. Divergence in scope, definitions, surrender timelines or enforcement mechanisms would materially increase the risk of carbon leakage, port avoidance behaviour and competitive distortion, without delivering corresponding environmental benefit. Alignment now, and future proofing that alignment, is therefore critical to ensure emissions are genuinely reduced rather than displaced.

In the absence of a global measure, full technical and operational dynamic alignment between the UK and EU ETS is essential to prevent market distortion and erode the UKs competitive advantage.

Support a competitive business environment for UK Shipping

The domestic and proposed international measures will harm UK competitiveness, increase costs and create market distortion

- Industry analysis shows that expanding UK ETS could reduce UK port calls, disrupt supply chains, and increase costs for UK consumers through higher freight charges. it will increase operating costs at a time when alternative fuels and shore-side electricity are largely unavailable in ports. To remain commercially viable, operators will be forced to increase ticket prices and pass costs on to customers and end consumers.
- UK maritime competitiveness is already affected by the EU ETS and unilateral UK action risks worsening this. We therefore urge Government to delay expanding the UK ETS to international voyages until a complete impact assessment is undertaken.
- Additionally, there continues to be uncertainty for the inclusion of the offshore sector from 2027. Alignment is critical, given the need for a level playing field for UK operators and UK Ports. This is particularly damaging given the wider economic pressures for the offshore sector, as regulation and costs within the renewable sector continue to add strain to operators, who provide significant employment and are vital to supporting the green transition.
- The current proposals for both domestic and international emissions may inflict further harm on UK businesses when faced with regulation burden and compliance costs. The proposals lack clear definitions for voyages and port areas, risking duplicate reporting and double charging when vessels are also in scope of the EU ETS. Additionally, without a ship-level Document of Compliance (DoC), foreign operators could call at UK ports without any practical enforcement measures built into the UK legislation, exposing UK-based companies to stricter compliance while others could evade liability as ships enter and leave ports without the necessary port state control checks (as is typical for the maritime sector).
- Businesses also face huge uncertainty, without full and clear guidance from Government on implementation. Despite industry efforts to support the government in policy development, with less than 6 months to entry into force, industry has not been provided with necessary technical guidance and supporting detail, preventing operators from meeting requirements and effectively resulting in a tax on emissions they cannot avoid, undermining business confidence and increasing costs.
- The Government's own Impact Assessment indicates that administrative costs (£179m) far exceed expected abatement investment (£22m), – meaning that for every £1 spent on decarbonisation, eight are spent on bureaucracy - raising serious questions about value for money and policy design.
- While the UK's impact assessment outlines administrative steps needed for ETS compliance, it does not account for the time required – for Government or Industry - to complete them or fit within long commercial planning cycles.

A stable, clearly defined regulatory framework – that drives meaningful emissions reduction - and guidance to facilitate the implementation of the policy, is essential to support compliance readiness and give businesses confidence to invest.

About The UK Chamber of Shipping

The UK Chamber of Shipping is the trade association for the UK shipping industry, providing a voice for over 200 members. We work to unite, promote, and champion the shipping sector, helping create the best possible environment for our industry to flourish, to the social, economic and environmental benefit of the UK.

The shipping industry is the lifeblood of the UK economy – connecting enterprise with the world, providing highly skilled, high-quality jobs to every nation and region, and supporting our transition towards net zero.

If you have any questions, the UK Chamber stands ready to assist in anyway, please contact hbrown@ukchamberofshipping.com should you want to discuss further or require more information.