A global framework for responsible ship finance
The Poseidon Principles: Development & Overview
How did we get there?

- **November 2017**: Initial convening of financial institutions on climate risk in ship finance
- **April 2018**: IMO Agreement sets level of ambition
- **June 2018**: Workshops on climate risk and collective ambition held in Singapore, London, and NYC
- **August – September 2018**: Drafting group begins work on initial principles, which become known as the Poseidon Principles
- **October 2018**: Industry feedback sought on initial draft of Poseidon Principles at Global Maritime Forum Summit in Hong Kong
- **November 2018 – February 2019**: Drafting group completes Poseidon Principles
- **18 June 2019**: Launch of the Poseidon Principles in NYC [11 Signatories at launch]
How did the Poseidon Principles come to be?

Financial Initiatives

Poseidon Principles

Shipping sector commitments
The Poseidon Principles are a framework for assessing and disclosing the climate alignment of ship finance portfolios.
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. The Poseidon Principles must be applied by Signatories in all Business Activities.
**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.
The Poseidon Principles: Implementation Overview
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 decarbonization 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.
Data collected includes: fuel consumption and type, design deadweight and total distance travelled.

- Applies to vessels 5000 GT and above trading on international voyages.
STATEMENT OF COMPLIANCE – FUEL OIL CONSUMPTION REPORTING

Issued under the provisions of the Protocol of 1997, as amended, to amend the International Convention for the Prevention of Pollution by Ships, 1973, as modified by the Protocol of 1976 relating thereto (hereinafter referred to as “the Convention”) under the authority of the Government of: ________________________________

(full designation of the Party)

by: __________________________________________

(full designation of the competent person or organization authorized under the provisions of the Convention)

Particulars of ship¹

Name of ship: ________________________________

Distinctive number or letters: ________________________________

IMO Number²: ______________________________________

Port of registry: ________________________________

Gross tonnage: ________________________________

THIS IS TO DECLARE:

1. That the ship has submitted to this Administration the data required by regulation 22A of Annex VI of the Convention, covering ship operations from (dd/mm/yyyy) through (dd/mm/yyyy), and

2. The data was collected and reported in accordance with the methodology and processes set out in the ship’s SEEMP® that was in effect over the period from (dd/mm/yyyy) through (dd/mm/yyyy).

This Statement of Compliance is valid until (dd/mm/yyyy) ________________________________

Issued at: ________________________________

(place of issue of Statement)

Date (dd/mm/yyyy): ________________________________

(signature of duly authorized official issuing the Statement)

(seal or stamp of the authority, as appropriate) **

Annex 3
Resolution MEPC.278(70)
(Adopted on 28 October 2016)
Annual Efficiency Ratio

Data collected under IMO DCS includes:
- Fuel consumption & fuel type
- Design DWT
- Total distance travelled

\[
AER = \frac{\sum_i C_i}{\sum_i dwt D_i}
\]

- CO₂ emissions
- Cargo proxy (ship size)
- Distance sailed
Alignment requires:

- Individual vessel’s annual carbon intensity (gCO2/tnm)
  calculated from IMO DCS data

- Decarbonization Trajectory
  provided by secretariat

Key:

- Alignment delta \((\Delta_i)\)
  The % difference between a vessel’s carbon intensity and the
decarbonization trajectory at the same point in time: expressed
as a \((+/\text{-})\) %.

Background: Calculating the Climate Alignment of Vessels
1. IMO Initial Strategy’s Absolute Reduction Target

2. Global Carbon Intensity Trajectory

3. Transform into AER-equivalent trajectory by ship type & size (using IMO 50% reduction target)

Background: Calculating the Climate Alignment of Vessels
Worked Example: Portfolio Alignment

It is 2020, and Signatory X has calculated their portfolio alignment score for 2019.

Portfolio has two financial products, each secured by two vessels.
Vessels

-16%
$150MM

6%
$150MM

21%
$100MM

26%
$400MM

STEP 1
For each vessel, the alignment delta is computed using data from calendar year 2019.

STEP 2
- For lenders, outstanding loan amount on 31 December 2019 is identified
- For lessors, outstanding capital payments under the lease on 31 December 2019 is identified
- For guarantors, amount outstanding under guarantee on 31 December 2019 is identified

Worked Example: Portfolio Alignment
STEP 3
The weighted average is calculated for the portfolio. Weighting is done using debt outstanding.

- Signatory X’s $800MM portfolio is not in line with the IMO’s goal, it is 14% above that trajectory.
- 14% is the only value that is disclosed for that year.

Worked Example: Portfolio Alignment
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.
Accountability Overview

- Specific accountability requirements regarding data types, data sources, and service providers are stated at each step.
- Four steps at which requirements are set.
- Two pathways that Signatories can choose from based on preference: preferred or allowed.
Accountability
Step 1: Sourcing IMO DCS data

IMO DCS

Shipowner
- Annual (calendar year) per ship:
  - Fuel consumption (tonnes) & type
  - Hours underway (hrs)
  - Distance travelled (nm)
  - Ship particulars (including Design DWT)

Shipowner submits to RO

Recognized Organization
Checks and verifies data in accordance with regulation

IMO DCS Database

Method 1:
Shipowner gives consent for RO to share the data as submitted to IMO & SoC

Signatory to Poseidon Principles

Method 1:
Signatory to inform ROs of the ships IMO numbers for which the data is required

Method 2:
Shipowner gives data (as submitted to IMO) & SoC to Signatory
Accountability
Step 2: Calculating vessel AER and climate alignment

Preferred Pathways Track

Source Data from RO
IMO DCS data (Continues from step 1)

Source Data from Secretariat
Standard decarbonization trajectories

Method 1
RO performs calculations

Allowed Pathways Track

Source Data from Signatory
IMO DCS data (Received from shipowner)

Source Data from Secretariat
Standard decarbonization trajectories

Method 2
Signatory performs calculations internally

Method 3
Signatory outsources calculations to RO or another 3rd party
Accountability
Step 3: Calculating portfolio climate alignment

Source Data from Signatory
Vessel climate alignment
(from step 2)
Loan book

Method 1
Signatory performs calculations internally

Method 2
Signatory outsources calculations to RO or another 3rd party
Accountability
Step 4: Disclosure

Source Data from Signatory
Information from steps 1, 2, & 3

Method
Signatory prepares disclosures and submits to Secretariat as per Transparency requirements
Trident
A platform under development by Lloyd’s Register

A common platform or application to share data:
- Classification societies would pool data.
- Banks would be able to access the data for the vessels in their portfolio regardless of which classification society it is covered by.

→ Flexible modular approach allowing all the preferred pathways.

Benefits
- facilitates secure data collection, thus removing any pains that Signatories may have in resourcing efforts
- performs calculations as required, thus providing a trusted alignment figure.
Principle 3 Enforcement

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

- The enforcement requirement is met through the inclusion of the standardized covenant clause in any new business activity.
Principle 4  Transparency

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 30 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.
Transparency Requirements

Requirement 1
Upon becoming a Signatory, that Signatory will publicly acknowledge that it is a Signatory of the Poseidon Principles.

Requirement 2
On an annual basis, each Signatory will report the overall climate alignment of its shipping portfolio and supporting information as per the Accountability requirements to the Secretariat no later than 30 November. This requirement takes affect for each Signatory in the calendar year after the calendar year in which it became a Signatory.

Requirement 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 us appropriate for that Signatory.

Publication by Poseidon Principles Secretariat
The Secretariat will collect reported submissions from all eligible Signatories. By 31 December annually, the Secretariat will publish all climate alignment scores at www.poseidonprinciples.org
Timeline for Signatories

- **Once data becomes available through IMO DCS, signatories will collect data from RO or shipowners**
- **Calculation of Portfolio Climate Alignment**
  - During May and June
  - Starting 2nd calendar year after becoming a Signatory
- **Report climate alignment score and supporting documentation**
  - Nov. 30
- **Portfolio climate alignment scores published on Poseidonprinciples.org**
- **Signatory publishes climate alignment in relevant institutional reports**
  - Dec. 31
Next Steps
Governance

- Poseidon Principles to be governed by a separate legal entity, the **Poseidon Principles Association**, whose object is the management, administration and development of the Principles.
- Led by a **Steering Committee** made up of Signatories.
- Global Maritime Forum to act as **Secretariat** with UCL and Rocky Mountain Institute as **advisors**.
- Advisory to be expanded if other issues are added at a later stage.
- Self-funded by Signatory financial institutions.
How to become a Signatory

STEP 1

▪ Submit **Standard Declaration** (formal commitment)
▪ Submit **Signatory Application** (contacts & practical information)

STEP 2

▪ Prepare and submit the Poseidon Principles **Self-Assessment** within 5 months of becoming a Signatory
THANK YOU

For questions or to begin onboarding, please contact:
info@poseidonprinciples.org

www.poseidonprinciples.org

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