



December 4, 2023

Notification for Implementation ETS Surcharge (Carbon Emissions Trading System Surcharge)

Effective from JAN 1, 2024

Dear Valued Customer,

Thank you for trusting COSCO SHIPPING LINES as your supply chain partners. Climate change poses new requirements and challenges to the development of the ocean shipping industry. Actively responding to climate change is key to achieving sustainable development and delivering long-term value. COSCO SHIPPING LINES is committed to the concept of "energy conservation, carbon reduction, and green development" and reducing the environmental impact. We constantly improve our sustainability framework, identify and respond to climate risks, and incorporate climate change management into our daily management system. At the same time, the Company speeds up the construction of a fleet and a supply chain support system featured with green and low-carbon, optimizes service layout and energy efficiency management of fleet to adapt to the new environmental protection rules.

According to the MRV (Monitoring, Reporting and Verification) regulations and EU ETS directive revisions issued by the European Union, the EU ETS will be officially implemented on the shipping sector starting from January 1st, 2024. COSCO SHIPPING LINES aims to explain what the EU ETS is, its application to shipping and how these changes may impact customers.

What is the EU ETS?

The EU ETS was launched in 2005 to reduce greenhouse gas emissions (GHG) in the EU.

It set a goal of reducing GHG emissions by at least 55% by 2030 compared to the 1990 levels and a target of net zero emissions by 2050 in the long run. A revision of the EU ETS directive has been officially extended to include shipping sector from January 1st, 2024.

How will the EU ETS be applied to shipping from January 1st 2024?

For every 1 ton of reported CO₂, 1 European Union Allowance (EUA) must be purchased and submitted to the EU, this is applied to all shipping companies, who are responsible for buying EUAs. The number of allowances available EU-wide decreases every year, driving the total amount of GHG emitted down towards the 2030 and 2050 targets.

COSCO SHIPPING Lines (Brazil)

São Paulo Branch Office – Av. Paulista, 1337 – 18th Floor

+55 11 3177 2888 – bra.sales@coscon.com



COSCO SHIPPING Lines (Brazil)

1) Applied by geographical scope: The applicable range of EU ETS differs depending on the calling ports of each service provided:

| 50% of emissions from voyages departing from an EU port to a non-EU port and vice versa.

| 100% of emissions from voyages between EU ports.

| 100% of emissions from ships within an EU port of call.

2) Applied by gradual increase: Shipping lines will be required to report their emissions and purchase an equivalent amount of allowances on the EU ETS market, according to a progressive schedule.

| Emissions in 2024(surrendered in 2025):40% of the total emissions in the scope.

| Emissions in 2025(surrendered in 2026):70% of the total emissions in the scope.

| Emissions from 2026 onwards: 100% of the total emissions in the scope.

3) Applied by scale of ships: Ships included in the calculation are commercial passenger and cargo ships of 5,000GT or more. At the end of 2026, the EU will discuss whether to include ships in the 400-5,000GT range.

Some aspects of EU ETS law are yet to be finalized, such as the list of ports considered as transshipment ports that will be published by the end of 2023 and may be reviewed every 2 years.

What does this mean for customers?

To fully comply with the latest requirement set by the EU, COSCO SHIPPING LINES has to implement the ETS surcharge effective from January 1st 2024, for which we would like to seek your kind understanding and continuous cooperation. Below table shows our surcharge tariff assumption in case 40% of the reporting CO2 will be charged for your kind reference. The surcharge amount will be reviewed on a monthly basis, depending on the updated version of the EU ETS regulation and the market value of carbon allowances.

COSCO SHIPPING Lines (Brazil)

São Paulo Branch Office – Av. Paulista, 1337 – 18th Floor

+55 11 3177 2888 – bra.sales@coscon.com



COSCO SHIPPING Lines (Brazil)

Trade Bound	Dry (in EUR) per TEU	Reefer (in EUR) per TEU
North West Europe to Asia	19	29
Asia to North West Europe	28	42
Mediterranean to Asia	11	17
Asia to Mediterranean	19	29
Europe to Oceania	19	29
Oceania to Europe	28	42
North West Europe to Baltic Region	12	18
Baltic Region to North West Europe	12	18
Intra Mediterranean (Black Sea & North Africa)	13	20
North West Europe to Mediterranean	29	44
Mediterranean to North West Europe	29	44
North West Europe to NAM* East coast	42	63
NAM East coast to North West Europe	27	41
Mediterranean to NAM East coast	46	69

COSCO SHIPPING Lines (Brazil)

São Paulo Branch Office – Av. Paulista, 1337 – 18th Floor

+55 11 3177 2888 – bra.sales@coscon.com



COSCO SHIPPING Lines (Brazil)

NAM East coast to Mediterranean	33	50
Europe to West Africa	40	60
West Africa to Europe	14	21
Europe to East Coast South America	18	27
East Coast South America to Europe	18	27
Europe to West Coast South America	21	32
West Coast South America to Europe	22	33

*NAM =USA, Canada and Mexico for more information, you may contact your Sales Representatives at COSCO SHIPPING LINES.

We thank you for your business and look forward to continuously supply, your global transportation needs.

Yours sincerely,

COSCO Shipping Lines (Brazil)