Dear colleagues,

Please find below a report of yesterday’s meeting with Maersk-C2X. Important discussions on the Global Green Shipping Corridor, how to promote the decarbonisation of shipping from the European Commission, and the current situation in the Red Sea.

Best regards,

Participants
MOVE: Magda Kopczyńska (Director General), Mona Björklund (Director for Policy Coordination).

Maersk:

C2X:

General overview of C2X’s projects
- C2X (80% owned AP Moller – 20% Maersk) still sees a huge price gap between fossil and green maritime fuels. China has taken on production of alternative fuels as a key priority and Maersk is signing contracts with them (and other countries) since the volumes required could not be produced in Europe. The objective is nonetheless to diversify (not to put all eggs in one basket). They are aware that the demand is way greater than C2X will ever be able to supply.
- For this, C2X has initiated green methanol projects in Egypt and Spain (Joint Venture with CEPSA in Huelva to develop a green methanol plant – NB fuel will not be bunkered in Huelva but transported to other ports in the EU). In Egypt, they are developing a project in Ain Sokhna Port (south of Suez Canal). Complicated project as they have to build the entire value chain (solar plants, transmission, desalination plant, etc.).
- C2X highlighted that green methanol is different from ammonia in that it needs biomass for production, which Spain has in great quantity (in terms of forestry waste and municipal waste too). They indicated that the situation in Egypt was of course more complicated for forestry waste, but did not provide any views on whether they would be interested in municipal waste.
- C2X highlighted that China is also very interested in investing in Egypt.
- C2X did not explain what kind of support they are receiving from the Danish Government. They nonetheless highlighted that the Denmark is struggling to understand Global Gateway...
Maersk-C2X approach to green shipping corridors

- Maersk still believes the Global Green Shipping Corridor remains a relevant initiative. They encouraged the EU to publicise the benefits companies would obtain using the corridor (e.g., decarbonisation, security of supply, etc.). As a general approach, Maersk would suggest corridors to be door-to-door (port-to-port). At the same time, they emphasised that green fuels will likely not be produced there where they are consumed (mostly in the origin/destination ports), which leads to them having to be transported (like in Huelva – Malaysia could follow the same path) or bunkered on the way (like in Egypt, as it stands in the Europe-Asia corridor). C2X is also exploring opportunities in India and Australia.

- Regardless of the type of fuel, Maersk believes it is of key importance to invest on the building blocks for different types of fuels: biomass and green electricity. Larger EU funds should be allocated to this rather than dividing them into small components (different envelopes require very targeted and small projects with the subsequent added effort for those actors proposing projects). At the same time, shipping companies need to be more vocal and Maersk will work with CMA-CGM and others on this.

Proposals to the Commission to decarbonise shipping in the next mandate

- Linking with the above, Maersk believes there are too many different pockets and a more holistic approach to projects/sectors is needed to give companies more predictability (they need to know what they are eligible for, both under NDICI and Innovation Fund). This entails two aspects:
  - **Process:** Innovation Fund’s annual calls require a lot of work in preparing submissions (which they can handle), but problem is projects need to be sufficiently mature. They find themselves in a position in which a project is not mature enough so you have to carry on for another year (EUR 20-40 million extra) without knowing whether you will be supported.
  - **Framework:** not happy with the way innovation projects are marked according to the scoring system (Innovation Fund, which is their most important source of support – Hydrogen Bank not so important). Problem with getting first wave of projects done and then applying learnings to other projects. First methanol was adopted and now there doesn’t seem to be much interest (so learnings won’t be applied). More time is needed (current 3 projects have limited capacity, less than 500,000t in total). Better definition of hard-to-abate sectors is needed so that the existing limited hydrogen is funnelled there.

- Maersk compared the EU system with the US, where IRA is very easy to access and can give up to a 60-70% loan for innovation projects, which would be impossible to obtain in the private banking market. The EU is lacking this and the Innovation Fund is much harder to access (same as the US’ DRE programme, which also offers support to proven technologies that have still not been applied).

- DG Kopczyńska welcomed ideas on how the next MFF can be better designed and called on shipping companies to build a critical mass within the sector to push for these changes. She also invited Maersk to provide further input on what the Commission should do more to support the development of green fuels, whether the RLCF Alliance was enough and how the latter could still be further enhanced.

- In relation to the extension of ETS to maritime, Maersk asks for biogenic CO2 to be counted in.

Red Sea crisis

- Maersk noted that the Houthi approach to the conflict has changed. Their modes of attack have changed, attacks lack link to Israeli interests, leading to complete randomness and larger severity. In this context, Maersk has decided to sail around Africa (adding 13,000 extra miles), even for US-flagged ships (which at the beginning weren’t targeted).

- This is causing a big shock to supply chains. Maersk is not in a position to cope with this but it isn’t there yet. (overbookings fearing disruptions like during COVID).
To restart operations in the Red Sea, shipping companies need more naval capabilities in the area. This being said, the EU would need to manage expectations in this regard (meaning companies will not restart sailing through immediately after a new Operation is put in place). Very important to look at mandate and capacity of operation to counter Houthi attacks.