Shipping 2.0

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Launched in 2020 as part of Estonia's broad-based Shipping Package 1.0, the Estonian Transport Administration devised the EST Flag initiative to create conditions favourable to growing the nation's ship register. Its attractions support Estonia's maritime growth strategy and include a business-friendly regulatory framework and fully digital government services. Leveraging its 'e-Estonia' digital society initiative, the country's cabinet is preparing to extend the digital reach of EST Flag's ship registration services while also expanding its tonnage eligibility.

Estonia's tax structure consistently ranks among the most competitive in the OECD, holding the 1st place in the International Tax Competitiveness Index since its launch in 2014. Shipowners choose the Estonian flag partly due to competitive tax rates on tonnage and seafarers (the EST Flag, which currently has two bareboat-chartered registers, employs a tonnage tax) and the ability to register quickly through the government portal. Significant efforts are now being made in Estonia to make the country's flag even more attractive to shipowners, with plans including the further streamlining of the registration process and the broadening of the vessel range eligible for registration.

Balanced growth

Rather than pursuing expansion at any cost, the development of the Estonian flag is focused on service quality in an increasingly complex regulatory environment. This includes ongoing work to develop the regulatory and digital framework to simplify processes for users of the flag in support of long-term growth. The proposed changes would also make the Estonian flag available to shipowners and charterers worldwide (except for entities subject to international sanctions).

Under revisions proposed as part of Estonia's Shipping Package 2.0 reform, owners registered under the EST Flag and their charterers would no longer be required to have a place of residence, domicile, or business in Estonia, provided the vessel has an authorised representative located in the state. In another adjustment, vessels registered with the EST Flag will no longer need to make 50% of their voyages to international destinations. The measures, which could come into effect in 2028, are expected to make the registry applicable to a wider range of commercial ships – including demand driven by offshore (cable- and pipe-laying) vessels potentially benefiting from the relaxation of the international voyage requirement.

Work is also underway in Estonia to further develop the digital systems supporting EST Flag services, making them even more efficient and user-friendly, in a nation where data management, autonomous platforms, and even digital twins run through university courses, start-ups, and established businesses alike. The vast majority of the information regarding maritime services is already available in specialised electronic information systems, including the Ports Registry, the Seafarers Information System, and the Ship Information System. The next step is to achieve full interoperability between maritime, government, and business information systems, allowing data to move seamlessly between them.

Flagging up the opportunities

The progress made by the EST Flag should also be seen in the wider context



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of Estonia's comprehensive plan to develop its maritime industries. The Estonian Maritime Cluster, for example, has been expanding rapidly in recent months and now brings together around 70 companies. It serves as a unique collaboration platform connecting the full breadth of Estonia's maritime value chain – from shipowners, shipyards, universities, and research institutions to fishing, technology firms, and IT companies. This integrated ecosystem not only strengthens existing industry capabilities but also provides a supportive environment for new shipowners by giving them access to expertise, partners, and innovation across the sector.

At the same time, Estonia's new €25 million government grant, covering 15-30% of eligible green vessel retrofit costs, up to €5 million per project, is already beginning to deliver tangible results. Currently targeting vessels larger than gross tonnage of 300, the scheme incentivises the installation of hybrid or electric propulsion, renewable fuel technologies, and other efficient, low(er)-carbon solutions. The grant can be used for passenger and cargo ships, as well as port and auxiliary vessels. The first project involved two ferries of the Norwegian operator Vestlandske Trafikk, who converted the vessels to electric propulsion at Netaman Shipyard in Tallinn.

Estonia is also among the few countries that channel revenues from the EU Emissions Trading System back into the maritime sector. By reinvesting this income stream directly into fleet renewal, sustainability projects, and innovation, Estonia ensures funds generated through carbon pricing actively support the transition towards a greener and more competitive maritime future. ■

Republic of Estonia
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Estonia supports the international activities and development of shipping companies with a special package of laws, thanks to which shipowners, crewing companies, and technical management service providers can obtain more favourable tax conditions and benefits of the Estonian ship flag. Visit **transpordiamet.ee/en/estonian-flag** to learn more.