

ZEMBA Additionality Statement

Adoption of the Atmospheric Benefit Principle

25 February 2025

Background and Motivation

The concept of additionality is widely regarded as a critical consideration in many efforts to address climate change, but its application differs depending on context.

ZEMBA supports our member companies seeking to engage in voluntary value chain decarbonization. Our members are taking steps to address their value chain emissions by purchasing the decarbonized environmental attributes (i.e., emissions profiles) of goods and services represented in their greenhouse gas (GHG) inventory. In this context, the task at hand is one of attribution of an emissions profile not, as in the case of traditional out-of-sector offsets, determining whether the emissions reductions were additional to an alternative reality and therefore exist at all. ZEMBA's fuel certification and service verification requirements provide strong assurance that the decarbonized service took place and carries the emissions profile documented in the sustainable maritime fuel certificates (SMFc).

When ZEMBA considers additionality in this context, therefore, our focus is narrowly on whether the decarbonized good or service was decarbonized *voluntarily* rather than as the result of *regulation*. This determination is important; companies set voluntary climate targets precisely because current regulation and policy is insufficient to address the threat of climate change. Therefore, actions taken by companies to meet voluntary Scope 3 or value chain targets should lead to emissions reduction or removals greater than what is already required by regulation.

Determining whether a particular good or service was decarbonized due to regulation is not straightforward, however, and has been the subject of recent conversations within the maritime sector. For example, in November 2024, the Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping (MMMCZS) and the Global Maritime Forum (GMF) published a position paper based on conversations with maritime industry stakeholders proposing a consensus joint interpretation of additionality with respect to the various regulations in maritime shipping (i.e., regulatory additionality)¹. ZEMBA is issuing this statement to clarify ZEMBA's philosophy and approach to additionality in the context of value chain decarbonization as guidance for bidders participating in ZEMBA's RFP processes.

¹ ZEMBA is a signed supporter of, and largely aligns with the end results of, the discussion in the additionality position paper by MMMCZS and GMF. However, ZEMBA has chosen to issue this supplemental additionality statement to clarify in greater detail ZEMBA's expectations of bidders for ZEMBA RFP 2 and to serve as recommendations to ZEMBA freight buyer members and other corporate end customers of sustainable maritime services.

Atmospheric Benefit Principle

ZEMBA applies the Atmospheric Benefit Principle (ABP) in the evaluation of regulatory programs and policies with respect to additionality:

To be claimed towards a voluntary corporate climate target, the GHG emissions mitigation associated with value chain decarbonization actions must go beyond mitigation required by regulation, i.e., create an additional atmospheric benefit beyond regulation.

Climate policies and regulations are newly implemented and regularly updated or changed over time. Using the ABP, ZEMBA will be able to evaluate regulatory programs on a case-by-case basis, ultimately providing a high level of integrity for the sustainable maritime services voluntarily supported by ZEMBA members.

ZEMBA recommends the use of the ABP as a best practice and requires conformity to the ABP in preparation of bids for its RFP processes and evaluation of contract compliance.

Application of the Atmospheric Benefit Principle

The following examples outline ZEMBA's application of the Atmospheric Benefit Principle to evaluate relevant maritime regulations.

- **FuelEU Maritime - Not compatible with Atmospheric Benefit Principle (ABP).**

Rationale: The FuelEU Maritime regulation will establish EU-wide GHG intensity reduction mandates across regulated maritime vessels. Various measures, including the use of sustainable maritime fuels, can be used by obligated parties to meet the GHG intensity mandate. *Emissions benefits associated with sustainable maritime fuel volumes used to comply with FuelEU Maritime regulatory requirements may not also be counted towards voluntary ZEMBA-enabled Sustainable Maritime Fuel Certificates (SMFc) as they are not additional to the emissions reductions required by the regulation.*

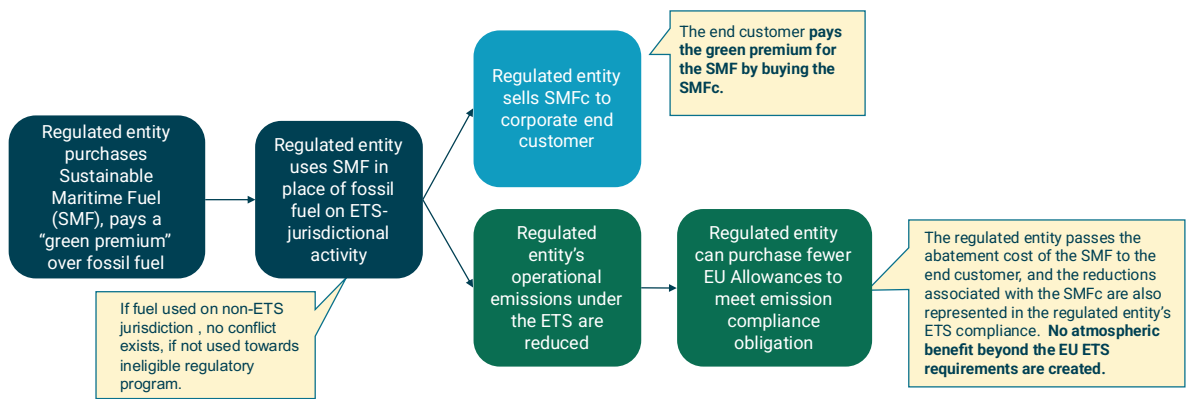
- **EU Emissions Trading System (ETS) - Not compatible with the ABP. Fuel that is represented within the EU ETS system can be considered compliant with the ABP and applied to the generation of SMFc only if an appropriate number of EU Allowances (EUAs) are deleted alongside the issuance of SMFc.**

Rationale: The EU ETS sets a declining cap for economy-wide emissions across a group of regulated sectors, including the maritime sector. The emissions cap within the EU ETS is translated into a limited number of EUAs (one EUA representing one metric tonne carbon dioxide equivalent, or mtCO₂e) that are auctioned or allocated to obligated parties under the regulation. Obligated parties are required to annually surrender an equivalent amount of EUAs to their emissions as designated under the EU Monitoring, Reporting, and Verification (MRV) regulation.

If a vessel operator uses a sustainable maritime fuel to lower their verified operational emissions under EU MRV, the number of EUAs that vessel operator would be required to surrender under the EU ETS would correspondingly decrease. Adherence to the ABP through voluntary action would preclude the vessel operator from using this same volume of fuel to generate an SMFc, because the emissions reductions associated with that fuel would overlap with, rather than be additional to, the emissions reductions required by the EU ETS regulation through its compliance obligation. This interaction is illustrated in Figure 1.

EU ETS Compliance Illustration: Scenario A

SMF counted towards ETS compliance and sold in voluntary market



Key Takeaway: Allowing the same quantity of SMF to count towards the regulated entity's regulatory compliance obligation and to be sold on the voluntary market through SMF is not aligned with the Atmospheric Benefit Principle.

Figure 1: Illustration of non-conformance with ABP

However, vessel operators under the jurisdiction of the EU MRV and EU ETS may still demonstrate additionality of emissions benefits associated with fuel consumed under the jurisdiction of the EU ETS. A vessel operator should do this by deleting EUAs equivalent to the emissions reductions represented on a generated SMFc, without surrendering those allowances towards the vessel operator's verified emissions under the EU ETS. The deletion of EUAs² permanently reduces the number available EUAs, reducing the total emissions allowed within the jurisdiction of the EU ETS. *Therefore, by purchasing and deleting EUAs, an obligated vessel operator can utilize sustainable maritime fuel while demonstrating that the emissions benefits generated by the use of that fuel, and represented on SMFc, go beyond the requirements of the EU ETS regulation, and thus enable the generation of voluntary ZEMBA-enabled SMFc in conformance with the ABP. This additional purchase and retirement of EUAs*

² See Section 9, Article 57 in Regulation (EU) 2019/1122 of the European Parliament and of the Council, available at https://eur-lex.europa.eu/eli/reg_del/2019/1122/2023-12-30

will incur additional cost, which the provider of SMFc may choose to incorporate into the price of an SMFc. This interaction is illustrated in Figure 2.

EU ETS Compliance Illustration: Scenario B

Additionality to ETS is created by deleting EU Allowances

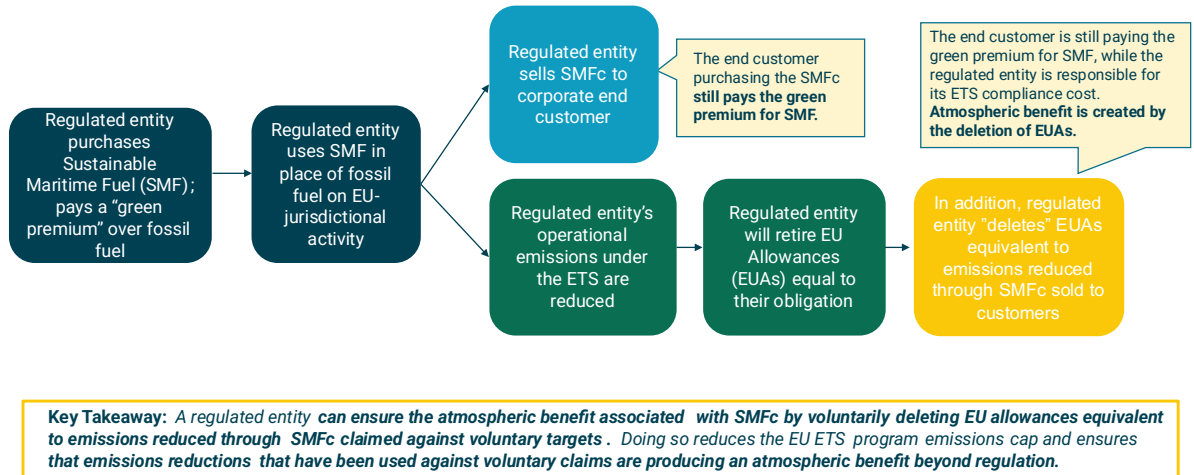


Figure 2: Demonstrating Conformance with the ABP for EU ETS-Jurisdictional Fuel

- **IMO Carbon Intensity Indicator (CII) Regulation - Compatible with the ABP.**

Rationale: The IMO CII Regulation assigns a carbon intensity rating to maritime vessels with a capacity of over 5,000 gross tonnes, based on a measurement of grams CO₂e emitted per cargo carrying capacity of a vessel traveling one nautical mile. Every regulated vessel is assigned an environmental rating, from A to E, based on its environmental performance. Vessels assigned the lowest rankings, D or E, are required to submit a corrective action plan to show how a ranking of C or above will be achieved.

The CII regulation does not mandate any regulation-level emission reductions, and there are no IMO-mandated penalties for noncompliance, so the CII regulation fails to provide a definitive emissions benefit that might overlap with the emissions benefit represented on an SMFc.

Therefore, the use of sustainable maritime fuel can be reflected in a vessel's CII score and used to generate an SMFc.

CII Regulation is scheduled for revision in 2025, after which ZEMBA will reevaluate the regulation with respect to the ABP.

- **IMO Mid-Term GHG Reduction Measures - Not compatible with the ABP until ZEMBA's Determination.**

Rationale: The structure of the finalized IMO mid-term GHG reduction measures will dictate whether fuel volumes or emissions reductions represented in the regulation will enable conformance with the ABP through voluntary action. ZEMBA continues to monitor the policy development process at the IMO and will issue an updated additionality statement, if necessary, once the measures have been finalized.

Default Position and Changes in Policy and Regulation

ZEMBA will interpret compatibility of each applicable regulation with the ABP on a case-by-case basis. Until such time as ZEMBA interprets such regulation and reaches mutual agreement with the provider(s) of SMFc³ about compatibility with ABP, it shall be deemed not to be compatible with ABP. ZEMBA's interpretation of the ABP at the time of contract execution for each tender will be considered applicable for the full duration of the SMFc purchase contracts resulting from ZEMBA's tender; provided, however, ZEMBA reserves the right to change its interpretation of the ABP on a prospective basis in the event there are any regulatory adjustments that take place after SMFc purchase contract execution, with the revised interpretation to be mutually agreed upon with existing provider(s) of SMFc. Providers of SMFc will abide by such ZEMBA interpretations with the ABP throughout the terms of the SMFc purchase contracts.

³ In this context, provider of SMFc refers to any ocean carrier who has existing contractual relationships with ZEMBA members through a ZEMBA-brokered offtake commitment.