

# Carbon Intensity and Rating System

Amendments to the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI entered into force on 1 November 2022. Developed under the framework of the Initial IMO Strategy on Reduction of GHG Emissions from Ships agreed in 2018, these technical and operational amendments require ships to improve their energy efficiency in the short term and thereby reduce their greenhouse gas emissions. From 1 January 2023 it became mandatory for all ships to calculate their attained Energy Efficiency Existing Ship Index (EEXI) to measure their energy efficiency and to initiate the collection of data for the reporting of their annual operational carbon intensity indicator (CII) and CII rating. This means practically that the first annual reporting will be completed in 2023, with initial CII ratings given in 2024.



## 1. What is a Carbon Intensity Indicator rating?

The Carbon Intensity Indicator (CII) is aimed at improving the energy efficiency of ship's operation, requiring the ship's yearly carbon intensity not to exceed a certain predefined threshold and ships are subsequently rated A to E in accordance with their yearly carbon intensity results.

The CII is an operational efficiency indicator that measures a ship's carbon intensity and is expressed in grams of CO<sub>2</sub> emitted per cargo-carrying capacity and nautical miles travelled. It applies to all segments of the shipping industry for all ships above 5000 gross tons (gt).

CII is assessed and calculated annually (not per voyage) based on a ship's reported Annual Efficiency Ratio (AER) – which is the annual fuel consumption multiplied by the CO<sub>2</sub> emissions factor (this factor is determined by the IMO and is based on fuel type), divided by the distance sailed by the ship (in ballast and laden condition) and the DWT capacity.

Ships will receive a CII Rating of A, B, C, D or E in the following year based on their emissions from the previous year. This means that ships will not have a CII Rating in 2023. CII emissions are not cumulative year on year. This means that at the end of each calendar year the "emissions counter" for each ship is reset. Whatever CII Rating a ship has in one year will not affect the assessment of the ship's operational efficiency the following year.

In case of a D rating for three consecutive years or one E rating, it is required to submit a corrective action plan. The corrective action plan should consist of an analysis of why the required CII was not achieved and include a revised implementation plan.



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Obtained her LL.B. at Yasar University (Izmir, Turkey) in 2013 where she triumphed as third ranked in her Law Faculty. In 2013, she was awarded the Best Student of Yasar University 2013 Prize and a Jean Monnet Scholarship supported by European Union. In 2014, she completed an LL.M. in Maritime Law at the University of Southampton with a dissertation on powerships. From 2015 to 2018, she was a research assistant at the University of Augsburg and wrote her Ph.D.-thesis on the English insurance law. Ms Oğış in 2019 worked as a visitor researcher at the University of Dubai for the period of one month and in 2020 at the University of Gakushuin in Japan. Ms Oğış speaks Turkish, English, Italian and she is a qualified lawyer in Turkey. Ms Oğış is the founder and the President of YoungShip Turkey, project manager of the YoungShip International IMO Working Group and member of WISTA UK and TR. Ms. Oğış recently awarded with the "10 Women to Watch in Shipping in 2022" at Nor-Shipping. She joined Türk P&I in September 2021, she is the Senior Executive of the International Business Development Department and she is also working as a legal maritime expert at the Ministry of Transport of Türkiye.



If vessels don't meet CII thresholds, as the charterers, financiers and regulators will be able to grade vessels, this would mean practically that vessels that don't meet the mark are far less likely to be chartered or financed because they will likely cost more to run. Not only that but those with a bad CII rating will have to use Ship Energy Efficiency Management Plan (SEEMP) to come into line, which could damage their operational abilities by having to run at slower speeds. Furthermore, regulators could issue fines to those with bad CII ratings. No charterer or financier wants to risk any of these issues.

## 2. Conclusion

IMO's Marine Environment Protection Committee (MEPC) is to review the effectiveness of the implementation of the CII and EEXI requirements by 1 January 2026 at the latest and develop and adopt further amendments as required.

In adopting the measure, MEPC also considered the outcomes of a comprehensive impact assessment of the measure which examined potential negative impacts on States and agreed to keep the impacts on States of the measure under review so that any necessary adjustments can be made. MEPC also agreed that disproportionately negative impacts of the measure should be assessed and addressed, as appropriate. It is recommended to shipping companies and all the relevant stakeholders to take immediate steps to improve their vessels' CII ratings starting from 2023.

**Source: IMO, Oceanbird**