

# EU Allowances in Practice

Charterers and Owners

Latitude  
N 55°30'23.8458"  
Longitude  
E 0°43'44.7468"

# Cash vs Allowance Settlement

## Between owners and charterers

### Settlement in Allowances

- Using allowances as currency, as stipulated in the BIMCO clause for example, entails charterers buying allowances and transferring them to owners at certain deadlines during the charter period.

### Cash Settlement as an alternative

- Cash settlement enables parties that does not fullfill the prerequisites of transferring allowances between them to continue a commercial relationship.

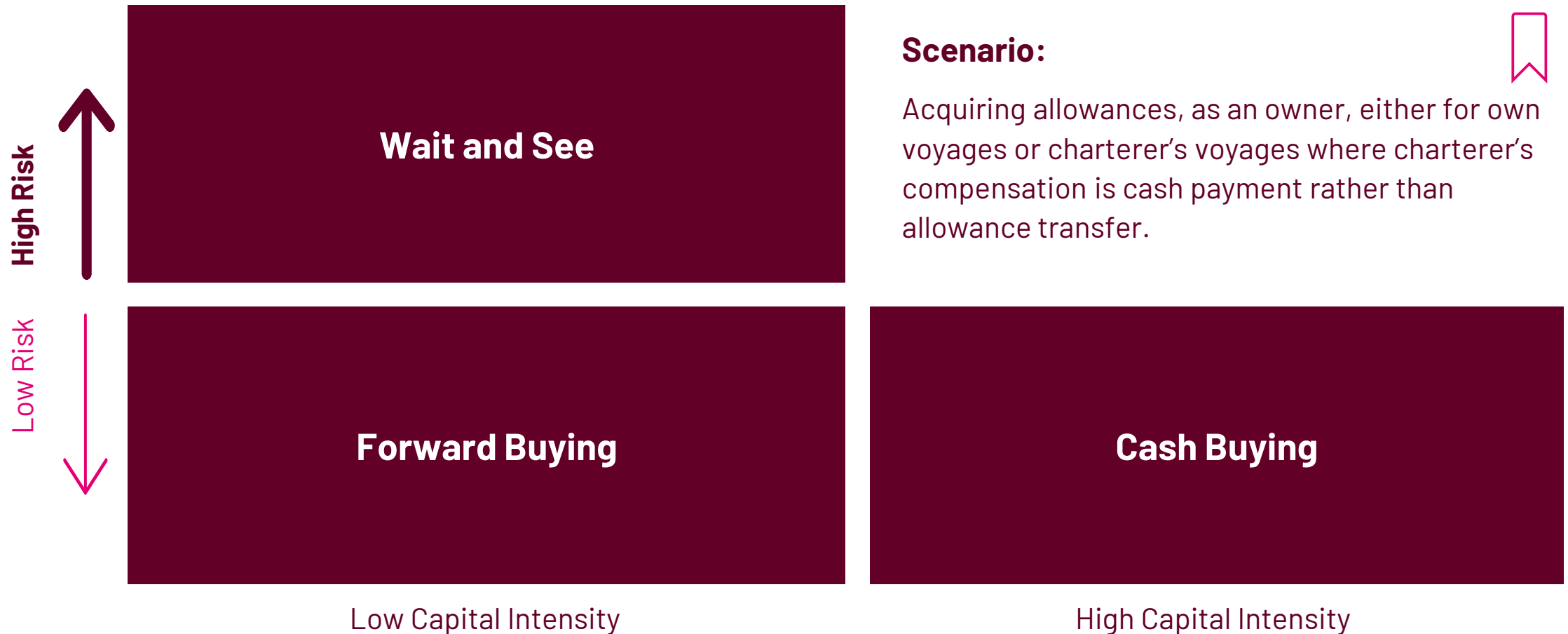


### Prerequisites

- EU Registry accounts.
- Access to EUAs for purchasing.
- Clear agreement on how the calculation of the cash settlement is done. *(recommended)*
- Active approach to risk management. *(recommended)*

# Commercial Strategies

## Acquiring allowances as an owner



# Product Offerings

## Spot

- **What:** Buying EUAs now for immediate delivery (T+2/3).
- **Payment and Credit:** In advance or 3 days, subject to credit approval (30ddd or more, possibly in the future)
- **Benefits:**
  - No price exposure after fixing.
  - Simple process.
  - Quantities of EUAs that suit the buyer. (Exchanges sell only in larger batches)
  - Trading for extended hours, compared to exchanges.\*

*\*Subject to requirement and enquiry.*

## Forward

- **What:** Fixing EUA price now for delivery in the future.
- **Payment and Credit:** May have to pay an initial margin when fixing price. More comprehensive requirements than spot credit check.
- **Benefits:**
  - Low price exposure after fixing.
  - Low capital intensity. May be subject to maintenance margin.
  - Quantities of EUAs that suit the buyer. (Exchanges sell only in larger batches)
  - Quantity of EUAs secured for delivery in the future.
  - GRM offers delivery at almost any future date. Exchanges are far less flexible.

## Customized terms

- **What:** Designing a contract that suits the buyers' needs.
- **Payment and Credit:** Similar to spot or forwards, depending on design.
- Possible features:
  - Fixing at day's closing prices.
  - Fixing on 5-day average prices in the future.
- Cash settlement - a derivative product on EUAs, settling in cash against a pre-agreed price (i.e. buy now, fixing against Daily settlement in a future date. At that date, exchange positive or negative cash flows based on market movements.)
- **Benefits:**
  - Purchase in a way that suits you.
  - Flexibility on quantities, pricing structures, delivery dates etc.

## Advanced Products

- **What:** Products that are complex to create and better suited to your needs.
- **Payment and Credit:** Similar to spot or forwards, depending on design.
- Approved Advanced Products:
  - Hold for Order
- Pending Advanced Products:
  - Forward Light.

# Recommendation

## Prepare for all scenarios

- An EU Registry Trading account opening.
- Select your provider of allowances and initiate the onboarding process as soon as possible.
- Define your risk strategy and balance with cash flow considerations.
- Assess the ability of your counterparts to acquire and transfer allowances.



Contact us today to start the onboarding process with Dan-Bunkering to enable the transaction of spot and forward EU ETS allowances.



[www.dan-bunkering.com](http://www.dan-bunkering.com)