S&P Global Commodity Insights to Launch First Carbon-Accounted Tanker Assessments as Shipping Faces EU Trading System Carbon Coverage

Effective Aug 1, Four European Shipping Routes to Reflect Carbon-Accounted Platts Aframax Tanker Rates

LONDON, July 26, 2022 / PRNewswire -- S&P Global Commodity Insights today announced it will launch daily Platts price assessments for freight emissions under the European Union's Emissions Trading System (ETS). The new assessments will show the cost of carbon dioxide emissions from fuel combustion to transport crude or fuel oil on an Aframax tanker via an initial four European shipping routes, beginning August 1.

S&P Global Commodity Insights

"As efforts to decarbonize the shipping sector continue, pricing transparency is crucial for the industry to act effectively, **'said Peter Norfolk, Editorial Director, Global Shipping & Freight at S&P Global Commodity Insights.**"The effect of the EU ETS on the shipping industry will be profound, and will be followed by more such measures as the industry faces up to the challenge of energy transition. These new Aframax carbon-accounted freight prices combine the best of Platts' first-to-market carbon intensity assessments and its best-in-class freight pricing and coverage."

The new assessments build on the suite of freight carbon intensity values and freight carbon intensity premiums. Platts began publishing in October 2021. Those earlier carbon intensity assessments show the volume of greenhouse gas emissions generated through transporting various crude grades from production storage terminals to typical refinery locations around the world, as well as the cost of offsetting those emissions using carbon credits on a per barrel of crude basis.

The new carbon-accounted Aframax freight assessments show the cost of EU Emissions Allowances (EUAs) that would be required to comply with the EU ETS for some of the key tanker routes supplying Europe, and will be published in Worldscale points and in US dollars/mt.

Assessment Name	Cargo Size (Thousand, metric ons)
Platts Carbon-Accounted Aframax UKC-UKC WS	80
Platts Carbon-Accounted Aframax Baltic-UKC WS	100
Platts Carbon-Accounted Aframax Ceyhan-Med WS	80
Platts Carbon-Accounted Aframax Black Sea-Med WS	80
Platts Carbon-Accounted Aframax UKC-UKC \$/mt	80
Platts Carbon-Accounted Aframax Baltic-UKC \$/mt	100
Platts Carbon-Accounted Aframax Ceyhan-Med \$/mt	80
Platts Carbon-Accounted Aframax Black Sea-Med	
\$/mt	80

<u>Last July. the European Commission</u> proposed adding shipping to the EU Emissions Trading System from 2023, with obligations phased in gradually between 2023-2026, requiring shipowners to hold EUAs covering all their emissions on routes and at ports inside the EU, and 50% of their emissions from third-country voyages beginning and ending in the EU. The European Parliament voted June 22 to push for a faster implementation, including 100% of emissions from intra-European Economic Area (EEA) from 2024, 50% of extra-EEA routes between 2024-2027, and 100% thereafter.

For its new assessments, Platts is employing baseline market norms for vessel speed and bunker fuel consumption, verified by extensive market surveys. The calculations will use Platts daily EU Emission Allowance Nearest-December price (EADLP00). The 'tank-to-wake' carbon emissions based on the fuel consumption will be calculated using the carbon conversion factors published in Annex 1 of Regulation (EU) 2015/757 of the European Parliament and of the Council on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport. These carbon conversion factors, to be published by Platts from Aug. 1, are as below:

Assessment Name	Value*
Platts Carbon Conversion Factor 0.5%	
VLSFO	3.151
Platts Carbon Conversion Factor 0.1% MGO	3.206

^{*(}metric tons of CO2 per metric ton of fuel)

Platts will publish the values defined in the relevant European legislation and will reflect any updates accordingly.

For more detail, consult the methodology and specifications page of the S&P Global Commodity Insights website: https://www.spglobal.com/commodityinsights/PlattsContent/ assets/ files/en/our-methodology/methodology-specifications/global freight.pdf

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We're a trusted connector that brings together thought leaders, market participants, governments, and regulators and we create solutions that lead to progress. Vital to navigating commodity markets, our coverage includes oil and gas, power, chemicals, metals, agriculture, shipping and energy transition. Platts[®] products and services, including the most significant benchmark price assessments in the physical commodity markets, are offered through S&P Global Commodity Insights.

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