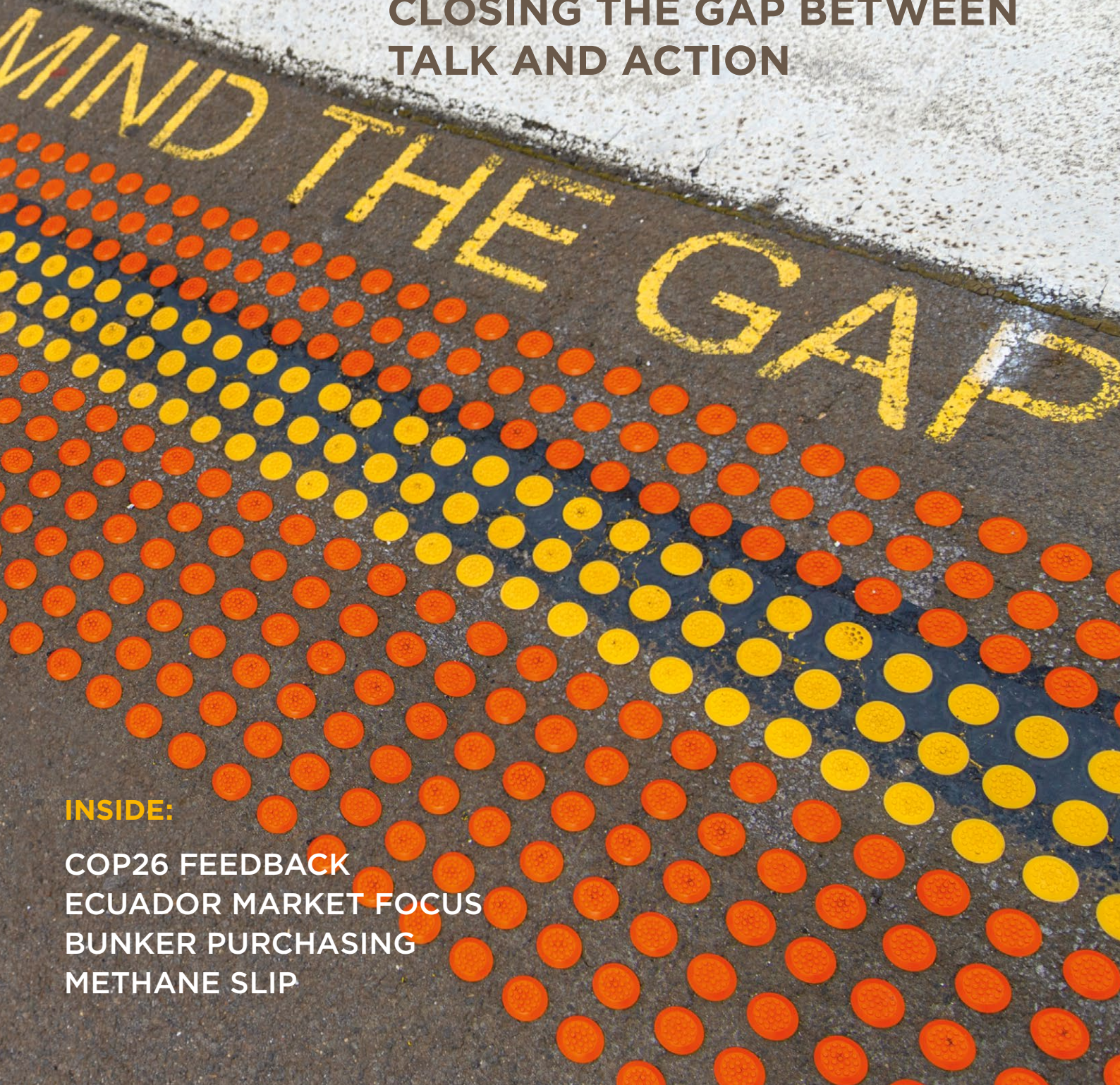


# BUNKERSPOT

## THE JOURNEY TO DECARBONISATION

CLOSING THE GAP BETWEEN  
TALK AND ACTION



### INSIDE:

COP26 FEEDBACK  
ECUADOR MARKET FOCUS  
BUNKER PURCHASING  
METHANE SLIP



# Eyes on the prize

The EU's Fit for 55 agenda can be an opportunity for progress on shipping emissions and the catalyst for greater availability of alternative marine fuels – but the EU must support the industry during the transition, writes **Matthias Ólafsson** of The Methanol Institute

**T**he extension of the European Union's Emission Trading System (ETS) into mobility-focussed industries, proposed under the set of legislative proposals collectively labelled Fit for 55, is central to the drive towards carbon neutrality.

The Methanol Institute (MI) welcomes Fit for 55 as an opportunity to advance the availability of alternative fuels for shipping. But we urge the European Commission to consider how best to support the industry on the journey towards the ultimate goal of carbon neutrality by 2050.

In our recently published policy position paper, the MI argues that supply-side mechanisms aimed at spurring the uptake of renewable fuels should be emphasised so as to make low carbon and net carbon neutral fuels more affordable and so drive the switch to renewables.

We also recommend a steeper incremental increase of the FuelEU Maritime GHG reduction targets beyond 2030, accelerating faster than currently proposed, to direct investment towards alternative fuels offering transitional pathways towards carbon neutrality.

As for the Commission's efforts to sup-

port fuel infrastructure deployment under the Alternative Fuel Infrastructure Regulation, we urge policymakers to recognise the plurality of solutions capable of delivering climate benefits and recommend targets for renewables fuels to be included.

## CARBON PRICING AND MANDATED GHG REDUCTION \_

The ETS and FuelEU Maritime initiative should collectively aim to address the most significant challenge to the decarbonisation of the maritime sector, which is the lack of clear vision and corresponding support required to ensure uptake of sustainable marine fuels.

As a mechanism for carbon pricing, it is critical that the revision of the ETS to include shipping yields a price on carbon that proves sufficient to trigger a systemic shift towards renewable and low carbon fuels. Considering the provisions of other instruments aimed at addressing the energy transition under Fit for 55, the price of carbon under ETS, in the case of shipping and industry, cannot be so high as to have unintended

social costs and should be in line with the EU governance principle of proportionality.

The carbon price resulting from the extension of ETS to maritime transport will by no means represent an investment signal strong enough to supply the sector with sufficient low carbon and net carbon neutral fuel to carry out the energy transition.

To provide a clear pathway towards carbon neutrality, the Commission's current proposal should be amended to recommend a trajectory closing at net carbon neutrality by 2050.

For that reason, complementary policy action in the form of mandated GHG reduction only attainable by transitioning to cleaner energy carriers is needed. GHG reduction targets should increase at an accelerated pace beyond 2030 and closing the trajectory at net carbon neutrality by 2050.

Because fuel supply development incentivised under the proposed legislation is limited today and will take several years to develop, we propose a five-year phase-in, starting in 2030, to help overcome industry resistance to change and enable experience-building to be incorporated into the policy.

While the EU's proposal to apply carbon pricing to extra-EU voyages under the ETS is an issue of concern for the shipping industry, the MI doubts that progress on climate action at the International Maritime Organization (IMO) will be sufficient to satisfy European lawmakers. Should the opportunity to impose a global fuel levy arise within the phase-in period, MI believes EU policymakers should be empowered to abandon the extension of ETS to maritime transport in favour of a more effective instrument with a global scope.

## LIFECYCLE ASSESSMENT

MI believes an approach that accounts for GHG emissions of the fuel's entire value chain using a Lifecycle Assessment (LCA) is essential to stimulate the uptake of renewable fuels that can drive the maritime industry's energy transition.

It follows that the extension of ETS to shipping should be grounded in LCA methodology – also known as well-to-wake (W2W). The ETS and FuelEU Maritime should expressly state that GHG accounting be based on CO<sub>2</sub> equivalence, not solely on CO<sub>2</sub> emission levels and include all major greenhouse gases. To better account for short-lived climate pollutants in marine transport, the Global Warming Potential should reflect a shorter timeframe of 20 years. For GHGs with a longer lifetime, a GWP of 100 years should be applied.

To safeguard interoperability between other Fit for 55 proposals and regulations formed on the international level, MI believes the well-to-wake/LCA methodology used in FuelEU maritime should also be reflected in the EU ETS and EU Taxonomy for measuring emissions from maritime activities.

Applying a well-to-wake approach in GHG accounting of maritime transport has four important implications for shipping. First, it

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would provide an investment signal and foster innovation in renewable power generation and avoid transferring the reallocation of GHG emissions to upstream fuel production processes.

Second, the burden of decarbonisation would belong to the entire maritime sector rather than to shipowners alone. Third, it will enable the industry to respond to fast-approaching regulatory targets and adopt sustainable fuels without delay and finally, policy should incorporate incentives as well as present investment signals.

The tank-to-wake approach currently used by IMO undisputedly places the burden of GHG emissions solely on shipowners and it implies that to achieve decarbonisation, they are held wholly responsible for ensuring decarbonisation of the sector. Discussions at the most recent IMO intersessional working group suggest that member states are moving towards a well-to-wake approach that shares the burden with fuel suppliers, power generators, port authorities and national governments.

## SUPPORTING ALTERNATIVES

At present, the EU Taxonomy measures only exhaust emissions from maritime activities from 2026. The EU MRV, which will monitor ETS's extension to maritime transport, does not yet operate under the same LCA approach as the FuelEU Maritime. These instruments must be fully harmonised to reflect an intelligible market environment truly supportive of alternative fuel uptake.

The MI further believes that the LCA methodology described in the FuelEU Maritime proposal should be amended to remove any regulatory barriers for fuels sourced from biomass as long as they deliver the climate benefits targeted under the legislation and do not cause a displacement effect on previous agricultural land management and practices.

Fuels sourced from carbon dioxide, biological or non-biological, should be eligible under FuelEU Maritime in correlation with other EU policies about fuels and sustainability.

While existing infrastructure requires only minor adaptation to accommo-

date methanol and other renewable fuels, MI believes that policy should support deployment of such infrastructure to accelerate and ensure access to fuels capable of delivering immediate climate benefits.


Support for the deployment of bunkering infrastructure, similar to that granted to other alternative fuels under the regulation, would serve to rapidly integrate methanol into the marine fuel mix in a cost-effective manner. Technology neutral and fuel agnostic policy-making is essential to attain the best results for the climate and market participants.

It is clear that the maritime industry is at the start of a transition to an era of lower carbon operations, a process that will require the adoption of new fuels and development of new technologies. Among the challenges facing shipowners is knowing which lower carbon fuel suits their operations now and in the future.

With the IMO's 40% CO<sub>2</sub> reduction target of 2030 fast approaching, shipping doesn't have the luxury of waiting for as-yet-unavailable fuel technologies to reach technical readiness, regulatory approval, and availability. Especially given that clean fuels are already available now for existing vessels as well as newbuilds – and they are readily traded on digital fuel platforms, and obtainable in low carbon formats.

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