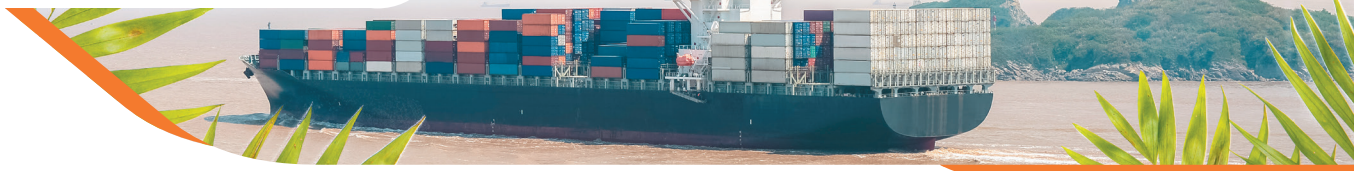


Green Shipping

Highlighting
the Issues



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Green Finance and Shipping:

Navigating initiatives and policies that encourage the development of a more sustainable economy

Introduction As has been widely reported in the press, the IMO's declared target is to curb global greenhouse gas emissions from Shipping by at least 50% by 2050.

Banks and financial institutions are conscious of this challenge, and they have realized that they must embrace environmental friendly projects and do their part to make shipping greener.

With such objectives in mind, banks have collaborated in the elaboration of the "Poseidon Principles", which at its core establishes that financial transactions should give preference to those actors that promote decarbonization of international shipping.

Currently, 27 financial institutions are signatories to the Poseidon Principles, representing a global shipping lending portfolio of approximately \$185 billion, almost 50% of the world's shipping finance portfolio.



These principles oblige signatories to:

PRINCIPLE

1

Assessment of climate alignment

To measure the carbon intensity of their shipping portfolios on an annual basis and assess their climate alignment against previously set targets.

PRINCIPLE

2

Accountability

The banks recognize the relevant role of Classification Societies and other stakeholders in providing impartial information. Also, they support and rely on the mandatory regulation established by the IMO for collecting data on fuel consumption from vessels.

PRINCIPLE

3

Enforcement

Financiers commit to incorporate the Poseidon Principles into their business contracts using standardized covenant clauses and shall collaborate with their clients and partners to meet this requirement.

PRINCIPLE

4

Transparency

Signatories are obliged to report their 'portfolio alignment score' annually and the Secretariat of the Poseidon Principles will publish all signatories' scores.

As a result, these principles will undoubtedly enable financial institutions to align their ship finance portfolios with responsible environmental behavior and contribute to the decarbonization of international shipping.

In parallel, the European Commission recently presented a new strategy to make the EU's financial system more sustainable and proposed a new European Green Bond Standard (EUGBS), all in line with its policy to work harder to decelerate climate change.

The new strategy focuses on increasing the contribution of the financial sector for sustainability and improving the inclusiveness of small and medium-sized enterprises by giving them the right tools and incentives to access transition finance.

Regarding the European Green Bond Standard, it will be available to all issuers to help financing sustainable investments. It should be recalled that green bonds are already used to raise finance in sectors such as energy production and distribution and low-carbon transport infrastructure.



However, there is potential to broaden and increase the environmental ambition of the green bond market, as the EUGBS are likely to set a “gold standard” for how companies and authorities can use green bonds to raise funds from capital markets to finance ambitious investments, while meeting stringent sustainability requirements and protecting investors from greenwashing which is the behavior or activities that make people think that a company is doing more to protect the environment than it really is.

Finally, we wish to point out that the European Commission adopted a Delegated Act on the information to be disclosed by financial and non-financial companies about the sustainability of their activities. Markets and investors need clear and comparable information to avoid greenwashing. Non-financial companies will have to disclose the share of their turnover, capital and operating expenditure associated with environmentally sustainable economic activities. Financial institutions, mainly large banks, investment firms and insurance and reinsurance companies, will then have to disclose the share of environmentally sustainable economic activities of the total assets they finance or invest into.

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Conclusion

Regulatory changes and increased public focus on environmental issues are driving change in the international shipping industry. Financiers are available and willing to finance that change and there is scope for new projects to receive funding for a good cause. Therefore, it is easy to conclude that if this mixture of regulatory boost and financial changes leads to a greener and more sustainable shipping, we will all benefit: the shipping industry and society in general.