

# ECSCA POSITION PAPER ON THE FUEL EU MARITIME PROPOSAL

ECSCA supports the objective of the FuelEU Maritime proposal to foster the uptake of cleaner fuels in shipping. However, the proposal may become a missed opportunity due to enforcement loopholes. Making the EU fuel suppliers responsible for meeting the fuel standards will substantially address the enforcement concerns and will be consistent with other proposals of the 'Fit for 55' package. Fostering demand is key and the incentives and tools provided by the proposals of the 'Fit for 55' package should be used. Flexibility is welcomed but double requirements should be avoided. A new MRV system is unnecessary and burdensome. Finally, ships should not be penalised when Onshore Power Supply is not available in ports.

## 1. Introduction


ECSCA **welcomes** the **increased climate ambition** of the **'Fit for 55' package** published on 14<sup>th</sup> of July, recognising that the climate crisis is one of the greatest humanitarian, economic and environmental challenges our societies are facing. However, European shipowners notice a **lack of consistency** among some of the proposals of the package which may undermine its

environmental objectives and therefore urge for more coherence.

Even though an **international solution for shipping would be preferable**, shipping should contribute its share to address the climate crisis, at EU level as well. ECSCA **supports the objective** of the [FuelEU Maritime proposal](#) to foster the market uptake of cleaner fuels that are currently not affordable and/or commercially available. However, the proposal does not seem to be consistent either with other proposals of the 'Fit for 55' package or with the overall increased climate ambition. ECSCA has warned long before the proposal was published about its unintended negative consequences and [had commissioned a study](#) with the International Chamber of Shipping to explore the effectiveness and implications of potential measures.

The proposal sets up a **fuel standard** for ships taking the carbon intensity of fuels used in 2020 as a reference line. It also introduces a **mandate for the use of Onshore Power Supply** for two ship types, i.e. passenger ships and containerships. The geographical scope covers energy used at berth and on intra-EU voyages as well as 50% of the energy used on voyages departing from or arriving to the EU. The proposed Regulation introduces a pooling mechanism allowing companies to join forces in order to meet the carbon intensity target as well as EU harmonised penalties for missing the target or for failing to use Onshore Power Supply at berth. It also sets up a new separate and additional MRV system as well as a methodology of life cycle analysis of fuels.

**ECSCA supports the increase of the share of renewable and low-carbon fuels in the sector's fuel mix.** However, key elements need to be taken into consideration to ensure that the proposal delivers its objectives. ECSCA has developed an initial set of proposals



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to enhance the dialogue with the EU policy makers, to ensure that increased climate ambition of the 'Fit for 55' package is met and to safeguard the competitiveness of European shipping. ECSA recommends that the FuelEU Maritime becomes more consistent with the rest of the proposals of the 'Fit for 55' package.

## 2. Points of concern and ECSA recommendations

### FuelEU may become a missed opportunity due to enforcement loopholes

The proposal aims to introduce mandatory EU fuel standards with respect to the carbon content of marine fuels used by ships. These EU standards will apply to ships purchasing fuels within the EU. However, standards will equally apply to ships purchasing fuel blends in non-EU States. Law enforcement may be less robust in certain non-EU jurisdictions and, in any case, businesses based outside the EU, such as non-EU fuel suppliers, are not directly bound by the EU law.

The EU has introduced mandatory sulphur limits applicable to fuels used in the EU, irrespective of where these fuels are purchased. To this end, a minimum number of inspections is mandatory for the Member States through fuel sampling, which makes technically feasible to examine whether a fuel purchased outside the EU is compliant or not.


However, under the current proposal, enforcement for biofuel blends purchased outside the EU will rely only on paper documents provided by non-EU fuel suppliers. While the import and purchase of biofuel blends in the EU market is already regulated by the EU law, compliance with the EU sustainability criteria outside the EU jurisdiction is challenging to enforce. Biofuels have a similar chemical composition to conventional fuels. Thus, proper inspections for biofuel blends purchased outside the EU will be challenging for competent authorities.

It will be hard to ascertain the quantity and the quality of biofuels in blends. **Using paper documents provided by non-EU fuel suppliers to calculate carbon savings contributing to the EU's climate targets, may create substantial loopholes and, ultimately, an enforcement minefield.**

Considering these enforcement challenges, the Commission effectively outsources the enforcement to shipping companies and verifiers. However, shipping companies and verifiers will also rely on paper documents when looking for cleaner fuels to meet the standards or when verifying carbon savings. Shipowners have no means or competence to check the composition of biofuel blends. **It is possible that some non-EU fuel suppliers will be tempted to provide only-on-paper cleaner fuels as they are not subject to inspections or they are not bound by the EU law.**

This will be a **missed opportunity for the uptake of low- and zero carbon fuels in shipping.** It will also **distort competition dividing the market** between fuel suppliers abiding by the law and providing more expensive fuel blends and fuel suppliers by-passing the EU fuel standards and increasing their market share. It is also unclear what will be the **legal ramifications for shipping companies and verifiers** if the papers provided by non-EU fuel suppliers do not correspond to the fuel blend in the tank of the ship.

**Making the EU fuel suppliers responsible for meeting the fuel standards will substantially address the enforcement concerns.** EU fuel suppliers are directly subject to the EU law and to inspections by European competent authorities. They are also already subject to the same economy-wide energy targets under the Renewable Energy Directive.



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## Making ships responsible for fuel standards is not consistent with other proposals of 'Fit for 55'

FuelEU Maritime makes the fuel user responsible for delivering emissions reductions instead of the fuel suppliers. If the same measure was applied to road transport, car drivers would be held responsible for filling up their tank with fuel blends delivering emissions reductions. Although for all the other sectors the fuel supplier is responsible for making cleaner fuels available in the market, **the shipping sector is treated differently.**

The proposal for the Renewable Energy Directive (RED) sets up the new EU economy-wide target of at least a 40% share of energy from renewable sources in 2030 and the new renewables target of greenhouse gas intensity reduction of at least 13% by 2030 in the transport sector. **Under the RED, the principal responsibility lies with the EU fuel suppliers. RefuelEU Aviation also takes a similar approach** introducing requirements for the EU fuel suppliers. It will enhance the **consistency among the proposals of the 'Fit for 55' package** if the FuelEU Maritime is aligned with RED and introduces requirements and incentives for the EU fuel suppliers. It will create synergies between FuelEU Maritime and RED and will make them work together towards the increase of the use of cleaner fuels in the maritime sector.

Making ships trading to EU ports responsible for the fuel standards could have particular implications **for the majority of ships which operate non-scheduled services** where the destination of the ship is often unknown until shortly before the next port of call.

Last but not least, there are **critical safety issues** associated with the use of biofuels, including compliance with the requirement in the IMO Safety of Life at Sea Convention

<sup>1</sup> See page 46 of the [Commission's Impact Assessment on FuelEU Maritime](#).

(SOLAS) for marine fuels to have a flashpoint above 60 degrees Celsius. This is another reason why any new fuel standards should be addressed to fuel suppliers rather than to ships.


**Thus, the legal responsibility for meeting the standards should lie with the EU fuel suppliers as it is the case in other sectors.**

## Fostering demand for cleaner fuels in shipping

If the responsibility is shifted to the EU fuel suppliers, the question remains how to foster demand for cleaner fuel in shipping. It is a matter of consistency that FuelEU Maritime works together with the other proposals of the 'Fit for 55' package, i.e. the EU ETS and RED.

The Commission has already proposed the inclusion of shipping under the EU's carbon pricing mechanism, the EU ETS. Companies would pay for the emissions under the scope of the EU ETS and the intended objective of the proposal is to encourage efficiency improvements and to provide an economic incentive to companies to use cleaner fuels. The Impact Assessment of the FuelEU Maritime has estimated the price gap between cleaner and conventional fuels is at least €200 per tonne CO<sub>2</sub><sup>1</sup>. Thus, a **substantial part of the price gap between cleaner fuels and conventional fuels will be covered by the carbon price of the EU ETS**, which is currently trading above €60 per tonne CO<sub>2</sub>.

Importantly, any **revenues generated under the EU ETS** should be used to facilitate the energy transition of the sector and should contribute to lowering the price differential between cleaner and conventional fuels. European shipowners have consistently asked for the establishment of a **fund under the EU ETS to leverage the revenues so that cleaner fuels become commercially available**. The Commission has embraced



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the idea of financially supporting the uptake of cleaner fuels by proposing the introduction of **Carbon Contracts for Difference under the new Innovation Fund of the EU ETS**. In this regard, special reference is made in the EU ETS proposal to the energy transition of shipping.

RED also aims to support the uptake of cleaner fuels in shipping by maintaining the multiplier for renewable energy used by ships. Shipping and aviation are the only sectors in which the use of renewable energy is incentivised through 'multipliers', allowing to account more than the actual energy content consumed. The use of multiplier by fuel suppliers in shipping will further lower the price of cleaner fuels contributing to bridging the price gap.

**ECSA supports the proposal of the Commission to maintain the multiplier for the maritime sector. However, the multiplier should be substantially increased to help decarbonise the sector.**

### **New MRV system unnecessary and burdensome**

The proposal fails to keep the administrative burden low as much as possible. Instead of using the existing EU Monitoring Reporting and Verification (MRV) system for emissions from the maritime sector<sup>2</sup>, it introduces a separate reporting and verification system for the purposes of the FuelEU Maritime Regulation.

**Any double reporting and verification should be avoided and information needed for the implementation of the FuelEU Maritime Regulation should be integrated into the existing EU MRV system.**

<sup>2</sup> [Regulation \(EU\) 2015/757](#) on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport

### **Flexibility is welcome but double requirements should be avoided**

It is positive that the proposal provides a certain level of flexibility to the sector to meet the fuel targets.

However, the EU co-legislators should pay particular attention so that any **double reporting and/or double requirements, resembling the introduction of a trading scheme on top of the EU ETS**, are avoided.

### **Onshore Power Supply and lack of infrastructure**

The proposal introduces a requirement for passenger ships and containerships to use **Onshore Power Supply (OPS)** when at berth at a European port for more than two hours. The requirement does not apply when the port infrastructure is not available or not compatible with ships' equipment. However, this exemption effectively expires at the end of 2034, **making ships responsible when the infrastructure is not available at the port.**

Such a financial penalty on ships when the infrastructure for OPS is not available in a port does not address the right entity. Rather than the FuelEU Maritime proposal, the Alternative Fuels Infrastructure Regulation (AFIR) proposal would be a better instrument to incentivise the installation of OPS in ports, and as a consequence, the use of OPS by vessels. At the very least, **the exemption from the mandatory use of OPS when infrastructure is not available in the port and when ship's on-board on-shore power equipment is incompatible with the port's installation, should not expire in 2035.**

#### **Further information:**

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