Dinner with [redacted], DHL
Brussels, 13/10/2021, 19:30

Memory jogger

Inclusion of maritime in ETS

- ETS is the main EU tool to meet climate targets. Cap is always respected; one carbon price for all sectors; emissions reduced where it is cheaper.
- Maritime sectors included in the system for all intra-EU and half of international voyages. Applies only to large ships (above 5000 gross tonnage) regardless of their flag. It covers 2/3 of maritime emissions.
- Shipping companies must purchase and surrender ETS allowances for reported emissions (20% of emissions in 2023, reaching 100% in 2026).
- ETS will encourage energy efficiency measures – optimised operations, slow steaming, investment in more efficient ships and equipment.
- However, ETS will reduce, but not fill the entire price gap between fossil and renewable fuels. We need another measure to initiate a transition towards use of low-carbon fuels (FuelEU Maritime Regulation).

FuelEU Maritime Regulation

- 99% of fuels in maritime still fossil. Transition cannot wait – long lead times (long life of vessels, time to build production and distribution facilities).
- We have RED for production and AFIR for infrastructure, but there will never be supply without demand. It is not a problem of missing technology. On-shore power supply (OPS) is a mature tech, but nobody uses it in EU (higher cost and no obligation). FuelEU will create minimum demand.
- Maritime different from aviation in two ways: more technological options (need for goal-based, tech-neutral approach) and possibility to travel long distances with fuel bunkered outside EU (need for demand obligation).
- FuelEU limits the GHG intensity of the energy used by the ship in a year. No need to comply on every single voyage; small deficit or surpluses can be compensated the following year; possibility for pooled compliance (also with ships of different operators).
- Targets are set out in 5-year intervals from 2025 to 2050. This gives a long-term perspective to investors. Initial targets are easy, but sufficient to get things in motion. Targets get tough after 2035.
- As of 2030, container and passenger ships obliged to use OPS or zero-emission technology while at berth in ports.
- Estimated impact on freight cost: max 2.5% in 2030 and max 15% in 2050. Freight costs are between 0.2% and 12% of the overall production cost, so impact on final prices is ten times lower.
- LNG can be fossil, bio or synthetic, like hydrogen can be from methane, or renewable electricity. The fuel path matters, not the technology!

- We have proposed a fuel standard like FuelEU in IMO and the US co-sponsored it. A fuel standard might have easier life than an MBM in IMO.

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