‘Fit for 55’ climate package

EU ETS Directive
FuelEU Maritime Regulation

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EU ETS Directive

- Shipping is integrated in an open Emission Trading Scheme (ETS) being subject to the overall cap

- CO2 emissions from ships above 5000 gross tonnage (EU MRV ship type exemptions applied)

- Geographical scope covering emissions at berth, intra-EU voyages and part of the international voyages as reported under the EU MRV, i.e. 50% of inbound and 50% of outbound voyages

- Annual emissions reduction of 4.2% from all sectors covered
EU ETS Directive

• Among the ETS funds, the Innovation Fund is more relevant for the energy transition of shipping

• Reference to the support for innovative projects aimed at accelerating the development and deployment of renewable and low carbon fuels in the maritime sector

• Innovation Fund will support the Carbon Contracts for Difference (CCDs)

• CCDs to guarantee investors a price that rewards CO2 emission reductions above those induced by the current price levels in the EU ETS
Implications of application of the EU Emissions Trading System (ETS) to international shipping, and potential benefits of alternative Market-Based Measures (MBMs)

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A preliminary study commissioned by the European Community Shipowners’ Associations (ECSA) and the International Chamber of Shipping (ICS)

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Framework conditions for MBM

• Scalable and compatible with a future IMO MBM

• A level playing field across all companies of the sectors

• Avoid distortion of competition and a two-tier market

• Avoid shift of cargo and passenger transportation activities from sea to road
Fund

Sector-specific fund under EU ETS

✓ Provide stable carbon price based on ETS average price of previous years

✓ Purchase allowances for CO2 emissions in an open system

✓ Revenues re-invested in the energy transition shipping
Fund

All revenues should support

✓ R&D and innovation projects for low- and zero-carbon fuels
✓ Propulsion technologies
✓ Bridging the price gap between conventional and low- and zero-carbon fuels
Commercial operator

ECSA position

Commercial operator should bear the costs of the EU ETS

Recognition of the role of the commercial operator

Recital 20 of EU ETS proposal
In line with the polluter pays principle, the shipping company could, by means of a contractual arrangement, hold the entity that is directly responsible for the decisions affecting the CO2 emissions of the ship accountable for the compliance costs under this Directive. This entity would normally be the entity that is responsible for the choice of fuel, route and speed of the ship.
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➢ **FuelEU may become a missed opportunity due to enforcement loopholes**

- 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.
- Possible that some non-EU fuel suppliers could provide only-on-paper cleaner fuels as they are not subject to inspections or they are not bound by the EU law.
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- Missed opportunity for the uptake of low- and zero carbon fuels in shipping

- Distortion of competition dividing the market between 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

- Making the EU fuel suppliers responsible for meeting the fuel standards will substantially address the enforcement concerns
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➢ **Making ships responsible for fuel standards is not consistent with other proposals of ‘Fit for 55’ package**

- 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.

- Under the RED, the principal responsibility lies with the EU fuel suppliers.

- RefuelEU Aviation also takes a similar approach.
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➢ **Fostering demand for cleaner fuels in shipping**

- Any revenues generated under the EU ETS contribute to lowering the price differential between cleaner and conventional fuels

- Fund under the EU ETS to leverage the revenues so that cleaner fuels become commercially available

- Financially supporting cleaner fuels through Carbon Contracts for Difference under the new Innovation Fund

- Supports for shipping multiplier under RED but multiplier should be substantially increased
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➢ New MRV system is unnecessary and burdensome

➢ Flexibility is welcome but double requirements should be avoided

➢ Onshore Power Supply and lack of infrastructure