

June 2023

Platts Carbon-Accounted Aframax Freight Assessments FAQ

What is carbon-accounted freight?

S&P Global Commodity Insights launched twelve daily carbon-accounted Aframax tanker freight Platts price assessments in 2022. The assessments reflect on a Worldscale basis – published as Worldscale points – and on a US dollar/mt basis the cost to move an Aframax crude oil or fuel oil cargo from the loading area to discharge area on intra-European and inter-European routes, including the additional \$/mt cost to offset 100% of the tank-to-wake carbon dioxide emissions through the European Union's Emissions Trading System.

What routes does Platts assess?

The six assessed routes are:

- UK Continent-to-UK Continent, 80,000 mt
- Baltic Sea-to-UK Continent, 100,000 mt
- Ceyhan-to-Mediterranean, 80,000 mt
- Black Sea-to-Mediterranean, 80,000 mt
- US Gulf Coast-to-UK Continent, 70,000 mt
- US Gulf Coast-to-Mediterranean, 70,000 mt

In markets where freight is traded on a Worldscale basis, Platts publishes freight assessments in “points”, which reflect a percentage of the prevailing Worldscale annual flat rate. Platts determines the equivalent \$/mt freight rate based on a basket of Worldscale flat rates comprising several key routes between the two regions specified in the assessment. The rates are updated annually, when the Worldscale Association establishes new flat rates for the year.

Why are the assessments important?

Shipowners and commercial operators can access prices that can help to:

- Put a price on carbon dioxide emissions
- Offset the carbon dioxide emissions for tanker voyages involving European Union or European Economic Area ports

- Encourage the shipping sector to become more sustainable
- Understand trends driving the market
- Track the impact on crude or fuel oil arbitrages
- Make informed planning and trading decisions

What is the EU Emissions Trading System?

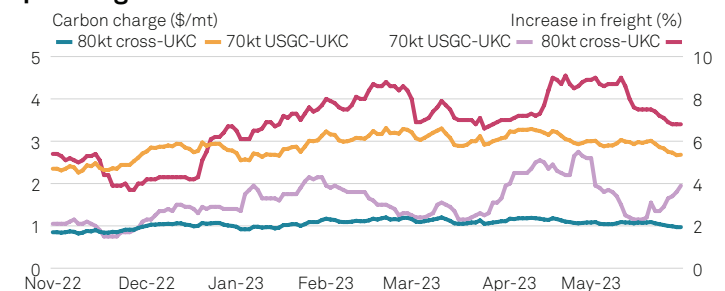
As decarbonization of the shipping and energy markets continues to unfold, pricing transparency becomes increasingly important. The EU Emissions Trading System (ETS) is one way of the suggested measures to decarbonize the maritime industry through the purchase of emission allowances to offset carbon emissions following the ‘polluter-pays’ principle. Putting a price on carbon emissions is to serve as a stimulus to encourage the shipping sector to become more sustainable, as funds from the ETS allowance revenue will be channeled into maritime decarbonization initiatives under the Innovation Fund.

On February 9, 2023, the Environmental Committee of the European Parliament released a final compromise text on the ETS revision proposal in the following [DOCUMENT](#) after the EP EC voted on a proposal to delay the inclusion of the shipping sector in the EU ETS from 2023 to 2024 in May 2022.

What do Platts carbon-accounted freight assessments reflect?

Effective June 1, 2023, Platts carbon-accounted Aframax freight assessments, in line with the final European

EU ETS carbon pricing increased Aframax USGC-TA spot freight 1.5%-5.3%



Source: S&P Global Commodity Insights

Parliament compromise text, reflect the cost to move crude oil or fuel oil on an Aframax tanker on each route based on a round-trip voyage, including the additional cost required to offset:

- 100% of carbon emissions for intra-EU voyages and EEA berths;
- 50% of carbon emissions for all inbound and outbound voyages between EU and non-EU member states;
- 0% of emissions while the ship is in non-member state ports.
- Platts assessments reflect 100% of emissions payable, rather than the EP EC phase-in schedule of requirements, whereby:
 - 40% of emissions reported in 2024 payable in 2025
 - 70% of emissions reported in 2025 payable in 2026
 - 100% of emissions reported in 2026 payable in 2027

Prior to June 1, Platts carbon-accounted tanker freight assessments reflected 100% of carbon emissions for all intra-EU and inter-EU voyages and 100% of carbon emissions while the tanker is in a non-member state port.

Methodology change parameters

Emmissions considered	Launch methodology	Methodology 01-Jun-23
EU/EEA load port load, discharge, idle	100%	100%
Non-EU/EEA load port load, discharge, idle	100%	0%
Intra-EU voyage	100%	100%
Inter-EU voyage w/non-EU/EEA ports	100%	50%
% Payble	100%	100%

How are Platts carbon-accounted Aframax freight assessments calculated?

Platts carbon-accounted Aframax freight assessments are based on max. 15-year old double-hull dirty tanker tonnage with deadweight ranging between 80,000–120,000 dwt and laycans between 7-25 days forward for tonnage loading in the EMEA region and 5-20 days forward in the Americas.

In order to calculate bunker consumption, Platts is employing baseline market norms for vessel speed and bunker fuel consumption, verified by extensive market surveys:

Aframax Laden Speed (Knots)	13.00
Aframax Ballast Speed (Knots)	12.50
Aframax Laden Bunker Consumption (MT/Day)	38.00
Aframax Ballast Bunker Consumption (MT/Day)	35.00
Aframax Loading Bunker Consumption (MT/Day)	10.00
Aframax Discharge Bunker Consumption (MT/Day)	52.00
Aframax Waiting Bunker Consumption (MT/Day)	5.00

The ‘tank-to-wake’ carbon emissions based on the fuel consumption on a given return voyage are calculated using the carbon conversion factors published in Annex 1 of Regulation (EU) 2015/757 of the European Parliament and of the Council on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport:

Assessment name	t-CO2/t-fuel
Carbon Conversion Factor VLSFO	3.151
Carbon Conversion Factor MGO	3.206

The calculations use Platts daily EU Emission Allowance Nearest-December price (EADLP00) and Platts Forex EUR/USD bank rate.

Total carbon cost plus the assessed voyage charter freight equals the all-inclusive carbon-accounted \$/mt and Worldscale freight assessments.

Platts will publish the values defined in the relevant European legislation and will reflect any updates accordingly.

Where are the assessments, commentary and rationale published?

- Platts Dimensions Pro
- Platts Market Data
- Platts Market Insight

Platts

S&P Global

Commodity Insights

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