

## Webinar “Fit for 55: Preparing the Maritime sector”

On November 4, 2021, the Platform Renewable Fuels organised the webinar “Fit for 55: Preparing the Maritime sector” for stakeholders as shipowners, operators, ports and fuel suppliers.

The Platform feels committed to advance knowledge and insights with sector players on how to comply with the new set of regulation.

- The Fit for 55 package will impact the sector from 2025 onwards
- Usage of fossil fuels will be penalised and more expensive as we have shown with the penalty of FuelEU Maritime, ETS price and taxation:
  - Renewable fuels will become cost competitive and are in general less expensive than paying the penalty
  - Penalty will increase over the years
  - However, renewable fuel volumes need to be ramped-up
  - If growing demand of renewable fuels is not met by growing supply, prices of renewable fuels will rise
  - It will be in the sector’s interest to already start preparing to have access to sufficient options
- Aim of this workshop was to create insights for end-users in the maritime sector

The webinar presented an overview of the involved policies as well as the practical implications on shipowners. After that, the companies GoodFuels, Port of Rotterdam and the Royal Dutch Association of Shipowners gave their vision on and reactions to the developments and impacts of the Fit for 55 package. The audience engaged in lively discussions throughout the webinar and took the opportunity to discuss further in the concluding open discussion.

### Fit for 55 integration overview and practical implications

In the first presentation, Lisa Mulder presented a holistic overview of the interplay between the most relevant Fit for 55 proposals, most notably FuelEU Maritime, EU Emissions Trading System (ETS), the Renewable Energy Directive (RED) and the Energy Taxation Directive (ETD). FuelEU Maritime hereby imposes a penalty of about 2400 EUR per tonne non-compliant fuel, while ETS prices are expected to grow to 450 EUR per tonne fossil fuel. ETD adds another 36 EUR per tonne fossil fuel, which is relatively low in comparison to the other prices and penalties. Thus its impact is deemed rather limited on bridging the gap between fossil fuels and renewable fuels. After detailing the key concepts and changes of each legislative piece, inconsistencies between the legislative proposals were identified and their potential impacts mentioned. The use of fossil electricity, for instance, cannot contribute to the Renewable Energy Directive target (as expected), but is favourable for FuelEU Maritime compliance, ETS compliance and not taxed via ETD.

The second presentation by Mark Bunse connected to the first presentation and translated it into practical implications to the shipowner and energy mix. A

calculation tool developed by studio Gear Up was presented that allows consulting shipowners on their expected penalties (in a business-as-usual case) or how costly compliance for their specific fleet would be. Given that high penalties will become a certainty for shipowners, different options to comply were explored. First, greenhouse gas reductions were explored per energy carrier and FuelEU Maritime-specific deviations from the RED were laid out. Then, the obligatory alternative fuel volumes were translated to a fleet level, showing how a shipowner can comply in 2025 and 2030 by either operating one ship on high renewable fuel blends or all ships on low renewable fuel blends. It was also explored how many gas-engine ships would have to be employed if the shipowner wanted to comply via fossil LNG or biomethane. Finally, the importance to establish supply chains and off-take agreements for renewable fuels now rather than later was stressed, because prices for renewable fuels recently rose fast and may eventually exceed the penalty prices set out in the regulation. If a solid demand is added to renewable fuels, this trend may be decelerated. Despite non-compliance having stronger implications than just monetary (for instance the refusal of a port call), it must be avoided that non-compliance becomes cheaper than compliance. Preparing supply chains and offtake-agreements now can help securing this.

## Discussion and company contributions

In the discussion round, one participant referred to the Dutch opt-in system for RED compliance in the maritime sector. The participant highlighted the success of that system and how it can help stimulating the uptake of Annex IX A fuels also in the maritime sector. The participant also regretted that the Netherlands decided to stop this powerful instrument, and that FuelEU Maritime is lacking submandates for e.g. Annex IX A fuels to stimulate their growth. From their experience, from planning to operation of an advanced fuel production plant, four to five years are necessary in the Dutch context due to the long and tedious permitting process in the Netherlands. This halts investments and disincentivises the sector to ramp up renewable fuel volumes on the market.

Rianne de Vries from GoodFuels subscribed to that view and expressed their worries on a potential gap between the stop of the Dutch opt-in system and the enforcement of FuelEU Maritime. The current legislative framework is lacking support for the necessary increase of supply, required for the Fit for 55 legislations. Furthermore, she stressed the importance of sector collaborations (between shipowners, fuel supplier and the governments) to work together to ensure the necessary supply.

Peter Mollema from Port of Rotterdam mentioned that it is important that the obligated party remains the shipowner, due to higher carbon leakage and tax evasion risks if fuel suppliers were to be chosen instead. He stressed that currently, switching the obligated party is still a point of the discussions. Similarly, Port of Rotterdam identified the definition of extra-EU maritime transport, which is linked to the next or previous port call happening in a EU Member State, is not fit for purpose. Furthermore, ETS may easily influence the competitiveness of European ports, but is currently not (yet) deemed a significantly influencing factor. The audience discussed the feasibility of the risk of carbon leakage and what FuelEU Maritime means in a global context (especially for the IMO). It was generally agreed upon that Europe is well positioned in providing input to upcoming IMO legislations on alternative fuels, but also that it is in Europe's interest to align as much as possible to the IMO in the future to avoid administrative burden on shipowners. Finally, he stressed the importance that the whole maritime sector starts to envisage about **how** the sector needs to organise itself.

Nick Lurkin from the Royal Dutch Association of Shipowners (KVNR) expressed that the definition of the obligated party needs to be broadened to include chartering. Furthermore, he made an appeal to help SMEs to comply and try to keep the administrative burden limited for shipowners. He furthermore questioned the scope of FuelEU Maritime and ETS beginning from 5,000 GT upwards, which is perceived a hard line in the sector and suggest to rather include on the basis of GHG emissions. Also, KVNR welcomes the pooling mechanism as it consistently



penalises the polluters and awards the frontrunners, although the exact impacts of such pooling mechanisms cannot be fully evaluated at this early stage.

In conclusion, the Fit for 55 package requires a steep increase in renewable fuel volumes. The sector needs to act **now** to have the necessary volumes in place from 2025 onwards. It will be certain that non-compliance will lead to high penalties. However, if growing demand is not met by growing supply, renewable fuel prices will rise significantly as well.

