

CUSTOMER ADVISORY

EU Emissions Trading System First Quarter 2024 Surcharges — Dec. 20, 2023

Overview: European Union Emissions Trading System

Climate change continues to affect our daily lives no matter where we live around the globe. As a result, we must act collectively in order to address this challenge. The logistics and supply chain industry has a part to play in reducing global greenhouse gas emissions, and we continue to see more regional and international legislative plans aimed at driving change in our industry on this important topic.

As a company with a strong CSR commitment, CEVA Logistics remains committed to “Acting for the Planet” in accordance with one of the three main pillars of our CSR policy. Our actions as a third-party logistics company contribute to climate change, so we intend to play a role in finding “Better Ways” to transport your goods—in this case, via ocean freight.

This advisory notice explains the European Union (EU) Emissions Trading System (ETS), which changes to it will soon affect ocean shipping, and how these changes impact you as our customer.

What is the EU Emissions Trading System?

The European Union has adopted a legislative action plan aiming to reach carbon neutrality by 2050 (Green Deal). Included in this plan is the intermediary objective of reducing greenhouse gas emissions 55% by 2030 (Fit for 55). The EU Emission Trading System is one of the regulations included in that plan to ensure the intermediate and final goals are met.

Set up in 2005, the EU ETS is the world's largest emissions trading system, based on a “cap and trade” scheme.

- A maximum (cap) is set on the total amount of greenhouse gases that can be emitted by companies inside the EU area within a given year.
- Companies subject to EU ETS have to buy allowances (quotas) based on the amount of greenhouse gases they emit (1 ton of CO₂ = 1 ETS allowance).
- The number of allowances available EU-wide decreases every year, driving the total amount of greenhouse gases emitted down towards the 2030 and 2050 targets.

How will the EU Emissions Trading System apply to shipping?

Initially applied to energy-intensive sectors only, the EU ETS will be extended to ocean freight shipping beginning Jan. 1, 2024. The intent is to reduce the maritime shipping industry's environmental impact and accelerate the use of low-carbon fuels.

Starting Jan. 1, 2024:

- EU ETS will apply to all maritime services with at least one call within the EU: 100% of emissions will be considered for legs between 2 EU ports, only 50% of the emissions for legs between EU ports and non-EU ports.
- Shipping lines will be required to report their emissions and purchase an equivalent number of allowances on the EU ETS market, according to a progressive schedule. Starting in:
 - o 2024, 40% of reported emissions will have to be converted into allowances.
 - o 2025, 70% of reported emissions will have to be converted into allowances.
 - o 2026, 100% of reported emissions will have to be converted into allowances.

How would the EU Emissions Trading System impact you as our customer?

Carbon pricing is a key step to reduce the carbon footprint of the maritime shipping industry, as well as of the whole supply chain. These collective efforts ultimately support the decarbonization journeys of ocean carriers, logistics companies like CEVA, and shippers.

Ocean carriers continue to advise customers on surcharges applicable to all containers loaded on trade lanes impacted by EU ETS. As a result, CEVA will be applying the following surcharges beginning Jan. 1, 2024.

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Pyramid Lines Singapore Quarterly European Emission Trading System (EU ETS) Calculation
Q1 2024 Valid from January to March 2024 for Dry Vans and Reefer**

Master Trade Lane	DRY		REEFER	
	20'	40'	20'	40'
Africa EC - North Europe	EUR 36	EUR 72	EUR 43	EUR 86
Africa EC - West Mediterranean	EUR 36	EUR 72	EUR 43	EUR 86
Africa South - North Europe	EUR 36	EUR 72	EUR 55	EUR 110
Africa South - West Mediterranean	EUR 36	EUR 72	EUR 55	EUR 110
Africa WC - North Europe	EUR 51	EUR 102	EUR 55	EUR 110
Africa WC - West Mediterranean	EUR 51	EUR 102	EUR 55	EUR 110
Canada - North Europe	EUR 28	EUR 56	EUR 39	EUR 77
Indian Ocean Islands - North Europe	EUR 21	EUR 42	EUR 34	EUR 68
Indian Ocean Islands - West Mediterranean	EUR 21	EUR 42	EUR 34	EUR 68
Indian Sub Continent - North Europe	EUR 29	EUR 58	EUR 42	EUR 84
Indian Sub Continent - West Mediterranean	EUR 33	EUR 66	EUR 52	EUR 104
Intra - North Europe	EUR 37	EUR 74	EUR 53	EUR 106
Intra - West Mediterranean	EUR 36	EUR 72	EUR 44	EUR 88
Middle East - North Europe	EUR 29	EUR 58	EUR 42	EUR 84
Middle East - West Mediterranean	EUR 27	EUR 54	EUR 53	EUR 106
North America EC - North Europe	EUR 37	EUR 74	EUR 39	EUR 77
North America EC - West Mediterranean	EUR 38	EUR 76	EUR 58	EUR 117
North America WC - North Europe	EUR 37	EUR 74	EUR 39	EUR 77
North America WC - West Mediterranean	EUR 38	EUR 76	EUR 58	EUR 117
North Asia - North Europe	EUR 35	EUR 70	EUR 44	EUR 88
North Asia - West Mediterranean	EUR 25	EUR 50	EUR 33	EUR 66
North Europe - Africa EC	EUR 52	EUR 104	EUR 50	EUR 100
North Europe - Africa South	EUR 52	EUR 104	EUR 52	EUR 104
North Europe - Africa WC	EUR 83	EUR 166	EUR 138	EUR 275
North Europe - Canada	EUR 43	EUR 86	EUR 72	EUR 143
North Europe - Indian Ocean Islands	EUR 48	EUR 96	EUR 55	EUR 110
North Europe - Indian Sub Continent	EUR 23	EUR 46	EUR 39	EUR 77
North Europe - Middle East	EUR 23	EUR 46	EUR 39	EUR 77
North Europe - North America EC	EUR 46	EUR 92	EUR 72	EUR 143
North Europe - North America WC	EUR 46	EUR 92	EUR 72	EUR 143
North Europe - North Asia	EUR 17	EUR 34	EUR 27	EUR 54
North Europe - Oceania	EUR 48	EUR 96	EUR 52	EUR 103
North Europe - South America EC	EUR 33	EUR 66	EUR 44	EUR 88
North Europe - South America WC	EUR 43	EUR 86	EUR 66	EUR 132
North Europe - South East Asia	EUR 17	EUR 34	EUR 27	EUR 54
North Europe - West Mediterranean	EUR 29	EUR 58	EUR 46	EUR 92
Oceania - North Europe	EUR 27	EUR 54	EUR 36	EUR 73
Oceania - West Mediterranean	EUR 23	EUR 46	EUR 36	EUR 73
South America EC - North Europe	EUR 37	EUR 74	EUR 50	EUR 99
South America EC - West Mediterranean	EUR 37	EUR 74	EUR 50	EUR 99
South America WC - North Europe	EUR 45	EUR 90	EUR 72	EUR 143
South America WC - West Mediterranean	EUR 45	EUR 90	EUR 72	EUR 143
South East Asia - North Europe	EUR 35	EUR 70	EUR 44	EUR 88
South East Asia - West Mediterranean	EUR 25	EUR 50	EUR 33	EUR 66
West Mediterranean - Africa EC	EUR 52	EUR 104	EUR 50	EUR 100
West Mediterranean - Africa South	EUR 52	EUR 104	EUR 52	EUR 104
West Mediterranean - Africa WC	EUR 83	EUR 166	EUR 138	EUR 275
West Mediterranean - Indian Ocean Islands	EUR 48	EUR 96	EUR 55	EUR 110
West Mediterranean - Indian Sub Continent	EUR 30	EUR 60	EUR 52	EUR 103

** ETS calculations mentioned above are subject to review during the quarter depending on the market situation.

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Pyramid Lines Singapore Quarterly European Emission Trading System (EU ETS) Calculation Q1 2024 Valid from January to March 2024 for Dry Vans and Reefer**

Master Trade Lane	DRY		REEFER	
	20'	40'	20'	40'
West Mediterranean - Middle East	EUR 30	EUR 60	EUR 52	EUR 103
West Mediterranean - North America EC	EUR 60	EUR 120	EUR 88	EUR 176
West Mediterranean - North America WC	EUR 60	EUR 120	EUR 88	EUR 176
West Mediterranean - North Asia	EUR 14	EUR 28	EUR 21	EUR 42
West Mediterranean - North Europe	EUR 30	EUR 60	EUR 44	EUR 88
West Mediterranean - Oceania	EUR 48	EUR 96	EUR 52	EUR 103
West Mediterranean - South America EC	EUR 33	EUR 66	EUR 44	EUR 88
West Mediterranean - South America WC	EUR 43	EUR 86	EUR 66	EUR 132
West Mediterranean - South East Asia	EUR 14	EUR 28	EUR 21	EUR 42

** ETS calculations mentioned above are subject to review during the quarter depending on the market situation.

Pyramid Lines Singapore Quarterly European Emission Trading System (EU ETS) Calculation Q1 2024 Valid from January to March 2024 for LCL Dry Cargo**

Master Trade Lane	LCL W/M	Master Trade Lane	LCL W/M
Africa EC - North Europe	EUR 3	North Europe - North America WC	EUR 3
Africa EC - West Mediterranean	EUR 3	North Europe - North Asia	EUR 3
Africa South - North Europe	EUR 3	North Europe - Oceania	EUR 4
Africa South - West Mediterranean	EUR 3	North Europe - South America EC	EUR 3
Africa WC - North Europe	EUR 4	North Europe - South America WC	EUR 3
Africa WC - West Mediterranean	EUR 4	North Europe - South East Asia	EUR 3
Canada - North Europe	EUR 3	North Europe - West Mediterranean	EUR 3
Indian Ocean Islands - North Europe	EUR 3	Oceania - North Europe	EUR 3
Indian Ocean Islands - West Mediterranean	EUR 3	Oceania - West Mediterranean	EUR 3
Indian Sub Continent - North Europe	EUR 3	South America EC - North Europe	EUR 3
Indian Sub Continent - West Mediterranean	EUR 3	South America EC - West Mediterranean	EUR 3
Intra - North Europe	EUR 3	South America WC - North Europe	EUR 4
Intra - West Mediterranean	EUR 3	South America WC - West Mediterranean	EUR 4
Middle East - North Europe	EUR 3	South East Asia - North Europe	EUR 3
Middle East - West Mediterranean	EUR 3	South East Asia - West Mediterranean	EUR 3
North America EC - North Europe	EUR 3	West Mediterranean - Africa EC	EUR 4
North America EC - West Mediterranean	EUR 3	West Mediterranean - Africa South	EUR 4
North America WC - North Europe	EUR 3	West Mediterranean - Africa WC	EUR 7
North America WC - West Mediterranean	EUR 3	West Mediterranean - Indian Ocean Islands	EUR 4
North Asia - North Europe	EUR 3	West Mediterranean - Indian Sub Continent	EUR 3
North Asia - West Mediterranean	EUR 3	West Mediterranean - Middle East	EUR 3
North Europe - Africa EC	EUR 4	West Mediterranean - North America EC	EUR 5
North Europe - Africa South	EUR 4	West Mediterranean - North America WC	EUR 5
North Europe - Africa WC	EUR 7	West Mediterranean - North Asia	EUR 3
North Europe - Canada	EUR 3	West Mediterranean - North Europe	EUR 3
North Europe - Indian Ocean Islands	EUR 4	West Mediterranean - Oceania	EUR 4
North Europe - Indian Sub Continent	EUR 3	West Mediterranean - South America EC	EUR 3
North Europe - Middle East	EUR 3	West Mediterranean - South America WC	EUR 3
North Europe - North America EC	EUR 3	West Mediterranean - South East Asia	EUR 3

** ETS calculations mentioned above are subject to review during the quarter depending on the market situation.