

# The EU Emissions Trading System (ETS) and Challenges of Just Transition

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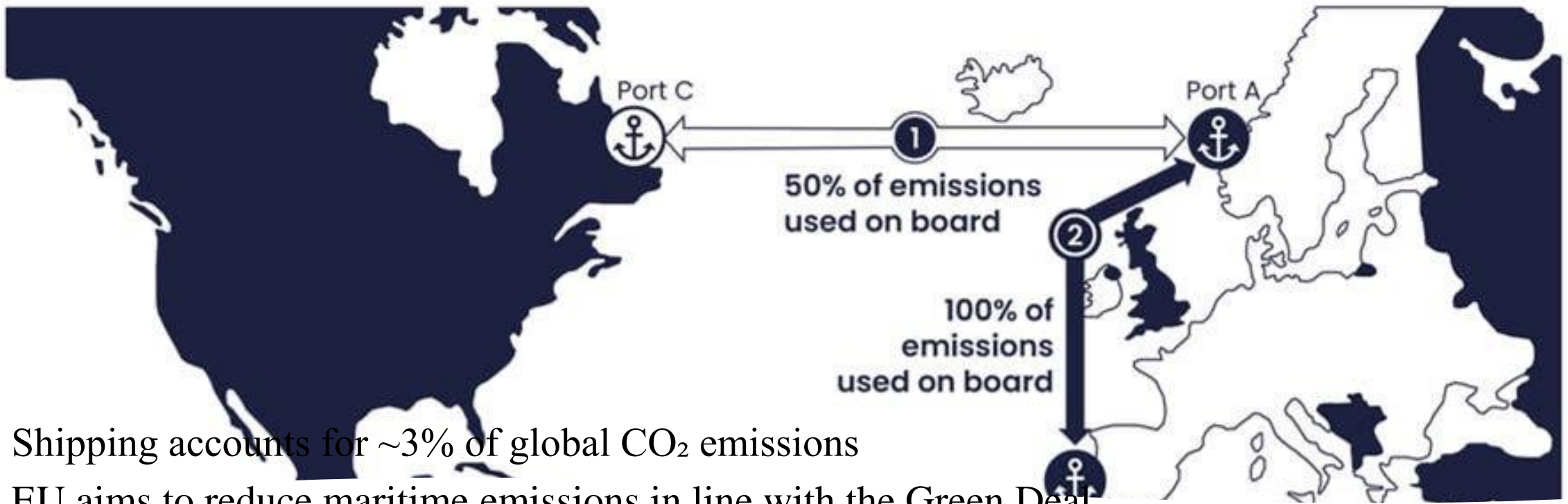
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# EU ETS

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- EU ETS as part of the strategy to fulfil the Kyoto Protocol's emission reduction requirements.
- Launched in 2005, it was the world's first carbon market and remains one of the largest globally.
- It requires polluters to pay for their GHG emissions based on the "cap and trade" principle.
- The "cap" sets a limit on the total amount of GHG emissions which is gradually reduced. The cap is represented by emission allowances, each permitting one tonne of CO<sub>2</sub>, are auctioned and tradable.
- It includes Energy-intensive industries, transportation, aviation, and maritime.



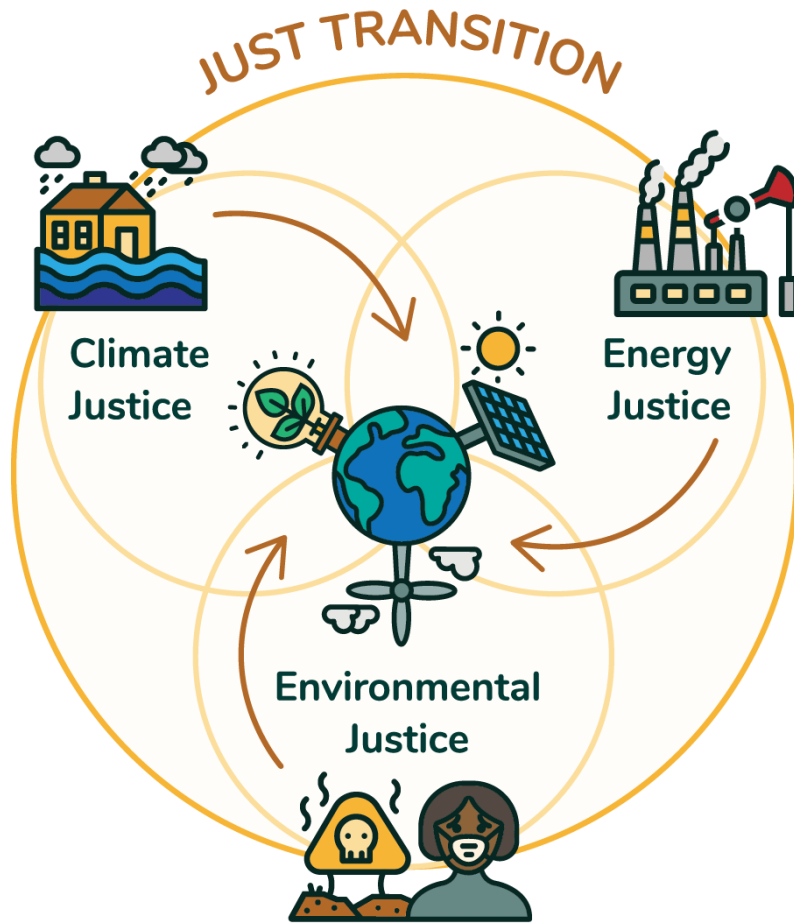


- Shipping accounts for ~3% of global CO<sub>2</sub> emissions
- EU aims to reduce maritime emissions in line with the Green Deal
- It applies to large ships ( $\geq 5,000$  GT) transporting cargo/passengers
- Geographical Scope:
  - 100% of emissions for intra-EU voyages
  - 50% of emissions for voyages to/from the EU
- Implementation Timeline:
  - 2024: Covers 40% of emissions
  - 2025: Covers 70% of emissions
  - 2026: Covers 100% of emissions

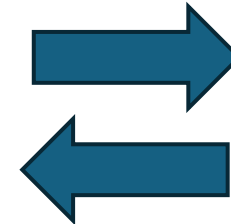
# Just Transition Framework

- Emerged in the 1970s from North American unions to address the negative impacts of environmental policies on workers in high-hazard industries.
- Expanded in relevance due to climate change and the energy transition, with a primary focus on employment challenges from the shift to a low-carbon economy.
- A genuine just transition goes beyond worker-focused concerns, addressing broader injustices, prompting proposals for a more comprehensive definition.
- Just as climate change impacts are unevenly distributed, policies to combat it may also disproportionately affect certain nations and individuals.
- A comprehensive just transition, integrating climate, energy, and environmental justice, ensures fairness and equity in the decarbonisation process, addressing both local and global concerns.

# Comprehensive Just Transition Framework



- **Distributive Justice**
- **Procedural Justice**
- Recognition Justice
- Restorative Justice
- **Cosmopolitan Justice**



**Local**  
**National**  
**Global**

# Extraterritorial Jurisdiction & Procedural Justice

- PJ: Ensures fair, transparent, and inclusive decision-making, granting all (potentially) affected parties meaningful access to information and participation, fostering legitimacy and equity in transition and climate action.
- ETS Mandatory compliance: All ships, regardless of flag state, must monitor, report emissions, & buy allowance.
- It includes (50%) emissions from voyages starting or ending at EU ports. Beyond EU waters:
  - ❖ Emissions from high seas and other states' territorial waters are also regulated; Zonal jurisdiction system under UNCLOS:
  - ❖ High seas freedoms (Articles 86–120): Navigation, fishing, laying submarine cables, and scientific research.
  - ❖ Flag State jurisdiction (Article 92): A ship remains under the jurisdiction of its flag State while on the high sea.





# CBDR-RC & Distributive Justice

- **Distributive Justice:** Equitable sharing of climate action burdens and benefits, ensuring major polluters bear greater responsibility while providing adequate support to vulnerable communities.
  - **CBDR-RC:** Recognises climate change as a common concern while allowing differentiated treatment based on countries' historical GHG emissions and capabilities.
  - IS the 50% approach 'a practical way to address the issue of CBDR-RC'?
1. Ignored capacity and responsibility differences between developed and developing countries.
  2. Overlooked historical responsibility, shifting burdens to low-emission nations.
  3. Disadvantaged developing countries reliant on EU maritime trade.
  4. Risk of double counting if third states don't adopt the EU ETS.





# IMO & Cosmopolitan justice

Cosmopolitan justice: emphasises that the duties of justice ought to be global in scope, and this duty should not stop in border. In the justice literature, it demands a **collective approach** for resources, climate change and environmental protection.

Three points:

1. IMO, as an international body, is responsible for establishing policies and regulations governing shipping that have a global impact, ensuring that decisions **consider all member states**. The EU ETS, unilateral approach, circumvents established global frameworks; has the potential to result in regulatory fragmentation.
2. The 2023 IMO Strategy mentions “just and equitable transition” and the commitment to “leave no one behind” ensuring that the decarbonisation of international shipping contributes to sustainable development for all.
3. IMO’s “basket of measures” to be finalised in 2025 and is likely to include a ‘GHG pricing mechanism’ to be fair and just for all countries.



# Conclusion

- Regarding procedural justice: The extension of the EU ETS to shipping emissions for voyages to/from the EU ports was made without any participation of potential affected parties.
- Regarding distributive justice, it does not account for capacity and responsibility differences between developed and developing countries and overlooks the risk of double counting if third states do not adopt the EU ETS.
- Regarding cosmopolitan justice, it appears that, at least for now, the IMO is the only institution through which a collective approach can be taken, ensuring that all members' concerns are considered.



# Thank you!



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