

# FuelEU Maritime

## Shipping required to switch fuel but without clear path to sustainable alternatives

### Context

Today, the maritime sector relies entirely on fossil fuels and shipping emissions are growing rapidly. The scale of the effort to decarbonise is huge. If energy efficiency can deliver up to a third of emissions cuts, full decarbonisation by 2050 will require the gradual deployment of zero-emission vessels from 2025.

**The Commission failed to include the single most important tool in the FuelEU proposal – a multiplier of 5, to boost competitiveness of e-fuels.**

The European Commission proposed to introduce a goal-based fuel GHG intensity target that increases in stringency over time, requiring ships calling at EU ports to reduce the carbon footprint of the energy used onboard. The target(s) is expressed in Well-to-Wake (WTW) CO<sub>2</sub>-equivalent emissions to account for all the life-cycle GHG emissions (CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O) of the different fuels and relevant engine technologies.

### What's good? What's not?

While setting GHG intensity targets until 2050 is welcome, the proposed regulation fails to give appropriate signals to market operators to invest in zero-emission vessels.

Green e-fuels, notably hydrogen and ammonia produced from renewable

electrolysis can be supplied in large quantities to the sector<sup>1</sup>. However, as nascent technologies, they are more expensive and require investments in new vessels and port infrastructure.

In June T&E warned that the simple goal-based (technology neutral) target envisioned in the draft proposal would likely result in the acceleration of fossil gas uptake by ships with dual-fuel LNG propulsion as the cheapest alternative fuel eligible until 2040 – well beyond a reasonable transition period. Moreover, as bioLNG and e-LNG are projected to remain expensive, the use of drop-in biodiesel would also be given a huge push to comply with stricter GHG intensity targets over time.<sup>2</sup>

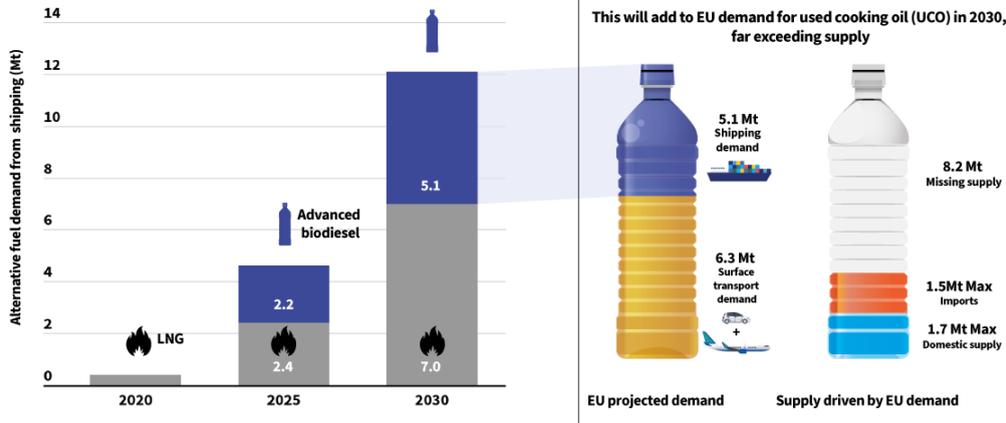
Due to the EU's limited domestic production potential of waste-based advanced biofuels, additional shipping demand would further increase already disproportionately high imports and drive demand for unsustainable crop-based feedstocks.

<sup>1</sup> Already by 2030, e-fuels such as e-ammonia could supply up to 7% of EU shipping demand; this would require 7.5 GW electrolyzers, out of 40GW planned in the EU Hydrogen Strategy. See [T&E study](#), Decarbonising European Shipping, April 2021

<sup>2</sup> See [T&E analysis](#), Draft FuelEU Maritime proposal, June 2021



**The draft FuelEU will incentivise fossil LNG and dubious biodiesel imports**



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Source: Oilworld (2020), CE Delft (2021) and T&E (2021)

**How should it be improved?**

If equipped with dedicated tools, FuelEU Maritime can kickstart the deployment of renewable-based e-fuels in shipping by 2030 and help decarbonise the sector by 2050 as envisaged in the Green Deal. This could be done by providing a multiplier of 5 to companies using these e-fuels to bridge the cost-competitiveness gap with waste-based biofuels, or by adopting a clear sub-target for green hydrogen-based fuels (e.g. at least 50% of the GHG target to be met by green e-fuels). Multipliers and sub-targets can also be combined to boost over-compliance. And the regulation’s credit exchange mechanism should incentivise investments in zero-emission vessels by allowing shipping companies to trade over-compliance credits from e-fuels ships.

In addition, safeguards are needed to prevent unintended consequences. Fossil

fuel lock-in can still be avoided by excluding fossil gas from the scope of eligible fuels. FuelEU also needs strict enforcement. There must be no “pay to comply” exempting ships from GHG intensity reduction efforts. Without these safeguards, shipping risks embarking on a climate and environmental disaster scenario.

**What next?**

If the Parliament and the Council want shipping to fully decarbonise by 2050, they will have to provide the FuelEU Maritime proposal with a clear and predictable investment signal for the deployment of e-fuels. The text will need a stronger compliance system with sufficient safeguards to avoid investments being diverted to alternatives worse than the fossil fuels they replace.

**Further information**

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