

FIT FOR 55 CLIMATE LEGISLATIVE PACKAGE

FuelEU Maritime Regulation

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the use of renewable and low-carbon fuels in maritime transport and amending Directive 2009/16/EC COM(2021) 562 final - 2021/0210 (COD)

SEA Europe position paper
(Final)

Brussels, 30 November 2021.

1. Introduction – A strategy for climate change as well as for economic growth

SEA Europe fully supports the ambition of the “European Green Deal” (EUGD) as translated in the ‘Fit for 55’ legislative package. SEA Europe firmly believes that the EUGD will offer stimulating opportunities for Europe’s Maritime Technology Sector, including the potential to regain certain lost markets. In doing so, the EUGD will not only be a strategy to combat climate change but also a strategy for economic growth for European shipyards and maritime equipment manufacturers (the so-called ‘Maritime Technology Sector’) which are represented by SEA Europe.

2. The need for a holistic approach considering all aspects of the European Green Deal

All legislative proposals under Fit for 55 legislative package (hereafter ‘FF55’) need to be carefully assessed, not only by themselves but also in relation to each other. Specific attention should thereby be paid to consistency amongst all legislative proposals, especially those with a ‘Shipping component’. Moreover, all legislative proposals should be looked at in the light of their potential in creating opportunities and growth for the ‘Maritime Technology Sector’.

3. No one-size-fits all approach due to the variety of shipping

Due to the large variety of ship types and ship trades, there is **no “one-size-fits-all” solution for the transformation of waterborne transport towards a zero-emission mode of transport.** The optimal pathways towards rapid emission reduction, zero-emission ships and climate neutrality are by no means straightforward. Therefore, all options for clean technologies, alternative fuels and their optimal integration onboard vessels need to be researched, developed, financially supported, and legally ascertained. Consequently, any legislation and policy actions on zero-emission waterborne transport should be technology and fuel neutral (thus stimulate flexibility amongst technologies and fuels) as well as goal-based (thus refraining from imposing or prescribing specific technological solutions or alternative fuels).

Furthermore, any legislation and policy action should carefully consider the need for research and development of innovative technologies and fuels and ensure consistency with the **co-programmed Partnership on Zero Emissions Waterborne Transport in the framework of Horizon Europe**, coordinated by the Waterborne Technology Platform. In the context of this partnership, the European maritime industry has committed to provide and demonstrate zero-emission solutions for all main ship types and services before 2030, which will enable zero-emission waterborne transport before 2050.

Without such goal-based approach, technological and fuel neutrality, the road to a zero-emission waterborne (transport) sector may be seriously hampered, whilst promising opportunities for the sector in delivering real emission reductions may be missed. To that end, it will not only be key to **stimulate investments in the production of new green ships (newbuildings), but also in the integration of green technologies and sustainable fuels onboard existing vessels (retrofitting of ships)**. Furthermore, it will be crucial to **optimize the business case for sustainable alternative fuels and to address the distortion of competitiveness between European and Asian shipyards**. Without **reducing the well-known unfair price gap with Asia, or at least without stimulating innovative green shipping in Europe, European shipyards and their supply chain will not be able to win the green competition from Asia and thus to deliver on the goals of the EUGD**.

To encourage the entire waterborne sector to invest significantly in the transformation of waterborne transport into a zero-emission mode of transport, investments need to be underpinned by a legal framework that offers legal certainty to the entire sector, including to the European Maritime Technology Sector. Without any legal certainty, companies will refrain from making the significant investments that a zero-emission waterborne (transport) sector will require. To that end, e.g. application dates for green technologies, enforced by public international law (such as IMO instruments), have to be maintained, to avoid stranded innovation.

Due to the longevity of maritime technology, maritime stakeholders, including shipyards and maritime equipment manufacturers, deserve protection in terms of legal certainty, in particular first movers investing in innovative technologies and/or in new fuels. The rationale being that the transition towards zero-emission waterborne transport and towards a zero-emission maritime (technology) sector will face rapidly changing state-of-the-art technologies, alternative fuels or other zero-emission solutions offering new superior pathways compared to recent solutions.

Whilst there may then be a tendency to favour these new, potentially better or more promising solutions, the investments made in the former technologies, fuels or other solutions still need to be honoured and protected in that the investments made in these “former” technologies, fuels or solutions need to be returned. For these reasons, there is need for the waterborne sector in Europe to be granted the necessary legal certainty that is a prerequisite to achieve the EUGD targets.

4. FuelEU Maritime: A pivotal piece of legislation of the Fit-for-55 legislative package

SEA Europe supports the objective of the FuelEU Maritime proposal to foster the uptake of cleaner fuels in shipping. The FuelEU Maritime initiative is pivotal as it is complementary to other FF55 proposals, such as the Renewable Energy Directive (as regard the supply side), the Alternative Fuel Infrastructure Directive (as regard the distribution side), the Energy Taxation Directive (as regard the upstream and downstream emissions in the production of alternative fuels) and the inclusion of shipping in the EU ETS (as regard to ensure an effective GHG reduction).

5. Reinvesting the money in the maritime technology to enhance green investments

Revenues generated from the inclusion of shipping in the EU ETS and penalties for non-compliance under FuelEU Maritime should be entirely reinvested in the European shipping sector, incl. the European Maritime Technology Sector. Consistently, the revenues should also be devoted to the necessary deployment of the distribution, storage and bunkering infrastructure of future sustainable alternative fuels.

Furthermore, there is a compelling need to accelerate the development and implementation of the widest range of fuels and technologies well in advance of 2030 and starting from today, whilst acknowledging that it takes time for sustainable alternative fuels and for the most energy-efficient technologies to get matured. It is important to realize that the way towards a zero-emission waterborne transport sector starts today, not only with the upscaling of technology enabling the capturing of GHG emissions from ships or any matured energy efficient technologies, but also with the use of sustainable alternative fuels.

In this respect, SEA Europe is concerned that the FuelEU Maritime legislative proposal does not actually aim at reducing emissions but rather focuses on some fuels to be used. For this reason, this legislative proposal cannot be considered as a technology neutral proposal. SEA Europe firmly believes that **the EU might lose the opportunity to reduce CO₂ emissions through technological means if it would impose certain fuels like biofuels, as the proposal seems to do.**

Many fuel options such as synthetic (drop-in) fuels can indeed offer a significant reduction potential and can be utilized with minimal or moderate retrofitting of ships, at least as a transitional mid-term option. Therefore, SEA Europe is of the opinion that current existing energy converters, such as internal combustion engines, will still play a significant role in the decarbonization of waterborne transport, if utilized with climate neutral synthetic fuels and/or climate neutral enabling technologies. To that end, many projects are currently run in Europe to scale up existing technology to a more energy-efficient technology. This includes the use of wind assisted propulsion means as well as the use of Carbon Capture Storage (CCS) either for onboard application or in combination with the production of new fuels as an alternative zero-carbon energy source.

Lastly, even if sustainable alternative fuels will be available, it must be recognized that **competition on sustainable fuels** will exist in the future and, consequently, **the successful utilization of climate neutral or zero-fossil fuels does not justify the use of inefficient systems leading to a waste of resources and energy.** More emphasis should therefore be placed on the most energy efficient technology because sustainable fuels, even if produced from renewable sources, will be done at a higher cost than current conventional fuels.

6. European workforce – Upskilling required

Equally important to achieve a zero-emission waterborne (transport) sector is the **training of seafarers (operators)** as well as of workers across European shipyards and maritime equipment companies. In both cases, the road to a zero-emission waterborne (transport) sector will require the need for upskilling/reskilling to enable these workers to get acquainted with, operate, install, repair and maintain new propulsion systems, zero-emission technologies and sustainable fuels.

For this reason, SEA Europe is coordinating the **“Shipbuilding and Maritime Technology Pact for Skills”** which is a large-scale partnership where the main shipbuilding groups, SMEs, education providers, public bodies and trade unions are committed to collectively address the skills gaps and needs in the industry. One of the aims of the partnership, if it finds co-funding opportunities, would be the development of EU-level trainings for the acquisition of green and digital skills.

7. Specific points of attention

On the specific points of the FuelEU Maritime legislative proposal, SEA Europe welcomes:

- The **Life Cycle Assessment** which will help – in a goal-based approach – to define the most suitable fuels and technology options for waterborne transport. Since the CO₂/GHG released during production of fuels/energy carriers can differ significantly – regardless of whether they are fossil, bio, synthetic or non-carbon – *the lifecycle assessment of carbon neutral fuels needs to be appropriately performed to correctly reflect the holistic GHG emission reduction potential. SEA Europe sees a need to review the technicalities under the annexes of the FuelEU Maritime proposal to ensure that the methodology and emission factor are fit for purpose.*
- The **Fleet Pooling and rewarding Mechanism** which will provide an incentive for first movers to introduce sustainable fuels or advanced energy efficient technologies without facing competitive situations.
- The EU Commission favouring the rely on **energy efficiency requirements developed at the International Maritime Organisation** over duplicating or taking another approach at EU level.
- The European Commission supporting the uptake of cleaner fuels in shipping by maintaining the **'Multiplier' for renewable energy** used by ships, allowing to account more than the actual energy content consumed. The use of multiplier by fuel suppliers in shipping will further lower the price of cleaner fuels contributing to bridging the price gap.
- The **enforcement mechanism** which could be seen as a way **to address the risk of carbon leakage (ships bunkering outside Europe)**, which is also supported in the proposal by imposing obligations on the demand side to promote investment in supply and distribution (to break the chicken-and-egg issue). However, *SEA Europe sees here some loopholes as to know how the EU will effectively enforce and ensure compliancy of biofuels produced outside EU.*
- The opportunity offered to ships to opt out to **zero-emission technology in ports** as an alternative to use on-shore power supply. However, *SEA Europe sees a need to consider a wider range of technologies compared to those listed with the annex III of the legislative proposal.*

Background Note:

SEA Europe represents close to 100% of the European shipbuilding industry in 16 nations, encompassing the production, maintenance, repair and conversion of all types of ships and floating structures, commercial as well as naval, including the full supply chain with the various producers of maritime systems, equipment material, and services.

For further information please visit www.seaeurope.eu or contact: Christophe Tytgat, Secretary General ct@seaeurope.eu Tel: +32 (0)2.230.32.87