

## POSITION STATEMENT

### ON THE EUROPEAN COMMISSION FUELEU MARITIME PROPOSAL – GREEN EUROPEAN MARITIME SPACE

#### GENERAL REMARKS

As part of the “Fit for 55” package, the European Commission has proposed a set of binding goals for the reduction of greenhouse gases (GHGs) for European shipping in its new “FuelEU Maritime” regulation. European shipping makes up 75 % of foreign trade and 31 % of internal EU trade. Every year, some 400 million passengers use EU ports, 14 million of whom are travelling on cruise liners. According to the International Maritime Organization (IMO), roughly 210 million tonnes of marine fuel were used globally in 2019; this was identified in the latest report by the International Energy Agency as causing approx. 2 % of annual GHGs. Shipping is more heavily affected by international competition than almost any other sector, and has so far been minimally regulated by climate policy. Although an agreement has been made at the level of the IMO to reduce CO<sub>2</sub> emissions by 40 % compared to 2008, the IMO lacks legislative and fiscal clout; we thus welcome these additional regulations at EU level.

Ports outside the EU must not be allowed to gain any competitive advantage, and regulatory loopholes (“carbon leakage”) must be avoided – both sustainability and economic prosperity must be taken into consideration. If these conditions can be guaranteed, however, far loftier goals can and must also be pursued in the FuelEU Maritime Regulation, especially in the short term.

We particularly welcome the regulation’s long-term, comprehensive well-to-wake approach. Thus, emissions targets are not only proposed for the period up to 2050; the EC also leaves it up to the market participants to choose whether the goals are to be achieved by using renewable fuels, new naval engineering methods or alternative piloting techniques. The revised version of the Renewable Energy Directive (RED) lacks long-term goals extending beyond 2030, and we do not consider the approach to be comprehensive enough, especially regarding fleet average CO<sub>2</sub> requirements for new road vehicles. It is also contradictory that the EU taxonomy for sustainable activities continues to follow a limited “tank-to-wake” approach. That presents an obstacle to investment in renewable fuels as a means of complying with the FuelEU Maritime Regulation.

The eFuel Alliance endorses the new FuelEU Maritime Regulation as an important means of backing up the necessary step of bringing synthetic fuels onto the market, and as an incentive to make ships more efficient. FuelEU Maritime presents a great opportunity to “defossilise” shipping. We suggest the following amendments to the Commission’s proposal:

#### RECOMMENDATIONS

- ▶ **The proposed percentages should be raised to create more powerful incentives to invest in technologies that are not based on fossil fuels.** We call for a GHG reduction of at least 15% by 2030 and 100 % by 2050 to achieve climate-neutral mobility.
  - ▶ We recommend **setting minimum shares for hydrogen and eFuels** – so-called renewable fuels of non-biological origin. We propose 6 % by 2030 and at least 48% by 2050.
- ▶ **It is also important to ensure that European ports and ship-owners do not suffer any economic disadvantages.** To achieve this, regulatory loopholes must be eliminated and income from the EU Emissions Trading System (EU ETS) used to balance out any difference in cost between renewable and fossil fuels.

To rise to these challenges, pave the way for climate-neutral shipping and achieve the EU's ambitious climate targets, we recommend that the European Parliament and the Council make the following amendments to the European Commission's proposal.

## TACKLING THE MOST IMPORTANT CHALLENGES

### 1. Raising the level of ambition

Our main point of criticism is that, in the short and medium term, the proposed target for reducing GHGs can be met by using existing supplies of fuels such as biodiesel (used cooking oil) that are currently used in road transport, among other contexts. Fuel suppliers could take existing renewable fuels previously brought onto the market to fulfil the RED and transfer them from the road transport sector to shipping as a means of complying with both laws at once. As a result, in its current form, FuelEU Maritime would not bring any additional supplies of renewable fuels onto the market by 2030, and would thus not achieve any additional reduction in CO<sub>2</sub> emissions. To stop CO<sub>2</sub> reductions being taken into account twice under two different laws, and to create incentives for new investment, the ambition level needs to be raised and a minimum share for advanced technologies like eFuels should be included.

It is also important to note that all supplies of renewable fuels must comply with the RED sustainability criteria and restrictions, whether or not those fuels are used to achieve the goals of the RED or FuelEU Maritime. Due to the revision of Annex IXb under RED the cap on volumes from this feedstock category should be reassessed.

To achieve climate neutrality by 2050, we recommend raising the level of ambition, as long as the conditions are met for remaining internationally competitive. We consider the planned targets of a 2 % GHG reduction by 2025, a 6 % GHG reduction by 2030 and up to a 75 % GHG reduction by 2050 far too unambitious. The targets proposed by the EU Commission could be met by 2040 using existing biofuels, fossil fuels such as LNG or LPG, and steps to increase efficiency (travelling slowly), without any investment in new renewable fuels. We thus also demand that a minimum share of the GHG reduction must be achieved by renewable fuels of non-biological origin, which are hydrogen and eFuels.

Ships' long lifespans, in particular, mean that the goal of climate neutrality must be set in the long term. That is the only way to ensure that investments are made now in climate-neutral fuels such as eFuels. Some companies have ambitious goals even today. The Danish container shipping company Møller-Maersk, for example, has already ordered eight ships that run on synthetic methanol. Power-to-X (PtX) technology, which is used to produce eFuels, has already been almost fully developed and is available for use. We call upon the European Parliament and the European Council to make the decisions that are needed for eFuels to be scaled up.

We recommend amending Article 4(2) as follows:

The limit referred to in paragraph 1 shall be calculated by reducing the reference value of [X grams of CO<sub>2</sub> equivalent per MJ]\* by the following percentage:

- -15% from 1 January 2030, thereof at least 6% renewable fuels of non-biological origin;
- -25% from 1 January 2035, thereof at least 12% renewable fuels of non-biological origin;
- -50% from 1 January 2040, thereof at least 24% renewable fuels of non-biological origin;
- -95% from 1 January 2045, thereof at least 36% renewable fuels of non-biological origin;
- -100 % from 1 January 2050, thereof at least 48% renewable fuels of non-biological origin.

## 2. Remaining competitive compared to shipping outside the EU

Similarly to other proposals in the “Fit for 55” package, such as the revised Energy Taxation Directive (ETD) and the Emissions Trading Scheme (ETS), the new FuelEU Maritime Regulation raises the costs paid by ships calling at European ports. As ports outside the EU are not required to comply with these requirements, this thus creates a risk of ships calling at ports near the EU and the goods then being transferred to other modes of transport for their further journey.

Although the risk of carbon leakage is low compared to other regulations, such as ReFuelEU Aviation, competitiveness and thus also the risk of CO<sub>2</sub> emissions being offshored are topics that need to be addressed. Possible solutions to this issue include introducing Carbon Contracts for Difference or IPCEIs to help European shipping through its transformation, or paying compensation for the additional expenses incurred when adding renewable fuels to the blend. The revenue required to fund such measures could come from the ETS or from making shipping fuels subject to energy tax.

Shipping companies should also not be solely responsible for “defossilisation” and the associated costs. It is therefore important for the FuelEU Maritime Regulation to be accompanied by a far more ambitious RED. In this regard, the eFuel Alliance proposes measures such as eFuels making up at least 5 % of the European fuels market by 2030. This would spread the cost of scaling up PtX technology among multiple sectors.

It is also clear that if the law only allows eFuels to be used in aviation and shipping, then the available quantities of eFuel will be lower, cost more and come at a later date. The “Fit for 55” package can only be successful if it is comprehensive and technology-neutral.

### ABOUT THE eFUEL ALLIANCE

The eFuel Alliance is an interest group committed to promoting the political and social acceptance of eFuels and to securing their regulatory approval. We represent more than 160 companies, consumer organizations and associations operating at different levels of the eFuel production value chain. We stand for fair competition and equal competitive conditions for all relevant emission reduction solutions. We are firmly committed to further climate change mitigation and seek recognition for the significant part eFuels can play in sustainability and climate protection. Our aim is to create the conditions for the industrial production and widespread use of CO<sub>2</sub>-neutral fuels from renewable sources of energy.