Scene setter

At their request, you will meet representatives from AP Moller-Maersk and C2X to “discuss the European competitiveness of green fuel projects”. C2X is an energy company set up by AP Moller-Maersk to ensure the supply of the green methanol it will need to meet its 2040 net zero GHG emissions goal (NB Laura Maersk – with a capacity of 2,100 teu – is the world’s first-ever containership capable of operating on methanol fuel – launched by Pres VDL 14/9/23).

Maersk-C2X particularly want to present to you a pioneering project they have launched in Egypt to produce green methanol for shipping from wind energy. The project would be part of the Global Gateway’s 2023 Global Green Shipping Corridor (GGSC) flagship initiative.

More generally, to tackle the issue of the European competitiveness of green fuel projects, you can refer to the ongoing work of the Low-carbon Fuels Value Chain Industrial Alliance (Maersk should be encouraged to play a more active role) and the Commission’s support to innovation and deployment of disruptive projects for renewable zero/low-carbon fuels through the EU Innovation Fund (managed by CLIMA, in the future it will include dedicated calls for the maritime sector).

Among other topics, you might want to raise the role of FuelEU Maritime Regulation and indicate that Maersk is expected to play an important role in the stakeholder consultations (especially the European Sustainable Shipping Forum) that will be organised during the drafting of secondary legislative acts. You could also raise the Red Sea situation and the planned stakeholder meeting on Friday 2 February (organised by DG MOVE with participation from EEAS, COMP, INTPA), to which the World Shipping Council (of which Maersk is member) has been invited.
Objectives/LTTs

General remarks on shipping decarbonisation and opportunities for European companies

- Thank Maersk for supporting the adoption by the IMO of ambitious mid-term measures.
- Convey a message of support to Maersk’s frontrunning initiatives to decarbonise the shipping sector, which are fully in line with EU policies and objectives.
- Maersk is seizing business opportunities and investments in Egypt (Port Said) and Spain (Huelva), showing that the high-capital investments needed can be done, even in a context of uncertainty.
- Bring Maersk’s attention to the Commission’s support to innovation and deployment of disruptive projects for renewable zero/low-carbon fuels through the EU Innovation Fund. Its 2023 call offers EUR 4 billion for projects in various industries, including the maritime sector. In the future we plan to create dedicated calls for maritime industry.

C2X’s green methanol project in Egypt

- Find out what kind of support C2X is receiving from the Danish Government for its project in Egypt, how much financial support they would require from the EU and how much could be provided by the Danish Government.
- Enquire about Maersk’s views on how the promotion of green fuel projects in Egypt could affect the bunkering and transshipment businesses in the Mediterranean (i.e., EU ports).
- Enquire where the green methanol would be bunkered (e.g., at Port Said).
- Enquire whether Maersk-C2X would be open to consider other energy sources than wind-generated electricity for the production of green methanol, like bio and urban waste.

Global Green Shipping Corridor initiative

- Highlight that the Global Green Shipping Corridors initiative is a coordinated effort from all Commission services (led by INTPA and with extensive input from MOVE).
- Inform that the initiative has been extended to establish a network of routes where vessels can navigate using alternative fuels. This ensures a European perspective that can be endorsed by all EU Member States (more details in defensives).
- Stress that one of the most important elements that will be taken into account when assessing whether to support projects will be the impact the latter will have on the relative competitiveness of EU vs foreign ports, shipping and energy companies.
Remind of EU policies developed to **avoid** that the extension of the ETS to shipping and the application of FuelEU Maritime lead to **transshipment activities moving away from EU to foreign ports**.

Stress that EU-supported projects should **not contribute to** exacerbating such **port evasion risks**.

*Renewable and Low-Carbon Fuels Value Chain Industrial Alliance*

- **Ask for a more active involvement of Maersk** in the RLCF Alliance *(so far CMA-CGM is the most involved member from the sector)*.
- **Inform** that the Alliance will **soon launch an invitation to notify projects for inclusion into the alliance pipeline** *(which will facilitate consortia formation and finetuning the Commission’s future support mechanism)*.
- **(Only if asked by Maersk)** Inform that discussions are still ongoing on the conditions for inclusion of projects located outside the EU *(or parts of the projects)*.

*FuelEU Maritime Regulation*

- **Highlight the role of FuelEU Maritime Regulation** *(adopted in September 2023)* in the creation of a favourable framework for promoting the use of alternative fuels, shoreside electricity and zero emission technologies onboard ships.
- The principle applied is to **reduce the GHG intensity** of the energy used onboard ships, which has served as **inspiration** for the development of an **international GHG Fuel Standard**.
- Stress that current focus is on **implementation** *(including secondary legislative acts)* and that Maersk has a key role to play in consultations with industry stakeholders *(particularly the European Sustainable Shipping Forum)*.

*Red Sea Crisis*

- Acknowledge the **ever-intensifying situation in the Red Sea**, where the Houthis from Yemen are attacking ships using missiles and drones and engaging in vessel hijackings. These attacks are directly impacting EU shipping companies and the supply chains to the Union.
- **Assure** of strong EU support for measures that will increase the availability of naval assets in the region to protect the freedom of navigation, including the possible **launch and deployment of a new Operation**. The Commission is working intensely with Member States to explore and swiftly propose adequate actions at EU level.
- **Note** that this Friday (2 February, 10:00-11:30, online) DG MOVE organises a **stakeholder meeting with European Shipping Associations** – including the World Shipping Council (WSC) - regarding the ongoing developments, where also an update will be given on the discussions related to a possible EU Operation. *(If Maersk asks, you can mention that WSC is welcome to forward them the invitation)*.
Defensives

Global Green Shipping Corridor initiative

Q. What is the new approach the European Commission has adopted on the Global Green Shipping Corridor initiative?

- In concrete terms, this new approach consists of two phases:

  1. The Joint Research Centre will carry out a study on the main shipping routes from key European and international ports, as well as the potential and ongoing plans for the production and fuelling of renewable and low-carbon fuels in third countries. Industry will be closely involved through the Renewable and Low-carbon Fuels Value Chain Industrial Alliance. Final report expected by December 2024.

  2. Selection of ports and dedicated interventions (including soft measures and infrastructure investments) to be prioritised in a Team Europe approach, combining projects at EU and Member State level.

Carbon leakage

Q. How will the danger of carbon leakage be addressed? What will the Commission do to avoid potential delocalisation of transhipment activities from European ports due to the ETS/FuelEU?

- First, the best instrument to avoid carbon leakage is an international agreement that we are pushing for at the IMO.

- Second, both the ETS and the FuelEU includes an anti-port-evasion measure: any stops at “neighbouring transhipment ports” outside the EU will not be counted as a “port of call” for the purpose of these regulations. The list of these ports is being established now.

- Third, the Regulation also requires the COM to monitor and report on the impact of FuelEU and make necessary revisions if needed. By 31 December 2027, the Commission shall report on how FuelEU is achieving its objectives including its impact on the markets and on the competitiveness of the European maritime sector.

Certification of Fuels

Q. Certification of renewable and low-carbon fuels outside the EU is remarkably difficult and the RED imposed restrictions to the eligibility of renewable e-fuels will significantly reduce the availability of renewable synthetic fuels for ships. How can we ensure that optimum availability of renewable and low-carbon fuels is supported in EU legislation?

- The Renewable Energy Directive is indeed the central reference for renewable bio and synthetic fuels under FuelEU. Fuels bunkered outside the EU by ships falling under scope of FuelEU are considered imported fuels and must comply with all rules under RED, and relevant secondary legislation. The same logic applies to low-carbon synthetic fuels, as certified in accordance with Union legal
acts concerning the internal markets in renewable and natural gases and in hydrogen. Existing rules applying for certification of renewable and low-carbon synthetic fuels apply equally in and outside the EU.

- The eligibility of renewable bio and synthetic fuels for zero-rating of CO₂ emissions in ETS is also determined in accordance to the RED.

- **Regulatory Certainty is ensured by EU energy legal framework.** This should assist in de-risking investments for fuel production.

- GHG fuel certification guidelines are currently under development by the **European Sustainable Shipping Forum (ESSF)**, with involvement of the industry and the Member States.

- The **Renewable and Low-Carbon Fuels Alliance (RLCF)** is also an important group that is today engaged in support of initiatives to boost availability of renewable and low-carbon fuels for aviation and maritime. We consider this to be an important element in support of the industry initiatives in the field.

- Finally, the **Net-Zero Industry Act (NZIA)**, under negotiation, has already included sustainable renewable and low-carbon fuels as strategic technology.

**Promotion of certain fuel types**

*Q. Methanol should be given priority as a future marine fuel under FuelEU. Why doesn’t the regulation include specific measures to promote green methanol?*

- We do **not believe** in a scenario where the entire maritime sector will use **only one technology**, at least for another couple of decades. This is not necessarily bad, since **what matters is the origin of the fuel** rather than the technology that uses it. Fuel oil, LNG and even Hydrogen can be bad for climate if they come from fossil sources, but the same technologies, used with sustainable biofuel and biogas, synthetic fuels or renewable Hydrogen and Ammonia, have a much more favourable impact.

- The **best formulation to promote the uptake of methanol or ammonia** as fuel for ships in the future is to ensure an **ambitious target for GHG reduction of the energy used on-board**. In this way, we believe that methanol or ammonia, together with other decarbonization vectors, will have the possibility to compete in a level playing field.
Background

1. Global Green Shipping Corridor Initiative

The Global Gateway included in 2023 (at Denmark’s request) a flagship on Global Maritime Green Corridors, with an initial production target of 6 million tonnes per annum of methanol for green shipping in Morocco and Egypt. The European Commission has proposed imprinting a true European approach to this flagship, extending it to the entire globe and aligning it with our relevant legislation on the matter (notably the FuelEU Maritime Regulation, Alternative Fuel Infrastructure Regulation, and the extension of ETS to maritime).

The development of a Global Green Shipping Corridors must aim to connect European ports with important ports all around the world. It should notably cover ports in third countries that will be key for the import of energy into Europe (such as green hydrogen, ammonia and methanol) and for trade with Europe (connecting the Trans-European Networks, and their extensions, to strategic corridors in the rest of world such as in Sub-Saharan Africa and Asia). This initiative gained recognition in the State of the Union address by President Von Der Leyen and the inauguration of Maersk’s first hybrid vessel (Laura) in September 2023 underscored the EU’s commitment to this initiative.

The Commission has set up a dedicated INTPA-led Inter-Service Group and adopted a two-pronged approach:

- Phase 1: the Joint Research Centre will study the main shipping routes from key European and international ports and the main shipping companies using these routes for export/import of goods from/to Europe. The final report will be ready by September 2024.

- Phase 2: will consist of the final selection of ports and dedicated interventions (including soft measures and infrastructure investments) in a Team Europe approach, combining projects at EU and MS level. A high-level stakeholder platform (HLSP) representing major public and private European maritime players will be established. This platform will facilitate informal discussions on the Global Green Shipping Corridors flagship. The HLSP will also discuss the outcomes of the JRC study and discuss/endorse the selection of ports that could become ‘green hubs’.
5. EU RLCF Alliance

The Renewable and Low-Carbon Fuels Value Chain Industrial Alliance is an initiative that focuses on boosting production and supply of renewable and low-carbon fuels in the aviation and waterborne sectors. It is a key flanking measure to the FueIEU Maritime and RefuelEU Aviation initiatives. The alliance has 240 members, including 35 members from outside the EU, but no members from Egypt. Maersk is a member of the Alliance but not involved in any of the Roundtables. From the sector CMA-CGM is the most involved member.

The alliance is getting ready to launch an invitation to notify projects for inclusion into the alliance pipeline, which will facilitate consortia formation, matchmaking with potential partners and financing institutions, as well as help the Commission finetune
the future support mechanism. The discussion is still ongoing on the conditions for inclusion of projects located outside the EU (or parts of the projects).

6. Maritime ‘Fit for 55’ legal acts

The two major pieces of EU legislation tackling the CO$_2$ emissions of the maritime transport are ETS Maritime (DG CLIMA) and FuelEU Maritime (DG MOVE). The industry is concerned about the extra costs these regulations will bring. In addition, the port community is worried about possible ‘port evasion’, where hubs could be transferred from EU to neighbouring 3rd country ports in Africa or UK, due to operators’ aim to shorten the international legs, where emissions are counted 50%.

EU's Emissions Trading System (EU ETS) applies to the maritime sector from January 2024 and covers CO$_2$ emissions from all large ships (of 5 000 gross tonnage and above) entering EU ports, regardless of the flag they fly. The system covers 50% of emissions from voyages starting or ending outside of the EU (allowing the third country to decide on appropriate action for the remaining share of emissions), and 100% of emissions that occur between two EU ports and when ships are within EU ports. In practice, shipping companies have to purchase and surrender (use) EU ETS emission allowances for each tonne of reported CO$_2$ (or CO$_2$ equivalent) emissions in the scope of the EU ETS system. To ensure a smooth transition, shipping companies only have to surrender allowances for a portion of their emissions during an initial phase-in period (40% in 2025 of emissions reported in 2024, 70% in 2026 of emissions reported in 2025 and 100% from there onwards).

The FuelEU Maritime Regulation requires all vessels larger than 5000 GT used for commercial purposes, irrespective of their flag, to meet annual target reductions for GHG intensity of the energy they use on board (2025 – 2%, 2030 – 6%, 2035 – 14.5%, 2040 – 31%, 2045 – 62%, 2050 – 80%). In addition, container and passenger ships, when at berth, are required to connect to onshore power supply (OPS) in all ports covered by the Alternative Fuels Infrastructure Regulation (AFIR) as from 2030 and in all other ports which decide to install OPS as from 2035 – to reduce air pollution in port areas. The regulation is technology neutral and different compliance strategies, are available to reduce the carbon intensity of the energy used and meet the targets. Nevertheless, specific incentives are included for the use of renewable fuels of non-biological origin (RFNBOs), to support cost-competitiveness and uptake of this family of fuels.

7. The 2023 IMO GHG Strategy

At its 80th meeting between 3 and 7 July, the International Maritime Organization’s (IMO) Marine Environment Protection Committee (MEPC) adopted unanimously and by acclamation a revision of its 2018 Initial IMO GHG Strategy on reducing greenhouse gas (GHG) emissions from ships. The agreement is a milestone to cut the carbon footprint of international maritime transport and ensure that the shipping sector makes a fair contribution to achieving the Paris Agreement targets, commensurate to its 3% share of global emissions.

The revised 2023 Strategy sets a goal of net zero emissions from ships “by or around, i.e., close to, 2050”. This is a major increase in the level of ambition compared to the Initial IMO GHG Strategy, which aimed at reducing emissions from ships by just 50% in the same time horizon. A trajectory has also been agreed with indicative checkpoints.
DG Kopczyńska meeting with Maersk-C2X
31 January, 2024

set at reducing GHG emissions from ships by at least 20% - striving for 30% - in 2030 and at least 70% - striving for 80% - in 2040, both in comparison to 2008 levels.

The 2023 Strategy also sets an important target of at least 5% - striving for 10% - uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources by 2030. This target will set the transition in motion by sending a clear signal to the maritime and fuel industries and incentivising the required investment decisions and fuel choices.

Finally, good progress was achieved on measures to implement the targets. The IMO reached consensus on the need to adopt such measures by 2025 and that they should comprise a fuel standard regulating the gradual reduction of the marine fuels' GHG intensity, and a maritime GHG emissions pricing mechanism. The measures will be developed on the basis of a comprehensive impact assessment ensuring that they effectively reduce emissions from the sector, while contributing to a level playing field and a just and equitable transition leaving no one behind.

The levels of ambition and indicative checkpoints consider the lifecycle GHG emissions from marine fuels with the objective of reducing emissions within the boundaries of the energy system of international shipping, thereby preventing a shift of emissions to other sectors.

The Comprehensive Impact Assessment of different options for combinations of mid-term measures started in September but has been slow and difficult. China, India, many Latin American, some African and Arab countries – defend mild(er) policy measures. They are notably opposed to the idea of a universal levy on emissions, as they believe it would compromise their economic development by significantly increasing transport costs. As a result, discussions in the Steering Committee for the Comprehensive Impact Assessment (CIA) of the mid-term measures (the first meeting took place end-September, the second end October, and the third is planned for mid-December) are difficult, with countries holding on to their national positions. The work nevertheless progresses, even if not as fast and well as we would have hoped for. The accumulated delays constitute a serious risk to the timelines in the workplan adopted as part of the 2023 Strategy (adoption of the mid-term measures by 2025, entry into force by 2027), though meeting those timelines is still not off the table.

Maersk is supporting the adoption by the IMO of ambitious mid-term measures.

8. Red Sea Crisis

The incidents and attacks perpetrated by the Houthis from Yemen against shipping have gradually escalated, leading to ever intensifying attacks by missiles, drones, hijacking of vessels, and other means. These attacks are directly impacting supply chains to the Union. Leading EU shipping companies are diverting their vessels from the Red Sea and rerouting them around Africa. The result is that total arrivals in the Gulf of Aden are down 65% as compared to 2023 levels; an additional 15 to 25 days are needed to sail around the Cape of Good Hope; there are increased operational costs for fuel, crew, and insurance; an almost doubling of spot container freight rates in Asia – Europe trades; and an environmental impact from increased emissions and costs from longer journeys.

The Houthi attacks led the US to launch Operation “Prosperity Guardian”. Certain EU Member States have joined (including France, Netherlands, Italy), along with the UK, Bahrain, Canada and Norway. Following a significant intensification of attacks, the US-
led coalition have undertaken a series of military actions against the Houthis since 11 January 2024.

At EU level, progress is being made on the launch of a new EU maritime security Operation to safeguard the freedom of navigation. This should be done together with a strengthened co-operation with international partners that would ensure the optimal use of all assets deployed in the region. To this end, the Political and Security Committee (Council) on 16 January 2024 tasked the European External Action Service (EEAS) to start the work on a draft Council Decision with the objective of having it adopted no later than the Foreign Affairs Council meeting of 19 February.