



Applying the Poseidon Principles to U.S. Domestic Maritime Operations; In Conversation with David Cummins and Michael Parker

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POSEIDON PRINCIPLES

A global framework for
responsible ship finance

<https://www.poseidonprinciples.org/>

How did the Poseidon Principles come to be?

Financial Initiatives



**EQUATOR
PRINCIPLES**

TCFD

TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

6 PRINCIPLES
SHAPING OUR FUTURE



**UNEP
FINANCE
INITIATIVE**

PRINCIPLES FOR
RESPONSIBLE
BANKING



Alignment



Impact



Clients &
customers



Stakeholders



Governance &
target setting



Transparency &
accountability

Poseidon Principles

Shipping sector commitments



**INTERNATIONAL
MARITIME
ORGANIZATION**



- The International Maritime Organization (“IMO”) is a specialized agency of the United Nations and the global standard-setting authority for the safety, security and environmental performance of international shipping. Its main role is to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and universally implemented.
- During the 80th convening of the IMO’s Maritime Environment Committee (MEPC 80), which took place in London in July 2023, the IMO revised its strategy, formally known as Resolution MEPC.377(80) or the 2023 IMO Strategy on Reduction of GHG Emissions from Ships (2023 IMO GHG Strategy), which aims for net-zero emissions from international shipping “by or around” 2050.

“

The Poseidon Principles are a framework for assessing and disclosing the climate alignment of ship finance portfolios.

They set a standard for reporting emissions, thus enhancing transparency and creating a global baseline to support and work towards the greater goals for our society and the goal to align our maritime activities to be environmentally responsible.



Objectives & Scope

What is their objective?



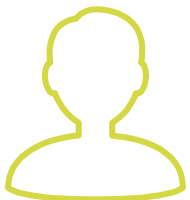
To create common, global baselines that are consistent with and supportive of society's goals to better enable financial institutions to align their portfolios with responsible environmental impacts.

Which environmental factors?



Climate alignment is the only environmental factor that is considered by the Poseidon Principles. Signatories may expand that scope in future if they choose.

Who are the Principles for?



The Poseidon Principles are applicable to **lenders, relevant lessors, and financial guarantors** including export credit agencies.

35 Signatories



Structure

Principle 1

Assessment

requires assessment of portfolio climate alignment and defines methodology for calculation.

Principle 2

Accountability

establishes the reliance on IMO standards and Recognized Organizations for the provision of identical, unbiased information across Signatories.

Principle 3

Enforcement

requires the inclusion of a covenant clause in new business activities that ensures access to high-quality data being produced under IMO DCS.

Principle 4

Transparency

stipulates how the results of portfolio climate alignment are disclosed publicly.

Principle 1

Assessment

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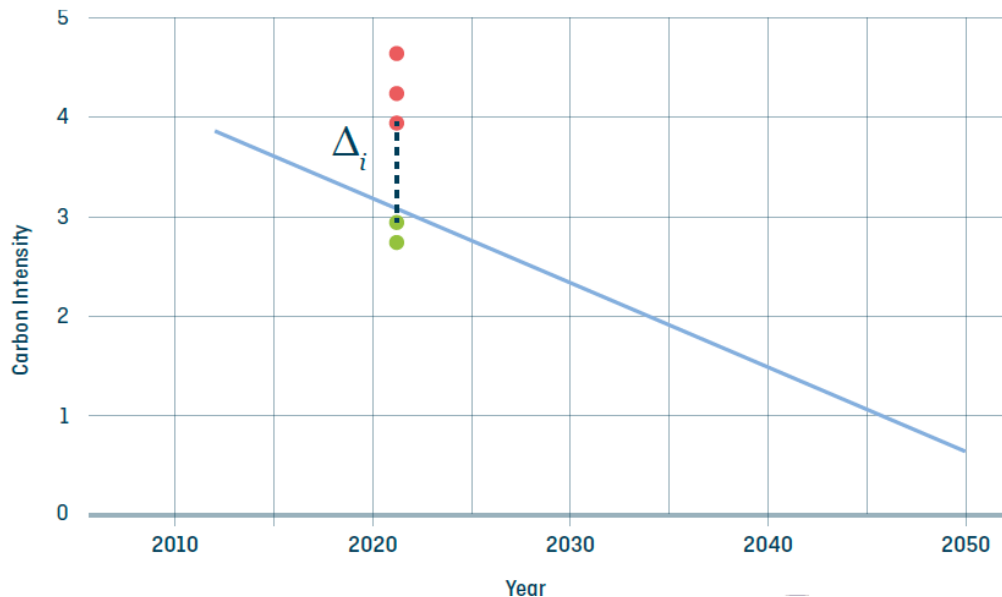
We will annually assess climate alignment in line with the Technical Guidance for all Business Activities.

Our Commitment

Signatories will, on an annual basis, measure the carbon intensity and assess climate alignment (carbon intensity relative to established decarbonisation pathways) of their shipping portfolios. This requirement takes effect for each Signatory in the calendar year after the calendar year in which it became a Signatory.

Calculating climate alignment

Climate alignment = degree to which shipping portfolio is in line with a decarbonisation trajectory



Decarbonisation trajectory

A decarbonization trajectory is a representation of how many grams of CO₂ can be emitted to move one tonne of goods one nautical mile (gCO₂/tnm) over a time horizon to be in line with the IMO Absolute Target.

The method used for establishing the decarbonisation trajectory up to 2050 is derived from emission and transport work data from the Fourth IMO GHG Study.

AER metric to calculate carbon intensity

AER (Annual Efficiency Ratio) is a carbon intensity metric used by the IMO.

Data required:

- fuel consumption
- distance traveled
- deadweight at maximum summer draught

$$AER = \frac{\sum_i C_i}{\sum_i dwt D_i}$$

Labels for the equation:

- $\sum_i C_i$: CO₂ emissions
- $\sum_i dwt D_i$: Cargo proxy (ship size) × Distance sailed

Methodology in a nutshell

IMO Revised GHG Strategy

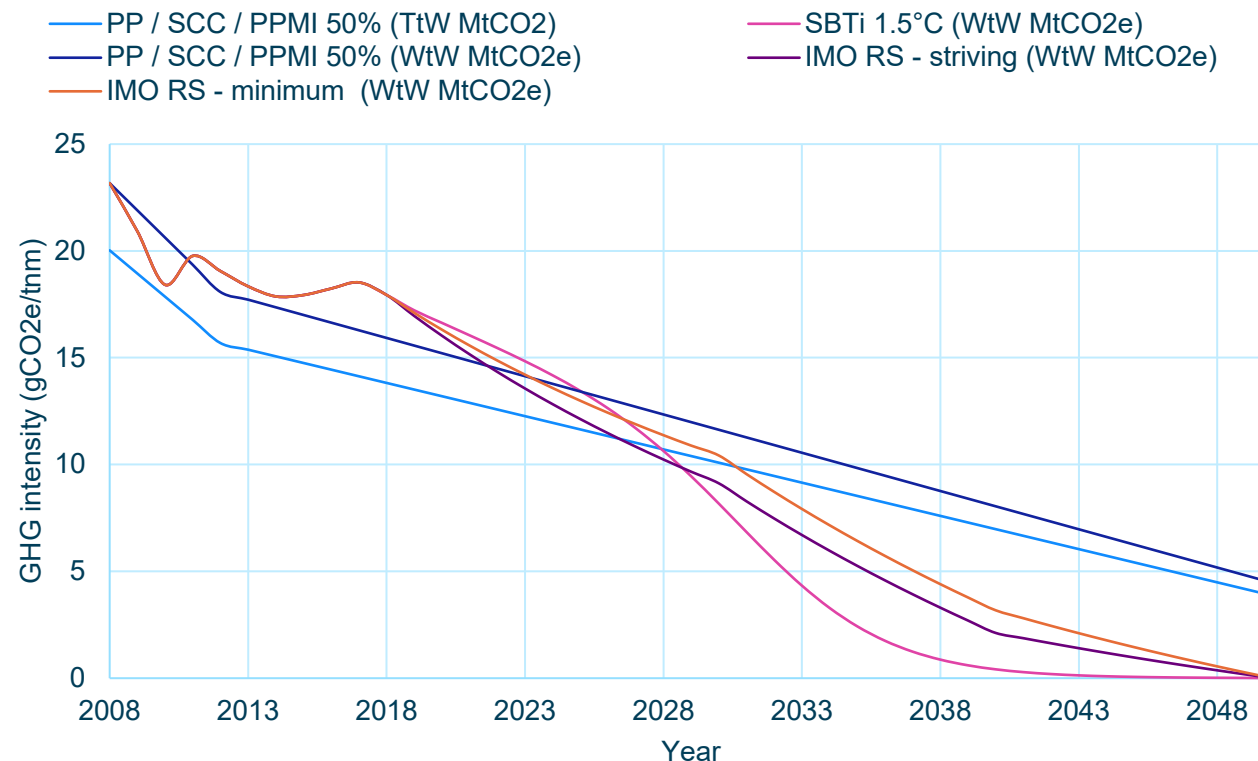
” GHG emissions from international shipping to peak as soon as possible and to reach net-zero GHG emissions by or around, i.e. close to 2050”

– **2050 revised target**

Compared to 2008 levels, to reduce the total annual GHG emissions from international shipping:

- by at least 20%, striving for 30%, by 2030
- by at least 70%, striving for 80%, by 2040

– **Indicative checkpoints in 2030 & 2040**



...To the revision of trajectories in 2023

NAME

LOGO

Signatory as of January 2021

Reporting percentage: 68%

What are your key takeaways from your climate alignment score?

The improvement of [redacted] shipping portfolio climate alignment is the result of our lending decisions as well as our customers' focus on improving efficiency and reducing carbon footprint. While our score remains impacted by the specific situation of the cruise sector, we are pleased to be nearing a full alignment of our cargo vessels portfolio.

How will the Poseidon Principles influence your business activities and decision-making in the future?

The Poseidon Principles are helping us getting a much clearer and granular understanding of the carbon intensity of our loan book. They are in addition helping us shaping the strategic direction required to continue improving our score, as we are conscious that the targets will become harder to meet each year.

[Link to institutional report](#)



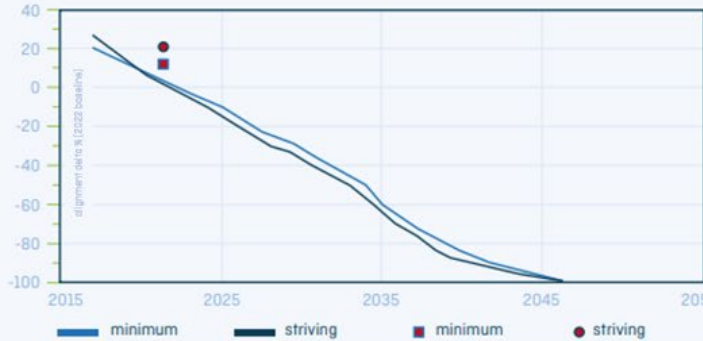
Since our first reporting last year, the Poseidon Principles have helped raised our awareness and understanding of the issues at stake to accelerate the decarbonisation of our lending portfolio. They are now forming an integral part of our sectorial approach to support our customers' transition plans.

Quotee



IMO Revised GHG Strategy - 100% well to-wake CO₂e reduction trajectory by 2050

IMO Revised strategy	minimum	striving
Portfolio climate alignment score	x.x	x.x
Cargo vessels climate alignment score	x.x	x.x
Passenger vessels climate alignment score	x.x	x.x

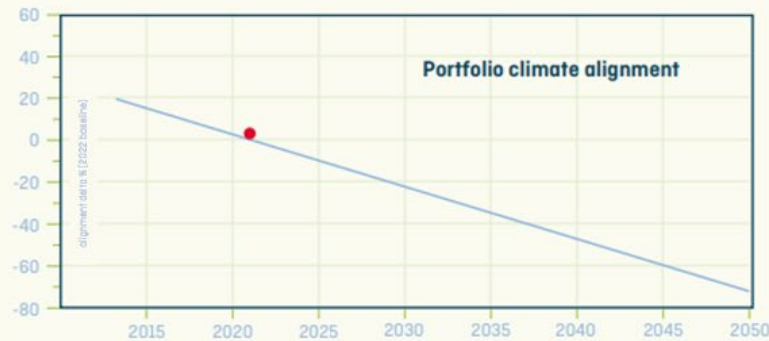


IMO Initial GHG Strategy - 50% tank-to-wake CO₂ reduction trajectory by 2050

Portfolio climate alignment score: 2.5%

Cargo vessels climate alignment score: 0.6%

Passenger vessels climate alignment score: 26.8%



Example of a Signatory disclosure



Principle 2

Accountability

“ We recognize the important role that classification societies and other IMO-Recognized Organizations (ROs) play in providing unbiased information in the industry and the mandatory standards established by the IMO for the collection and reporting of fuel oil consumption from ships. We will rely on such entities and mandatory standards as explicitly identified in the Technical Guidance for the provision of information used to assess and report on climate alignment.

Our Commitment

For each step in the assessment of climate alignment, Signatories will rely exclusively on the data types, data sources, and service providers identified in the Technical Guidance.



Principle 3

Enforcement

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We will require that ongoing compliance with the Poseidon Principles is made contractual in our new Business Activities using standardised covenant clauses. We will contribute to the update and addition of standardised clauses through the annual review process.

Our Commitment

Signatories will agree to work with clients and partners to covenant the provision of necessary information to calculate carbon intensity and climate alignment.

Principle 4 | Transparency

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We will publicly acknowledge that we are a Signatory of the Poseidon Principles and we will publish the results of our assessment of the climate alignment of our Business Activities at the portfolio level in line with the Technical Guidance on an annual basis.

Our Commitment

1. Upon becoming a Signatory, the Signatory will publicly acknowledge that it is a Signatory of the Poseidon Principles.
2. On an annual basis, each Signatory will report the overall climate alignment of its shipping portfolio and supporting information as per Accountability requirements to the Secretariat no later than 15 November. This requirement takes effect for each Signatory in the calendar year after the calendar year in which it became a Signatory.
3. On an annual basis, each Signatory will publish the overall climate alignment of its shipping portfolio in relevant institutional reports on a timeline that is appropriate for that Signatory. This requirement takes effect for each Signatory in the calendar year after the calendar year in which it became a Signatory.

