

# FuelEU Maritime & AFIR

## EU Parliament to adopt e-fuel mandate for ships and ports – but is it enough?

One year after the start of negotiations in Parliament on the European Commission's climate package, 'Fit for 55', the FuelEU Maritime and Alternative Fuels Infrastructure Regulation (AFIR) proposals are finally making their way to plenary vote on 19th October 2022. As the TRAN committee of the EP has voted to adopt new targets, what is at stake for Europe's climate ambitions?

### Context

Today, the maritime sector relies almost entirely on fossil fuels, and shipping emissions are growing rapidly. The scale of the effort is huge: if energy efficiency can deliver up to  $\frac{1}{3}$  emissions cuts, full decarbonisation by 2050 will require rapid deployment of zero-emission vessels from 2025. To address this, the Commission proposed a new Regulation, the FuelEU Maritime, with a simple goal-based GHG intensity target, that increases in stringency over time, requiring ship operators calling at EU ports to reduce the lifecycle GHG footprint of the energy used onboard ships (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O).

When the proposal was debated in Parliament and the Council, many raised concerns over the low ambition of the GHG targets proposed, and the overall lack of tools to support the uptake of green hydrogen-based fuels (RFNBOs). [T&E's 2022 study](#) notably estimated the proposal could drive fossil LNG demand to as much as a quarter of the shipping fuel mix by 2030, in a sector that traditionally didn't use gas for propulsion. In early June 2022, while the Council ministers took a timid position on the draft Regulation, a group of

Member States led by Germany and Denmark issued a statement to call for higher ambition, and in particular for policy tools "to accelerate the use of clean and renewable fuels in maritime transport". This was echoed with a [broad NGO-industry call](#) on the European Parliament to adopt an e-fuel/RFNBO mandate of at least 6% by 2030.

When it comes to AFIR, the Commission proposal for a binding mandate for SSE by 2030 for container and passenger terminals is a positive step to reduce air pollution and GHG emissions in ports, but it leaves over half of at berth emissions out of scope. In addition, the mandate on maritime ports to install LNG refuelling infrastructure in ports ignores repeated warnings from the scientific community and international financial institutions on the risk of stranded assets, notably the [World Bank](#), [UCL Energy Institute](#), and [the ICCT](#).

## What's good? What's bad?

MEPs have proposed key measures to improve the FuelEU & AFIR proposals, but climate ambition remains too low in the TRAN text

**The Parliament Committee tasked with dealing with transport issues, TRAN, has proposed three main changes to the Commission text on FuelEU Maritime:**

- Slightly stricter GHG targets, notably from 13% to 20% in 2035, but the ambition remains unchanged in 2025 and 2030 with just -2% and -6% compared to 2020 baseline;
- A sub-quota was introduced to mandate ships to use at least 2% RFNBO fuels by 2030, but applying only to large companies;
- A multiplier of 2 was introduced to reward companies using RFNBOs, which doubles their contribution to the GHG targets.

Although the text represents a clear improvement compared to the Commission's version, it is still far from the level of ambition proposed by the associated committees ENVI and ITRE. While the ENVI committee text is the most ambitious one, both opinions provide a

clear pathway to zero-emission shipping by 2050, with a strong e-fuel sub-quota and stricter targets in the first years. This deserves to be discussed in plenary, especially considering the existing contradiction between the EU's calls on the IMO to phase-out all GHGs from shipping by 2050 and the absence of such a goal in EU domestic law. The proposed pathway is also very much behind commitments from the private sector, with major [cargo-owners](#) willing to go zero-emission by 2040 already; and [European shipowners](#) themselves have sent positive signals to the Parliament to adopt targets compatible with the Paris Agreement, both for ships and fuel suppliers. Last but not least, adopting a stronger RFNBO sub-quota is essential to match the European Parliament's position in RED III, which requires fuel suppliers to deliver 1,2% of transport fuels to the maritime mode, or the equivalent of 9.5% of maritime fuels.

On shore-side electricity (FuelEU and AFIR), the TRAN Committee didn't propose improvements compared to the Commission proposal. On alternative fuels infrastructure for ports (AFIR), it was proposed to add targets for hydrogen and ammonia, which are essential for zero-emission ships to bunker at EU ports. However the mandate for LNG was retained.

## How should the proposals be improved?

### FuelEU Maritime voting recommendations:

- Firstly, make the RFNBO subquota stronger to kick-start e-fuel uptake:
  - Delete the exemption for companies with 3 ships or less (>60% of companies exempted), and at the very least, mandate the Commission to monitor evasion behaviours
  - Add a 2035 RFNBO subquota of at least 6%, to give a long-term investment horizon beyond the current 2% by 2030;
- Secondly, raise the GHG targets to align FuelEU Maritime with the EU's climate goals and save the EU's credibility when calling for zero-emission shipping at global level:
  - At least -10% GHG intensity reduction by 2030
  - -100% GHG intensity reduction by 2050;
- Thirdly, ensure transparency of the system for Parliament's democratic control of future reviews, by requiring the Commission to publish an annual FuelEU compliance report, in a similar format to the EU MRV report.

### AFIR voting recommendations (shipping):

- Extend the SSE mandate on ports progressively to all ship types, starting with oil tankers and bulk carriers. The same should apply on ships under FuelEU Maritime;
- Remove the LNG mandate on ports, and at the very least, direct public funds to the deployment of ammonia and hydrogen refuelling points.

## Next steps to deliver on Europe's climate goals

The FuelEU Maritime will go to the Plenary on October 19 before going to Trilogue negotiations from October 27 onwards with the Council of the European Union and the European Commission. Stepping up ambition in plenary will be critical in ensuring the EU's first shipping fuel law puts the sector on track to full decarbonisation.

**T&E Comment:** *"The key to shipping decarbonisation will be green e-fuels and we need to incentivise their rapid uptake as early as possible. But the TRAN committee is suggesting only a sluggish start with a 2% sub-quota in 2030, and a provision exempting over half of shipping companies, when both NGOs and industry are calling for at least 6%. As it stands, the quota works in name only. The European Parliament Plenary must now boost the ambition level so that shipping companies can start as soon as possible a switch to green shipping",*

Delphine Gozillon, Sustainable Shipping Officer, Transport & Environment