

Brief

On

Summary of developments EU and the EU Fit for 55 policy package February 2023

EU ETS

Background

The European Commission trilogue negotiations have concluded and an agreement on the revision of the EU ETS directive is reached. The main points of the agreement can be found in our circular *ref: 1219-F> Developments in the EU ETS*.

Summary of Developments

The texts following the provisional agreement resulting from the interinstitutional negotiations of the EU ETS and the EU MRV, were adopted on the 9th of February by the Environment Committee of the Parliament and can be found in our previous circular *ref: 0217-F> Texts of the EU ETS and the EU MRV*.

Members may note that the text includes amendments to Regulation (EU) 2015/757 (MRV Regulation) and the **greenhouse gases to be covered** are:

- (a) carbon dioxide (**CO₂**);
- (b) with regard to emissions from **2024 onwards**, methane (**CH₄**); and
- (c) with regard to emissions from **2024 onwards**, nitrous oxide (**N₂O**).

Next Steps

The vote in plenary is scheduled in April. The text will then be published in the Official Journal and enter into force 20 days afterwards.

- By end of October 2023, the Commission will have to prepare the delegated and implementing acts related to the inclusion of shipping in the EU ETS.

The list of delegated and implementing acts that the Commission will have to prepare in view of the inclusion of shipping in the EU ETS are enclosed.

FUEL EU MARITIME

Background

FuelEU Maritime is the EU's strategy to phase out fossil fuels from shipping and boost the uptake of alternative fuels in the sector.

More information on the regulation can be found in our circular *ref 1108-F> Summary of developments in EU and the EU Fit for 55 policy package- October 2022*, and in our website [here](#)

Summary of Developments

Trilogue negotiations are heading to a close. Negotiations between the European Parliament, the Council and the Commission are progressing slowly, as points of disagreement remain on key issues. Main outstanding issue between the Council and the Parliament are inclusion of fuel suppliers under the scope of the regulation, to ensure that shipowners are not unduly penalised if the sustainable fuels necessary for compliance are not delivered. Conditional to the mandatory inclusion of fuel

suppliers and the availability of fuels, is also the introduction of a sub quota on RFNBOs, as proposed by the Parliament.

REPowerEU

Background

REPowerEU, is the EU's proposal seeking to reduce energy consumption and diversify the Union's energy supply as a result of the war in Ukraine.

Summary of Developments

The REPowerEU regulation has been [published](#) in the Official Journal and entered into force at the beginning of March.

This Regulation is directly applicable in all Member States.

Member States will be able to add a new REPowerEU chapter to their national recovery and resilience plans under NextGenerationEU, in order to finance key investments and reforms which will help achieve the REPowerEU objectives.

The scope of the chapters is further clarified and will include, among others:

- decarbonising industry,
- increasing production and uptake of sustainable biomethane, and renewable or fossil-free hydrogen,
- increasing the share and accelerating the deployment of renewable energy,
- supporting zero emission transport and its infrastructure.

As regards the financing of the grants, the co-legislators agreed that the sources will be the Innovation Fund (60%) and frontloading ETS allowances (40%). The allocation key will be a formula, which takes into account cohesion policy, member states' dependence on fossil fuels and the increase of investment prices, in line with the Council's position.

10TH PACKAGE OF SANCTIONS AGAINST RUSSIA

On Saturday 25 February, the 10th package of sanctions against Russia was published in the Official Journal of the EU. The amendment to the Sanction Regulation 833/2014 can be found [here](#) (latest consolidated version [here](#)).

Additional entities (including three additional Russian banks) and individuals added to the [list](#) subject to travel bans and asset freeze. Notably, this list now includes Dubai-based SUN Ship Management, part of Russian state shipping company Sovcomflot and which was identified as "one of the key companies managing and operating the maritime transport of Russian oil", therefore contributing directly to Russia's revenues. The Russian National Reinsurance Company, which was identified as insuring Russian oil cargoes, was also listed.

A technical amendment was introduced to clarify that the exemptions for pilotage service. New article 12d is inserted stating that the "prohibitions on providing technical assistance laid down in this **Regulation shall not apply to the provision of pilot services to vessels in innocent passage** as defined by international law which are necessary for reasons of maritime safety".

Furthermore, the package introduces further restrictions, notably:

- Import bans into the EU of synthetic rubber, carbon black, and bitumen products.
- Export bans, targeting a wider range of dual-use items that can be used in the war effort (amended Annex VII) including i.a. additional vehicle parts, construction materials, machine and aviation parts, etc.

- The package also looks to tighten anti-circumvention measures, introducing reporting requirements for i.a. financial sector entities and insurers and reinsurers to report to the Commission specific information on frozen assets or movements on assets that should be frozen (new article 5a para 4a).

ENVIRONMENTAL CRIME DIRECTIVE

Background

The Directive aims to crack down on environmental crime, fulfilling a key commitment of the European Green Deal. The proposal intends to make protection of the environment more effective by obliging Member States to take criminal law measures. It defines new environmental crimes, sets a minimum level for sanctions and strengthens the effectiveness of law enforcement cooperation.

Summary of Developments

The EU Council, general approach was adopted on 9 December and maintains the Commission proposal regarding the shipping sector interest and ship recycling continues to be considered a criminal offense when the activity is completed in a yard not included in the EU list. It seems very unlikely that the Ship Recycling Regulation would be excluded of the scope of the offenses defined in the new ECD.

Members may find more details in our circular [ref 0220-F-23015 - Future EU legislation on ship recycling](#).

Next Steps

The plenary vote is currently scheduled on the 17 April. The trilogue negotiations will start shortly afterwards.

FLAG STATE DIRECTIVE REVISION

Background

European Commission, in its 2021 work programme announced on 19 October 2020, intends to review the Directive 2009/21/EC on Compliance with Flag State requirements.

The revision will primarily align with already agreed rules in the context of International Maritime Organisation (IMO). But, in terms of possible simplification, it will look at the possibility of modernising Member States ship registry into eRegisters for the keeping and exchanging of e-Certificates (ship related). This should support more efficient services as well as control and monitoring of vessels sailing under their flag.

It also links to the simplification and administrative reduction objective of port State control, both for administrations and for industry (quicker turnaround times in ports). In addition, this would also allow for more concentration on environmental issues, in terms of the development of incentives (reward for compliance and not only punish for non-compliance) for good quality and green operators. Via the improved capacity building programme of the European Maritime Safety Agency, it would support Member States in the continuous updating and sharing of best practices (avoiding to 're-invent the wheel' at national level).

At the same time working towards greater harmonisation and common understanding to the benefit of a harmonised EU approach both for Administrations and for Industry. Overall improving attractiveness and competitiveness whilst maintaining high levels of safety, security and pollution prevention.

References:

- European Commission, [2021 Commission work programme - annexes](#)

- [Directive 2009/21/EC of the European Parliament and of the Council on compliance with flag State requirements](#)

Summary of Developments

Following a long delay, the “Maritime Safety Package” is now expected to be published in late May 2023, subject to clearance by the European Commission scrutiny board.

GREEN DEAL INDUSTRIAL PLAN

Background

The Commission has published its Communication on a “Green Deal Industrial Plan for the Net-Zero Age”. The full text can be found [here](#). In this context, the Commission will propose a Net-Zero Industry Act, laying down clear clean tech objectives for 2030 with the aim to focus and streamline investments on strategic projects along the entire supply chain.

A summary of the Green Deal Industrial Plan for the Net-Zero Age is as follows:

A predictable and simplified regulatory environment

- The Commission will put forward a proposal for a Net Zero Industry Act to foster manufacturing of key technologies.
 - This will include identifying specific sectoral goals for industrial capacity by 2030, i.a. to address strategic dependencies, and improving the permitting processes for renewable technologies to i.a. reduce administrative burdens.
 - The Act will also enable the Commission to request European Standards to speed up deployment of key technologies.
- A number of measures will be proposed to address Europe’s dependencies on fossil fuels and speed up the industrial transformation and the scale-up of renewable energy use. The Communication calls for a fast adoption of the revised TEN-T and Alternative Fuel Infrastructure Regulation to established a future-proof refueling network.

Access to finance

- Accelerating funding for net-zero industrial development is seen as crucial to maintain the level playing field for European industry, which is currently under pressure due to subsidies being provided abroad. This will be achieved through a combination of targeted state aid and EU funding.
- At national level, the Commission will allow further flexibility for Member States to grant state aid, on a temporary basis (until 2025) and to limited to defined areas. The new Temporary Crisis and Transition Framework (TCTF) for state aid, will seek to:
 - Simplify aid for renewable energy deployment including extending deadlines and easing requirements for less mature technologies;
 - Increase flexibility for the provision of aid for the decarbonisation of industrial processes;
 - Enhanced investment support for production of net-zero technologies, possibly matching aid received by competitors outside the EU;
 - Targeted aid for major production projects in strategic net-zero value chains, including via tax benefits. A special focus will be put on sectors where a third-country delocalisation risk has been identified.

A separate revision of the Green Deal General Block Exemption Regulation will be proposed to allow for additional flexibility to support key sectors, enlarge the scope of investment aid for refueling infrastructure, and promote training aid for skills development.

- Stepping up EU funding is identified as crucial to ensure a level-playing field across the EU Single Market. A number of measures are identified under the RePowerEU, InvestEU and

Innovation Fund – in particular, the Communication stresses that, under the revised ETS, the IF will be allowed to subsidise 100% of the funding gap for scaling up clean tech deployment.

- In the mid-term, the Commission will also propose a European Sovereignty Fund before Summer 2023 to further address Member States' investment needs.

Enhancing Skills

- The Communication stresses the need to focus on green and digital skills as a pillar of the industrial transition. Focus will be placed on skills development at all levels and with the inclusion of women and youth at the center.
- A number of initiatives are planned, under the EU Year of Skills 2023, including on monitoring supply and demand for skills in sector related to the green transition, and measures to improve validation and recognition of skills.
- Further flexibility will be explored to stimulate public and private investment in training.

Trade and resilient supply chain

- Trade openness is identified as an essential element of the strategy. Negotiations will continue on FTAs with the aim, among others, to conclude the FTA with Australia and significantly advance talks with India and Indonesia.
- Among planned new initiatives, the Commission will promote Clean Tech/Net Zero industrial partnership and a dedicated export credit strategy.
- To tackle unfair competition from third countries, the EU will continue to implement its trade defence instruments, including the recently adopted Regulation on Foreign Subsidies and the upcoming Anti-Coercion Instruments.

Summary of Developments

During the EU Summit of 9 February, Member States' leaders signed off the [Conclusions](#) on the Green Deal Industrial [Plan](#) put forward by the Commission on 1 February.

The conclusions stressed the need for a comprehensive strategy to enhance the EU's long-term competitiveness and productivity, harnessing the full potential of the Single Market. Member States will continue the discussions on this topic during the next meeting.

Member States called for work to be taken forward in the following areas:

- State Aid: Member States call for simpler and more predictable procedures to allow for "targeted, temporary and proportionate support to be deployed speedily, including via tax credits, in those sectors that are strategic for the green transition and are adversely impacted by foreign subsidies or high energy prices".
- EU-level funding: flexible deployment of existing EU funds and facilitation of access to finance should be explored. The Member States took note of the intention of the Commission to establish an EU Sovereignty Fund by summer 2023.
- Regulatory environment: Member States call for the streamlining of administrative and permitting procedures to boost "manufacturing capacity for products that are key to meet the EU's climate neutrality goals".
- Skills: Member States call for ambitious action to develop the "skills that are required for the green and digital transitions through education, training, upskilling and reskilling".
- Trade: the above should be complemented by an ambitious and open trade agenda, ensuring a "true level playing field" and "resilient and reliable supply chains to develop and the European Union to access new markets".

SHIP RECYCLING

The Commission is planning to adopt the 11th update of the EU SRR list during the 2nd quarter 2023.