

POSEIDON PRINCIPLES

A global framework for
responsible ship finance

August 2022

Here's how a group of banks
is leading **maritime shipping's
green transition**

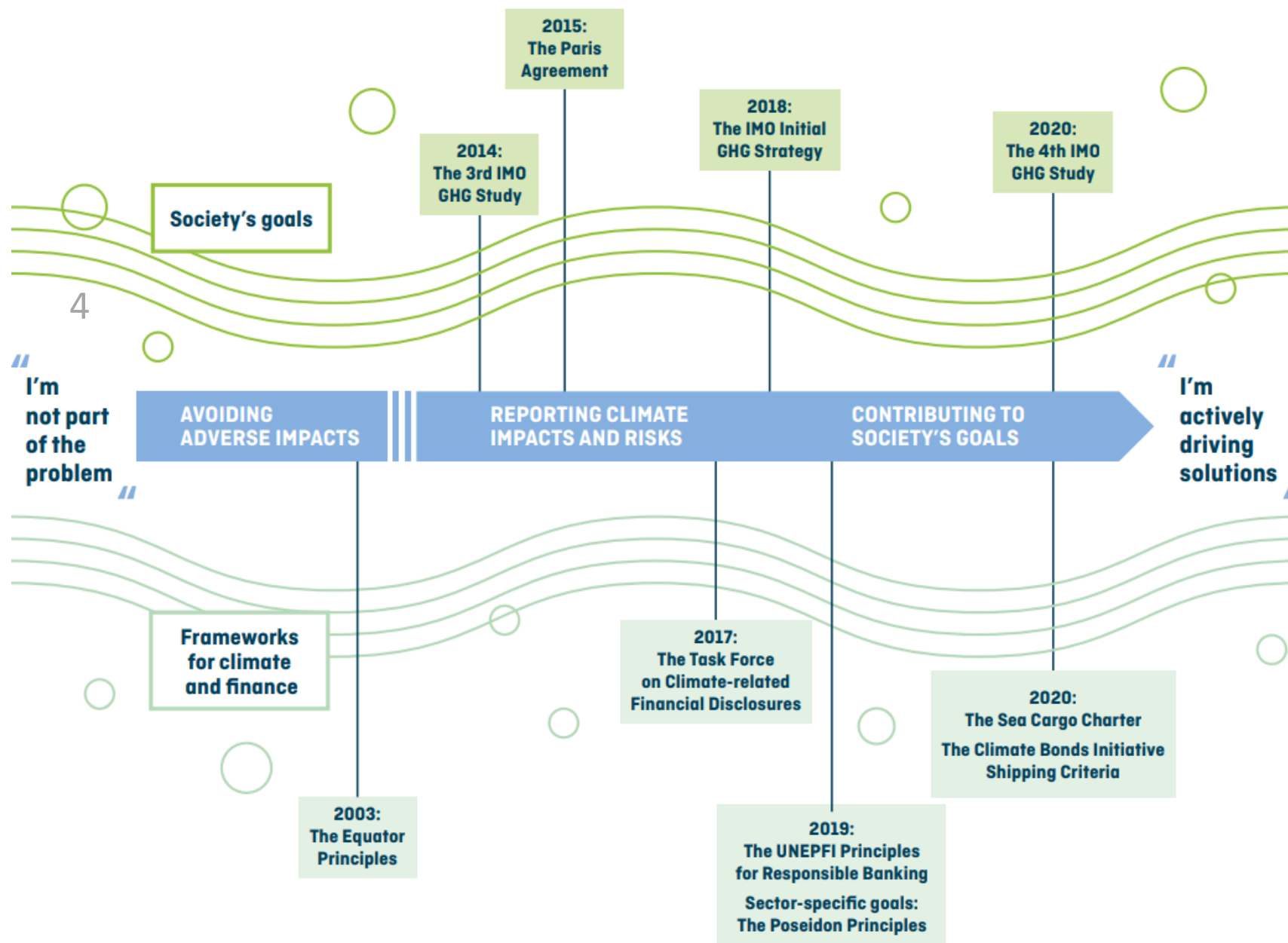


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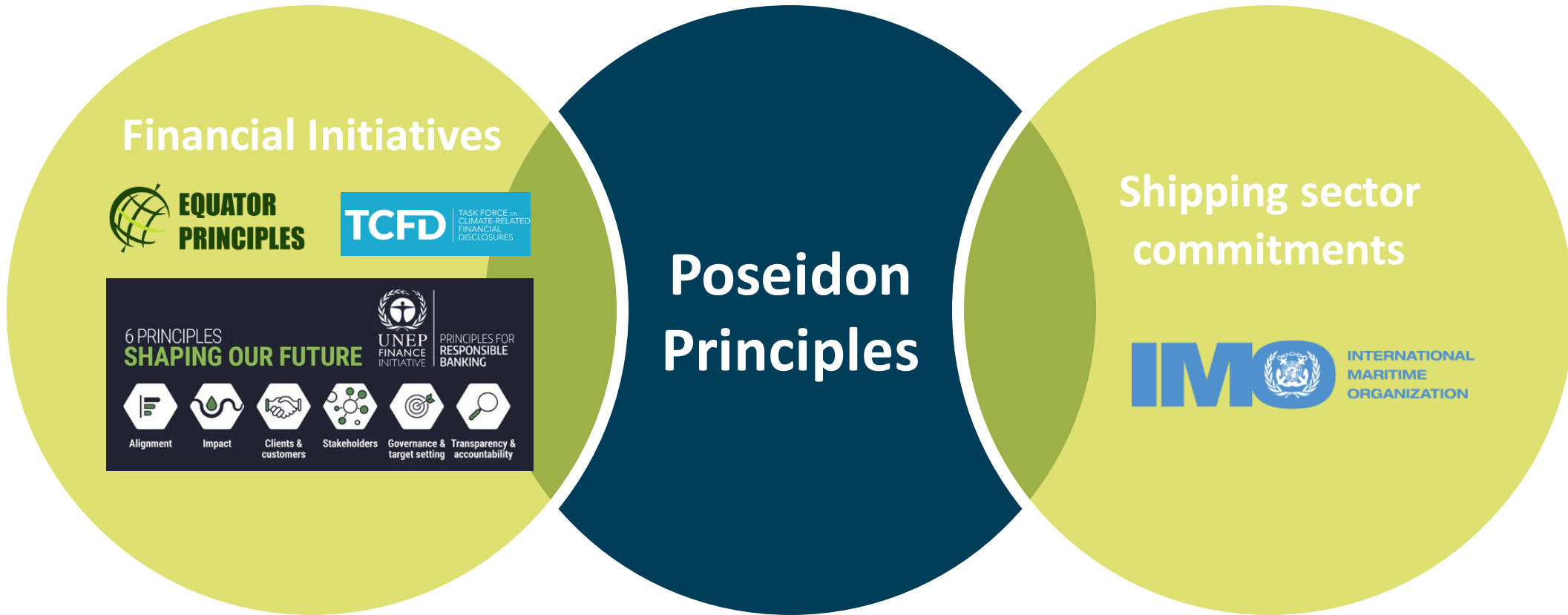


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How did the Poseidon Principles come to be?



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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.



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 New York City

Currently 29 Signatories:



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.

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 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.

IMO Initial Strategy

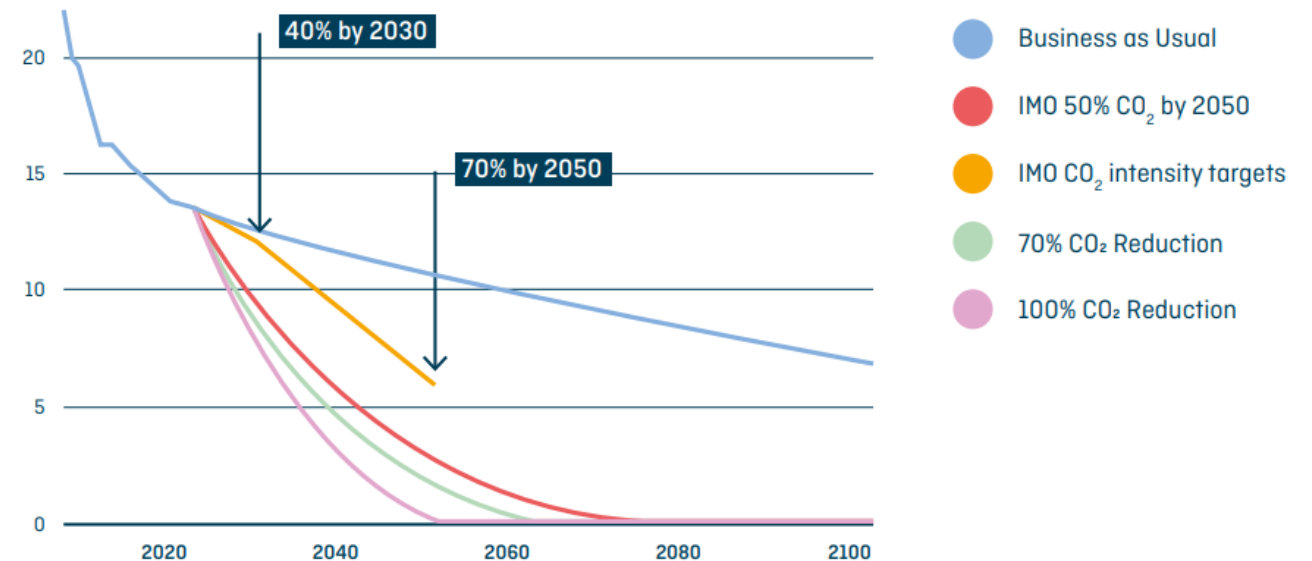
“to reduce the total annual GHG emissions by at least 50% by 2050 compared to 2008”

– **the Absolute Target**

“to reduce CO₂ emissions per transport activity by at least 40% by 2030, pursuing efforts towards 70% by 2050 compared to 2008”

– **the Intensity Target**

Global fleet's carbon intensity targets and trajectories
[grams of CO₂ per tonne-nautical mile [gCO₂/tnm]]



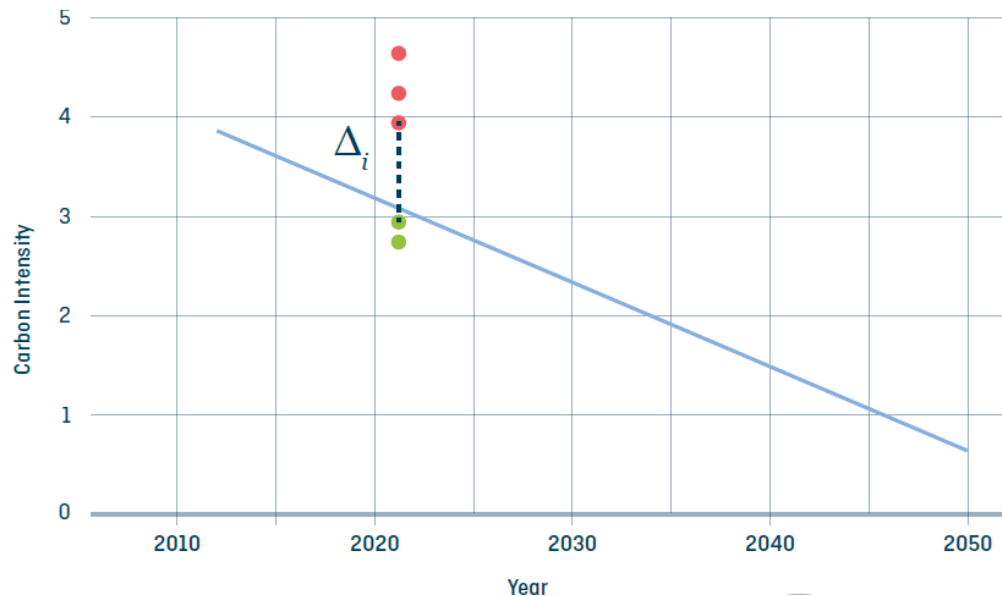
For the purpose of the Poseidon Principles, the Absolute Target is used (because it is more ambitious than the Intensity Target – see figure above). This Target is converted into a relative carbon-intensity target to have a methodology better-suited for vessel-level comparison of emissions.

Ambition of the Poseidon Principles



Calculating climate alignment

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



Decarbonization 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 decarbonization 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

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

CO₂ emissions

Cargo proxy (ship size)

Distance sailed

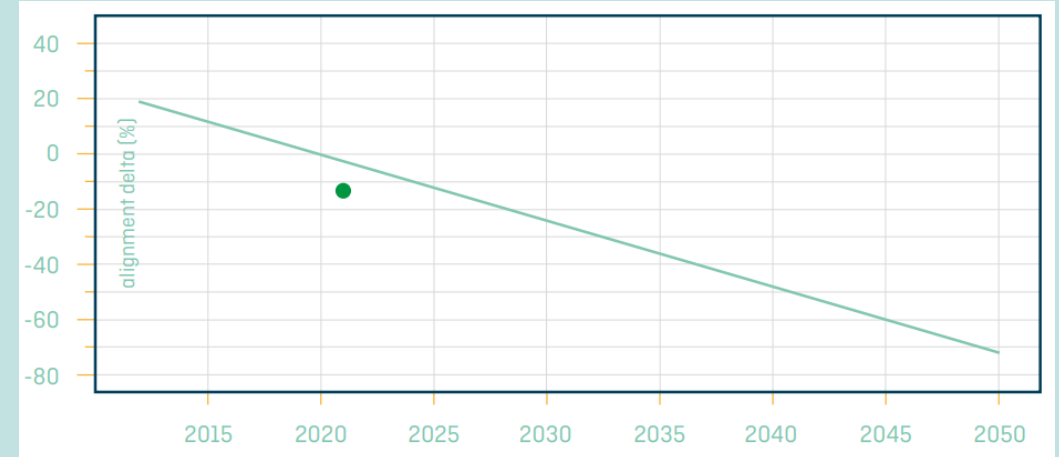
Methodology in a nutshell

1.

Calculate vessel-level alignment

2.

Aggregate alignment
for product and portfolios



A positive alignment score means a voyage is **misaligned** (above the decarbonization trajectory).

A negative or zero score means a voyage is **aligned** (on or below the decarbonization trajectory).

A DETAILED OVERVIEW OF THE METHODOLOGY IS TO BE FOUND IN THE [TECHNICAL GUIDANCE](#).

Calculating climate alignment



Principle 2

Accountability

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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.

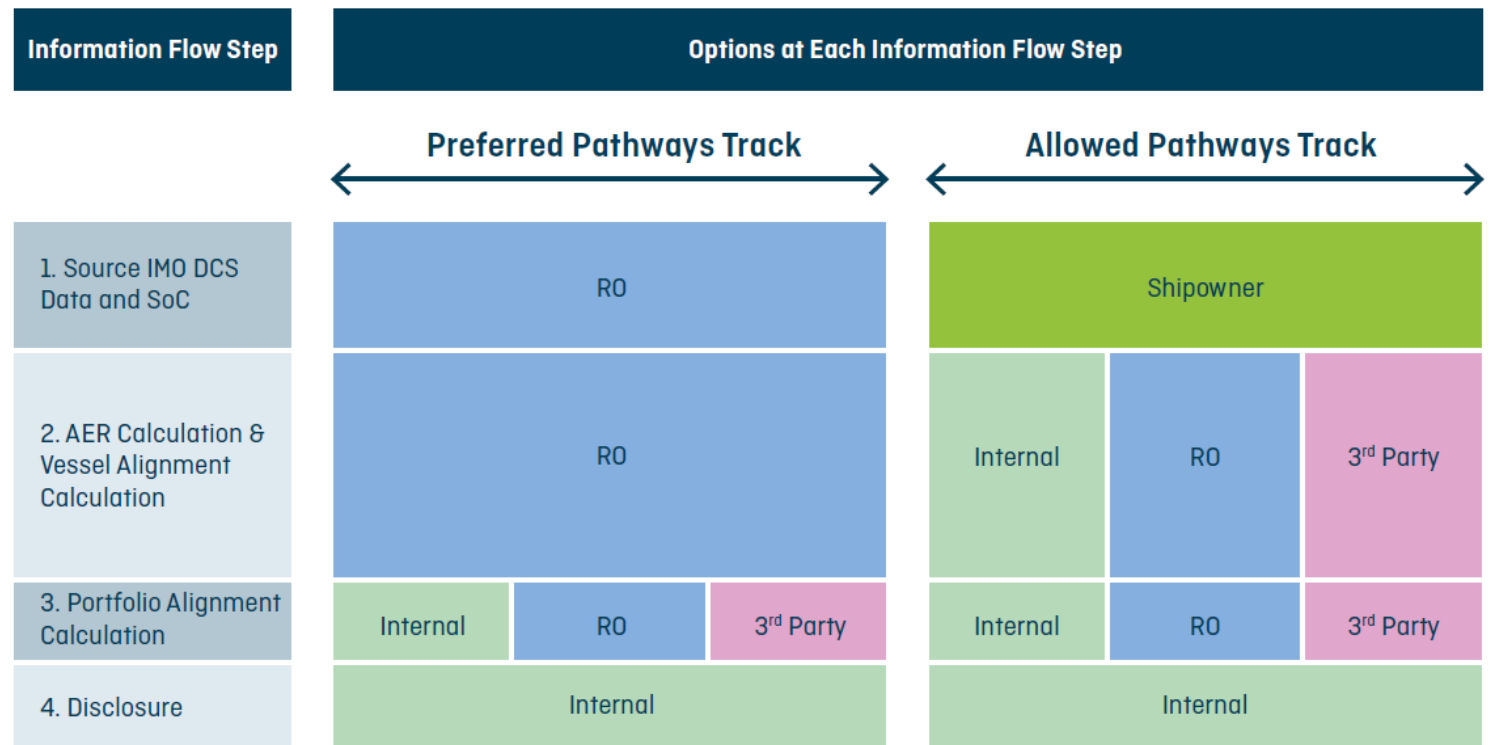
Our Commitment

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 – preferred pathway is recommended.



Accountability: Disclosure

- One method for both pathway tracks.
- Additional information submitted to the Secretariat (will not be made public) to establish a quality control mechanism.
- Signatory Reporting Template is available on the website for a standardized disclosure by all Signatories.

Becomes public	Only shared with Secretariat and other Signatories
<ul style="list-style-type: none">• Portfolio climate alignment score (the total score)• Percentage of portfolio non-reporting and non-reporting categories• <i>Optional</i>: Separate climate alignment scores for cargo and passenger vessels	<ul style="list-style-type: none">• Percentages of portfolios for which Preferred pathway tracks and Allowed pathways were used• A list of the names of the third parties used• <i>Optional</i>: internal decarbonization target



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 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.

Principle 4

Transparency

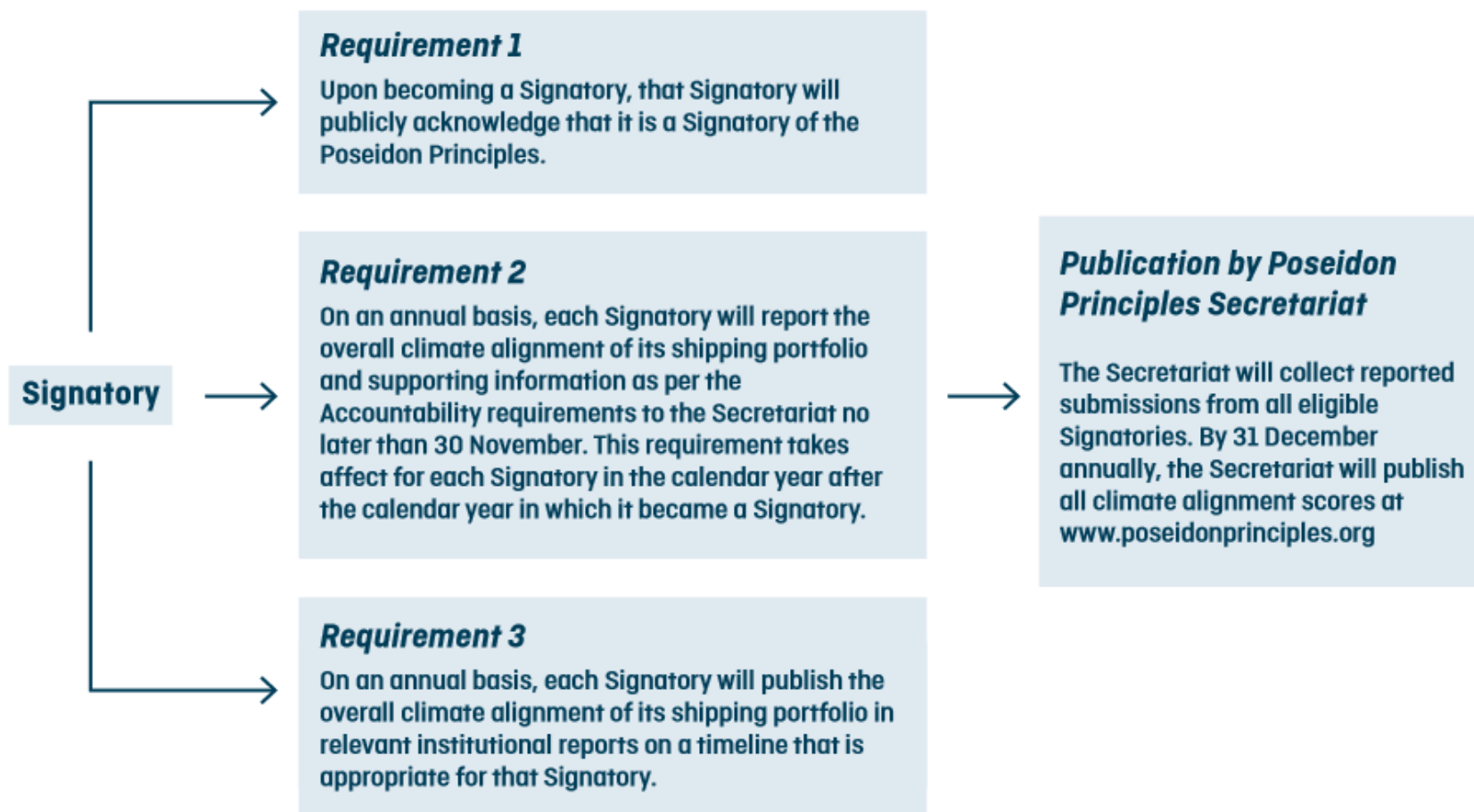
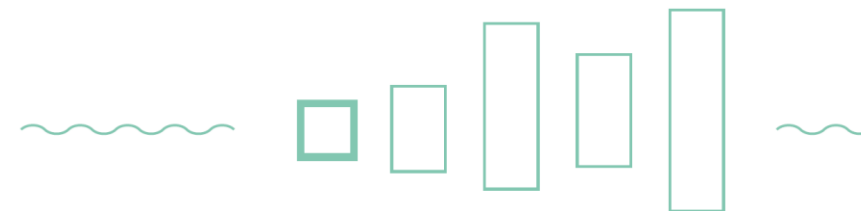
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We will publicly acknowledge that we are a Signatory of the Poseidon Principles and we will publish the results of our assessment of the climate alignment of our Business Activities at the portfolio level in line with the Technical Guidance on an annual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

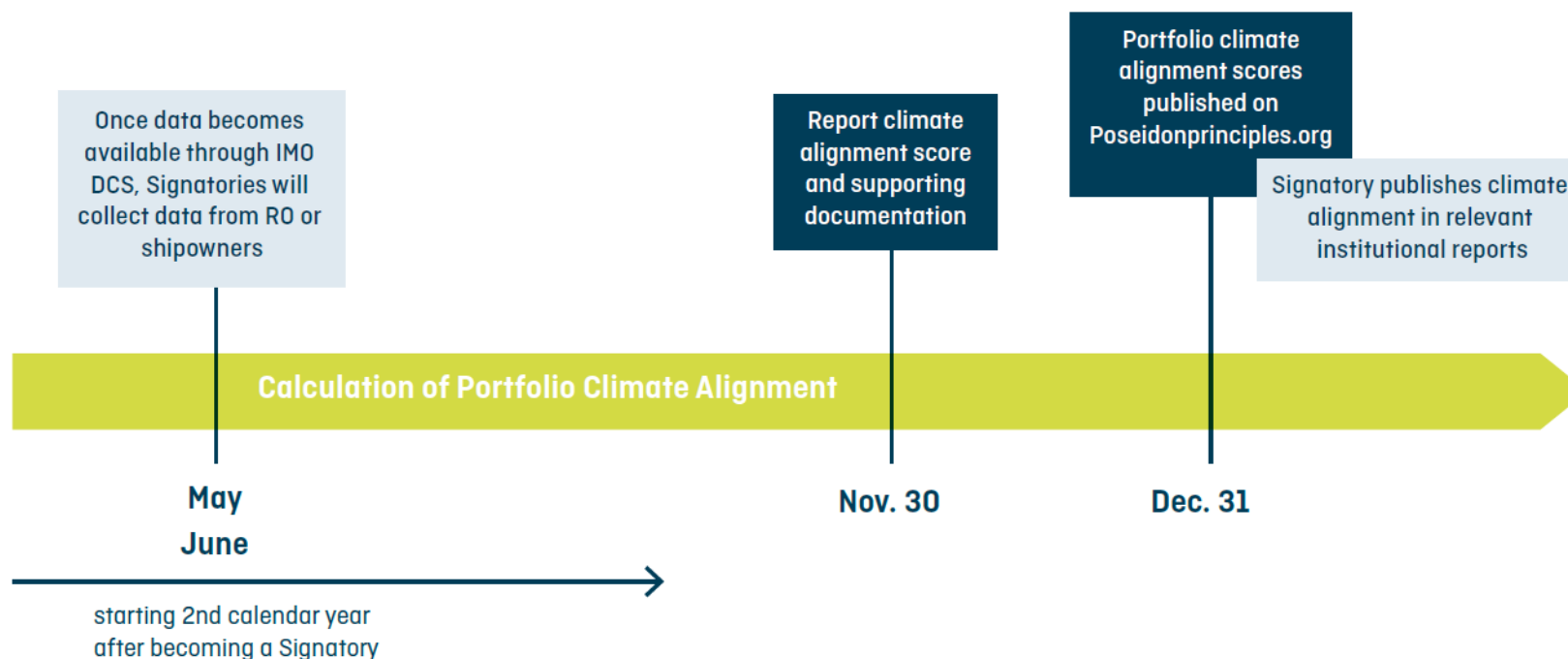
Our Commitment

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 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



Timeline for Signatories



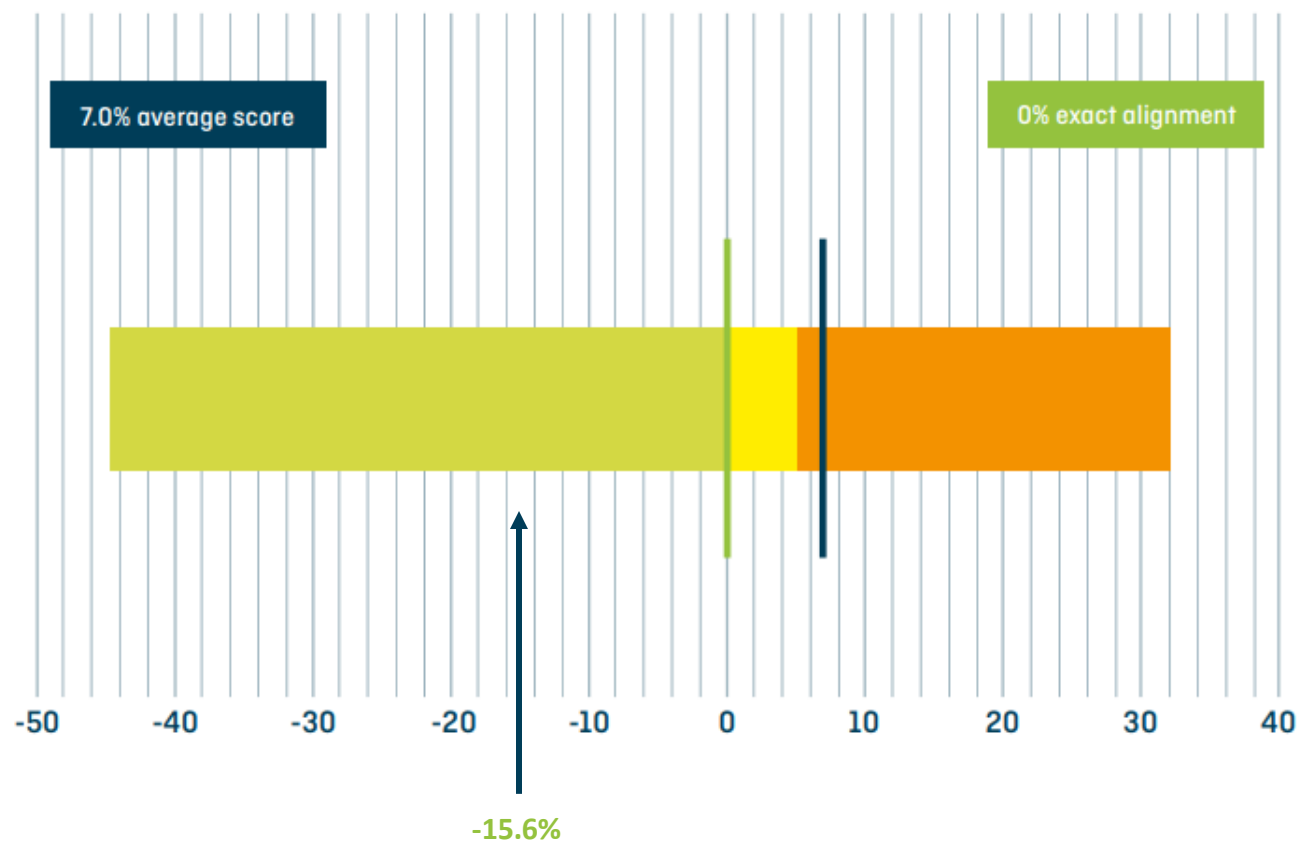
Annual Disclosure Report 2021

- 23 banks reported the carbon footprint of their shipping portfolios in a first-of-a-kind climate finance report
- 11 out of 23 were aligned with the International Maritime Organization's goal to cut emissions from shipping by at least 50%



GET THE REPORT HERE





A climate alignment score of 0% represents a portfolio which was exactly in line with the decarbonization trajectory threshold (climate aligned).

A negative score indicates a portfolio's carbon intensity is lower than required by the decarbonization trajectory (climate misaligned).

Annual Disclosure Report 2021



Learnings from reporting

- This second climate alignment assessment reporting provides Signatories with a unique understanding of their ship finance portfolios' climate footprint.
- It is clear that Signatories are using their climate alignment scores to have a more fact-based dialogue with their clients and make more informed lending decisions by integrating climate risk into their portfolio risk management.
- Covid-19's impact on international shipping meant drastic changes in operation for some segments, mainly cruise and passenger vessels, leading to increasing carbon intensity.
- Reflects the Signatories' leadership in climate finance and determination to decarbonize global shipping even in the face of short-term challenges in certain parts of the sector.

Annual Disclosure Report 2021

What Signatories said

“a group of world leading shipping banks ”

“creates insight and transparency”

“demonstrates our business ambition to help financing the transition of our clients to a greener maritime industry”

“a helpful tool to actively monitor the carbon footprint of banks shipping portfolios.”

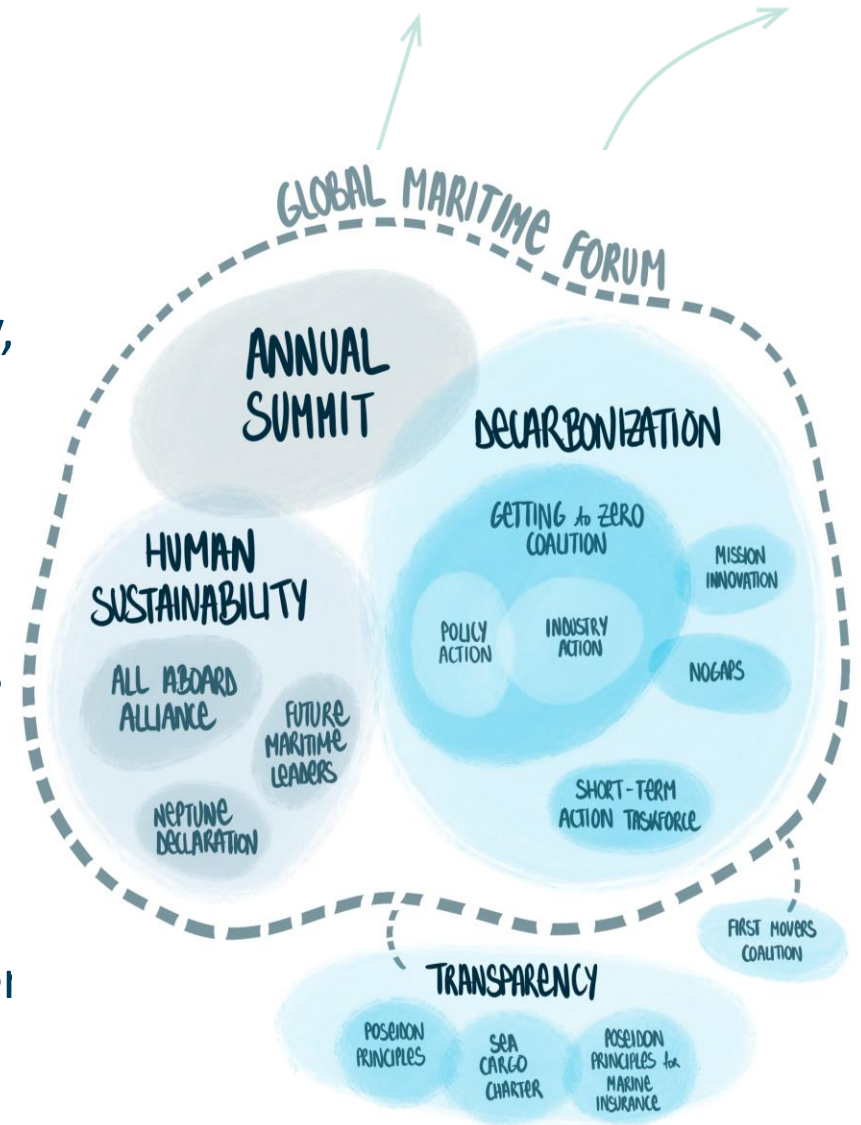
“important contribution in the decarbonization of shipping.”

“clear signal that financial institutions want to support and play their role in the decarbonization of the world fleet”



Governance

- Poseidon Principles are 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. The current Chair is Michael Parker of Citi, and the Vice Chair is Paul Taylor of Société Générale.
- Global Maritime Forum acts as the **Secretariat** with UCL and Rocky Mountain Institute as **Advisory**.
- Advisory to be expanded if other issues are added at a later stage.
- Self-funded by Signatory financial institutions.



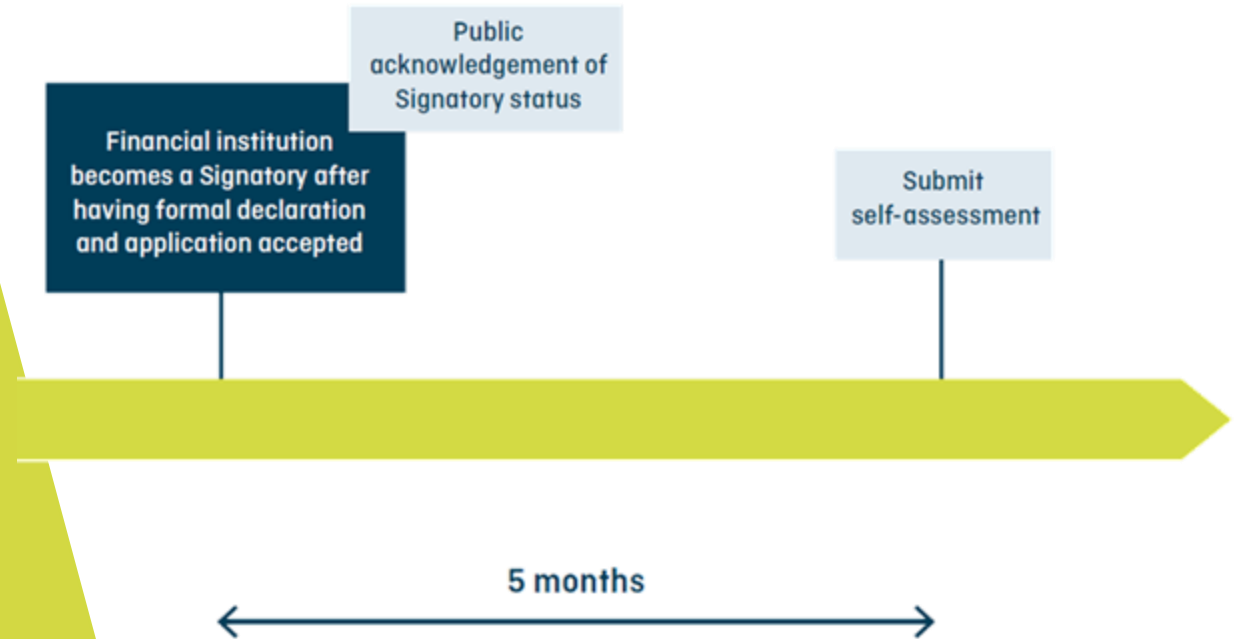
How to become a Signatory

STEP 1

- Submit Standard Declaration (formal commitment)
- Submit Signatory Application (contacts & practical information)
- Submit signed Membership Agreement (agreeing with rules of the Association)

STEP 2

- Prepare and submit the Self-Assessment within 5 months of becoming a Signatory



| Why joining?

What are the benefits for Signatories?

- Contributing to an initiative that is ground-breaking in the spheres of shipping: align with societal goals and contribute to the decarbonization efforts.
- Understanding of climate alignment of your activities.
- Inform decision-making: access to valuable asset-level information that can be used to assess potential climate risks that may impair returns in the future.
- Incorporate climate change mitigation in business practices.
- Benefit of being part of a network of like-minded organizations; support & exchange of best practices within the Association.



THANK YOU

Please send any questions to the Secretariat of the Poseidon Principles at: info@poseidonprinciples.org

Resources & more information can be found at:

www.poseidonprinciples.org

[LinkedIn](#)

[Twitter](#)

[Facebook](#)

