

Brief
On
Summary of developments
In the EU and the EU Fit for 55 policy package

April-June 2024

EU ETS

Background

On 1 January 2024, the EU extended the coverage of its ETS to incorporate the maritime sector, as part of the broader EU ETS reform that came into force in June 2023.

Summary of developments

Consultation on the implementing act on monitoring and reporting of GHG emissions

The Commission has published a consultation on a draft implementing act updating the monitoring and reporting of greenhouse gas emissions in accordance with the EU ETS directive.

- The objective is to **update the existing implementing act** to take into account the new elements of the EU ETS directive, including the inclusion of the maritime sector.

It also **covers** the monitoring and reporting of emissions from:

- **RFNBOs and recycled carbon fuels (RCFs)** to ensure proper alignment with sustainability and greenhouse gas savings criteria laid down in RED.
- the **transport of CO₂** by other means than pipelines for geological storage

Next Steps

The provisions contained in this implementing act should apply from 1 July 2024.

New initiative on permanent emissions storage through carbon capture and utilisation under the EU ETS Directive

The Commission has published a new initiative on permanent emissions storage through carbon capture and utilisation under the EU ETS Directive.

- The draft delegated regulation will **set the conditions** under which **GHG emissions under the EU ETS can be considered permanently chemically bound in a product**, ensuring they do not enter the atmosphere under normal use and end-of-life activities.

More information

More information is available in our circular:

- *Ref:0621- F/TC > (EU REGULATION) EU ETS: New initiative on permanent emissions storage through carbon capture and utilisation under the EU ETS Directive*

Maritime Operator Holding Account

Shipping companies can now contact the relevant registry where they are listed and can start the process of opening their Maritime Operator Holding Account (MOHA).

- It is unclear what will happen if companies are not able to open Maritime Operator Holding Account because the national authorities are not ready.
- In addition, non-EU entities are often required to have a VAT number to open an account.

Transposition at the national level

Many Member States have not yet transposed the EU ETS at the national level.

- The Commission confirmed to our associate member ECSA that the **EU ETS directive applies from 1st January 2024 and not from the date of transposition at the national level.**
- Feedback from EU Shipowners associations is that many companies have **issues getting their monitoring plans approved by their national authorities.**

Guidance documents on the EU ETS/MRV

A draft Guidance Document for shipping companies on the EU ETS and MRV Maritime Regulation is expected and is still a working document of the newly created ESSF sub-group on the implementation of MRV and ETS maritime.

More information

More information including the draft text in our circular:

- *Ref 0424 - F/TC > (EU REGULATION) EU ETS & MRV - draft Guidance Document for shipping companies on the EU ETS and MRV*

INNOVATION FUND

Background

The European Commission, through the Innovation Fund established last year, has already invited several rounds of applications for financing out of revenues from the European Emissions Trading System (EU ETS).

Statistics on the applications to the 2023 call

The Innovation Fund's 2023 call for proposals for net-zero technologies closed on 9 April. It received 337 applications from 27 countries for an amount of 24.6 billion, which corresponds to over six times the available budget.

The number of applications in the main categories are:

- 204 for energy-intensive industries, including CCUS,
- 64 for renewable energy,
- 35 for energy storage, and
- 34 for mobility, including the *maritime sector*.

Amongst the five topics, the applications were received in ascending number for:

- General large-scale projects with 137 applications,
- Cleantech manufacturing with 56 applications,
- General medium-scale projects and pilots with 51 applications each, and
- General small-scale projects with 42 applications.

In terms of sectors:

- most applications relate to chemicals and hydrogen.
- There was also a high interest in the call from newly eligible sectors.
- **70% of the applications submitted under the mobility category come from maritime,** followed by aviation and road transport.

The main outcomes of the 2023 call for proposals are that:

- **11 projects are proposing to manufacture vessels.** They represent 2.2% of the total grant requested. The main purpose of the applicants is to cover new engines for alternative fuels. Short-sea and deep-sea shipping are covered. Four other projects covered the port infrastructures.

- Regardless of the topic applied to under the 2023 calls, **26% of the projects will produce fuels at some point of the project**. RFNBOs hydrogen is the most common product (49 projects), this is why the Commission is opening a second hydrogen auctions.

Summary of developments

DG CLIMA will launch before the end the year three separate calls/auctions, with an overall budget is €4.8 billion:

- A general call, similar to the 2023 call for proposal,
- A **second Hydrogen Auction, including a maritime basket**.
- An auction on battery manufacturing.

Information on the hydrogen auction

The 2024 general call is similar to the 2023 call for proposals. The second Hydrogen Auction, including a maritime basket, will be opened on the same date. The estimated budget for the general basket is €1 billion and for the maritime basket is €200 million.

The **main elements** of the hydrogen auction are the following:

- The budget for the maritime basket under the hydrogen auction will be financed by the 20 million EU ETS allowances earmarked to the maritime sector.
- Maritime projects will be defined as such if at least 60% of the production will go to the maritime sector. Maritime projects can choose to apply for the general topic if the share going to the sector is lower.
- Maritime off-taker can be a shipping company, having an IMO number or a Maritime Operator Holding Account (MOHA). It can also be a bunkering operator, which will need to be endorsed by a maritime authority, port authorities or industry associations (e.g. International Bunker Industry Association). A fuel trader would not be eligible.

Eligibility criteria under the Innovation Fund 2024 General Call are **not favourable for tramp international shipping and is considered virtually impossible for most tanker or dry bulk companies to meet, given the itinerant and global nature of tramping:**

- The **obligation to retrofit/build the vessel in the EEA** is too restrictive. An alternative could be that at least any eligible technology and equipment, which is manufactured in EEA, should be eligible regardless of where the installation is done.
- The criteria of the **30% of annual port calls in the EEA** is also very strict and very difficult to be met, especially for the tramp sector. An alternative way to define the EU added value could be to allow projects covering ships on the basis of the place of effective management and control.
- development of a common GHG avoidance methodology for the transport sector (aviation, maritime & road transport) to be used by the Innovation Fund. Under a common methodology, a maritime decarbonisation project might artificially seem less effective compared to another transport sector project.

Next steps

The Commission is finalising the terms and conditions of the calls.

FUEL EU MARITIME

Background

FuelEU Maritime Regulation will apply from 1 January 2025 and promotes the use of renewable and low-carbon fuels in maritime transport for ships above 5000 GT, intra-EU traffic + 50% international, EU ports (same as for ETS).

Summary of Developments

Presentations of the EU & EMSA Webinar of 4 June 2024

DG-MOVE and EMSA hosted a webinar titled “Preparing for the FuelEU Maritime Regulation” on 4th June 2024 via Webex.

More information

More information including the recording and presentation is available in our circular:

- *Ref: 0527 - F/TC > (EU REGULATION) EU & EMSA Webinar on the FuelEU Maritime Regulation on 4 June 2024).*

Draft Template of the Fuel EU Monitoring Plan

The Draft Template of the Fuel EU Monitoring plan of the FUEL EU Maritime is available [here](#):

Implementing and delegated acts

DG MOVE opened three consultations on the secondary legislation related to FuelEU Maritime Regulation. More specifically:

- The draft implementing act on verification activities,
- The draft implementing act on the template for standard monitoring plans.
- The draft delegated act on methods & criteria for the accreditation of verifiers

Reporting of the Emissions EU ETS & FUEL EU:

Much information will be common and will only be reported once in THETIS FuelEU Database ecosystem.

- The FuelEU Maritime Monitor Plan includes some additional Data (e.g. calculation of compliance balance, recording of penalties, exchange and notifications between user groups).

More information

More information is available in our circular:

- *Ref:0626 - F/TC > (EU REGULATION) FuelEU Maritime Regulation: Presentations of the EU & EMSA Webinar of 4 June 2024*
- *Ref: 0621- F/TC > (EU REGULATION) FuelEU Maritime: latest information*

Next Steps

- 14 Implementing and Delegated Acts are expected covering OPS, updates to Annex II, RFNBOs, Zero Emission Technologies, Governance, and FuelEU database, amongst others.
- The implementing acts on verification activities and monitoring plans will be published in early July.
- Secondary Legislation with regards to the consolidation of the monitoring plan of EU ETS & FuelEU Maritime Regulations, FuelEU-specific additional data is expected.
- FAQ under development addressing most pressing questions in support of implementations.

SUSTAINABILITY CERTIFICATION FOR MARINE BUNKER FUELS (ETS & FUEL EU)

Background

Both FuelEU Maritime and ETS extension to maritime **require a demonstration of RED-certification for biofuels and renewable synthetic fuels used onboard ships**. Despite indicating that sustainable marine bunker fuels must be RED-certified, both FuelEU and MRV/ETS do not specify the process for demonstration of compliance of the sustainable fuels used onboard to MRV/ETS/FuelEU Verifiers.

- The end-goal objective, under both scopes of FuelEU and MRV/ETS is to ensure that the Verifiers responsible for the assessment of compliance under both FuelEU and MRV/ETS – receive robust reassuring evidence of RED-compliance of marine bunker fuels.

Summary of Developments

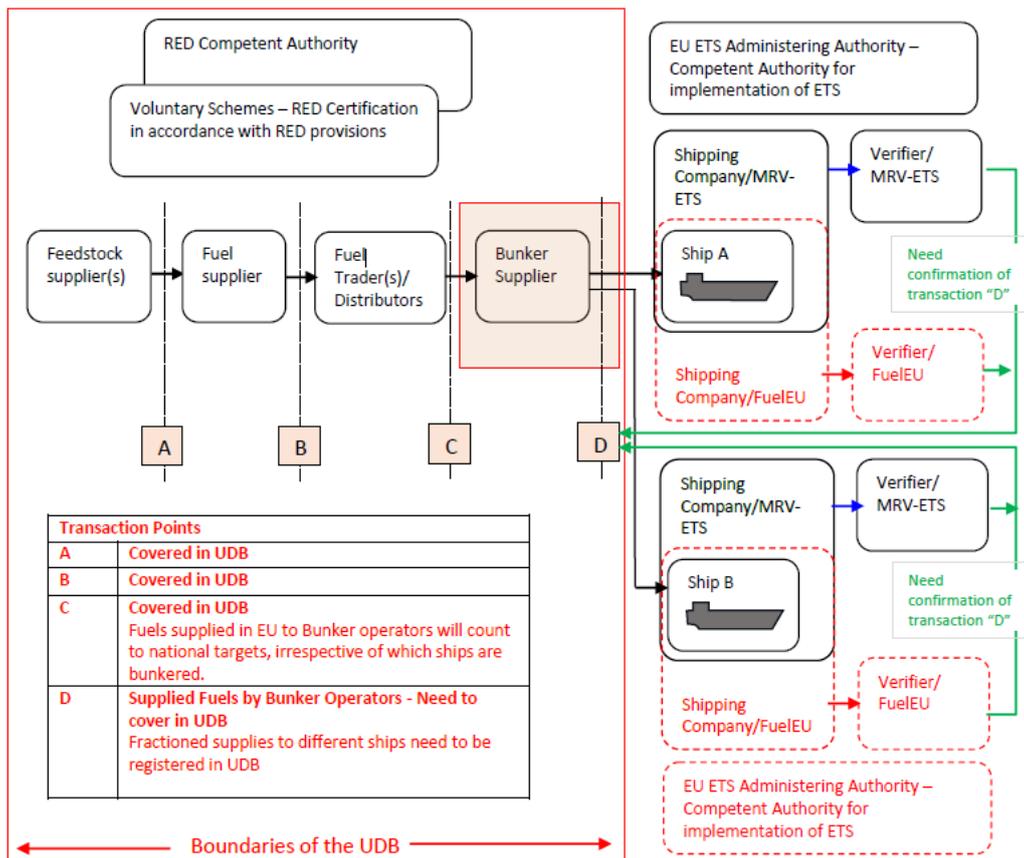
Discussions have been in the EU Commission (held between MOVE, CLIMA and ENER) for the past months to best understand how to ensure the demonstration of sustainability certification across the sustainable marine bunker fuel supply chain.

The following are noted:

- Shipping Companies and Verifiers, in principle, would not be required to be “RED-certified” but rather to hold an account for access to UDB and access transactions directed to specific ships (identified by their unique IMO identifier).
- Only the coverage of all economic operators involved in the supply chain for marine bunker fuels in the RED Union Data Base (UDB) will ensure adequate mitigation of fraud, double-counting, and erroneous reporting.
- FuelEU and MRV/ETS do not introduce specific reporting requirements into the UDB.
- Demonstration of RED-certification will however be required for operators to demonstrate eligibility of sustainable fuels under FuelEU and ETS. Notwithstanding no specific additional requirements for reporting into UDB, additional economic operators will need to be covered by UDB to ensure that the mass-balance safeguarding mechanism of the IT system covers all transactions and reporting.
- A two-phase approach is proposed for the demonstration of compliance of sustainable marine bunker fuels, which considers the need to develop concept, budget estimation and project for UDB updates to allow onboarding and access to stakeholders involved in the supply chain for sustainable marine bunker fuels.

Next steps

Ongoing discussions in the European Sustainable Shipping Forum. The discussion on the concept and architecture/requirements for integration into UDB of all relevant stakeholders involved in compliance with FuelEU and ETS shall take the (Draft) mapping below as a basis/ reference.



CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE

Background

The directive will affect companies of more than 1,000 employees with a turnover of more than €450 million, and their activities ranging from the upstream production of goods or the provision of services to the downstream distribution, transport, or storage of products.

Summary of Developments

The European Parliament formally adopted in plenary the Corporate Sustainability Due Diligence Directive. The rules will apply gradually to EU and non-EU companies and parent companies with turnover of more than 450 million euros.

Next steps

The directive needs to be formally endorsed by the Council. It will enter into force twenty days after it is published in the EU Official Journal. Member states will have two years to transpose the new rules into their national laws.

More information

More details are available in our circular:

- *ref:0426 - F/TC > (EU REGULATION) Corporate Sustainability Due Diligence Directive Adopted*

NET ZERO INDUSTRY ACT (NZIA)

Background

The NZIA aims to establish a framework of measures for strengthening Europe's net-zero technology product deployment and manufacturing capacity.

Summary of Developments

The European Parliament formally adopted the final text of the Net-Zero Industry Act (NZIA).

- For shipping fuels, introduced a benchmark to match 40% of the deployment needs for clean fuels for shipping with production capacity in Europe.
- Fuels complying with the FuelEU Maritime targets, including advanced biofuels and e-fuels, are included in the list of net-zero technologies.

Next steps

The 40% benchmark of NZIA for advanced biofuels and e-fuels for shipping should be translated into concrete requirements for port infrastructure, as well as investments to turn major European ports into energy hubs.

More information

More details are available in our circular:

- *ref: 0429 - F/TC > (EU REGULATION) Net-Zero Industry Act adopted.*

WASTE SHIPMENT REGULATION

Background

A provisional agreement on the revision of the waste shipment regulation was reached by the co-legislators on 17 November 2023. On 27 February 2024, the Parliament's plenary adopted the agreement, and the Council adopted it on 25 March.

Summary of Developments

The waste shipment regulation was published in the Official Journal of the EU on 30 April. It will enter into force on 20 May 2024.

- The new provisions, except on those exports, will apply from 21 May 2026.
- Plastic waste exports outside the EU will be banned from November 2026.
- The rules on exports will start to apply in May 2027.
- Article 82 amending the EU Ship Recycling Regulation will apply from 20 May 2024.

As a reminder, article 82 clarifies the legal framework applicable to the recycling of EU-flagged ships. Ships can be recycled in recycling facilities located outside the OECD if they meet the requirements of the EU SRR and are added to the EU list.

More information

- The text is available here:
<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024R1157>

Next steps

The next steps related to **the waste shipment regulation** and the application of non-OECD yards to the EU SRR list are:

- The Commission will contact the yards located in non-OECD countries to inform them that the legislative process ended and to ask them to confirm their application to be added to the EU SRR list.
- After the yards have confirmed their interest, the Commission will sign a contract with the auditor to go and audit the concerned yards.

The next steps concerning **the revision of the ship recycling regulation** are:

- The Commission is currently working on the evaluation of the EU SRR.
- The reports of the consultants on the implementation of the EU SRR and potential next steps should be published before summer.
- After summer, the evaluation will be finalised and will enter in interservice consultation within the Commission.

More information

More details are available in our circulars:

- *ref: 0428-F-23038 - Public consultation on the revision of EU SRR*
- *ref: 1214-F-22162- Evaluation Study of EU Ship Recycling Regulation (SRR)*

ALTERNATIVE FUELS INFRASTRUCTURE REGULATION (AFIR)

Background

The Alternative Fuels Infrastructure Regulation (AFIR), **came into force** on 13 April 2024, supporting the transition towards more sustainable transport by setting obligatory targets for the rollout of recharging and refuelling transport infrastructure.

Summary of Developments

The Commission has published the first set of questions and answers regarding the Alternative Fuels Infrastructure Regulation (AFIR) following its adoption available [here](#).

Next steps

Similar documents will be published at a later stage for other articles on the regulation.

OTHER

EU Maritime Industrial Strategy

The Competitiveness Council calls on the Commission to develop a new strategy that supports the European maritime industry, which is vital for the EU's strategic interests, in the digital and green transition and that encompasses all the dimensions of the sector's competitiveness. The Council conclusions adopted provide **a framework for the Commission to develop a maritime industrial strategy**.

More information:

- The text is available here: <https://data.consilium.europa.eu/doc/document/ST-10127-2024-INIT/en/pdf>
- The Council's press release can be found [here](#).

14th package of sanctions against Russia

The Council adopted the 14th package of sanctions against Russia. The package entered into force on 25 June 2024.

- The package establishes a new annex imposing additional restrictions on a defined list of vessels, including a number of ships transporting Russian oil products while engaging in irregular and high-risk shipping practices. Additionally, the package imposes restrictions on the transshipment of Russian LNG in the territory of the Union.
- Annex XLII (page 579) currently lists 27 vessels, 10 of which are listed for transporting oil products from Russia while practicing irregular and high-risk shipping practices.

More information:

- The latest amendments to the Sanctions Regulation 833/2014 can be found [here](#).
- For ease of reference, the latest consolidated version of the Regulation from February 2024 is accessible [here](#).

European Union's trade relationship with China

The European Commission announced that will impose additional duties of up to 38% on imported Chinese electric vehicles starting on 4 July.

- The tariffs are expected to raise billions of euros for the EU budget and they also are put in place to incentivise Chinese manufacturers to locate production in Europe, while giving European players time to shift from internal combustion engine to battery-powered models.
- However, the duties are much higher than expected, risking a full-scale trade war with China
- Beijing had already threatened the Commission with retaliation on French cognac, airplanes, dairy and other agricultural products last January.
- The question now is how the Chinese government will respond to the Commission's decision.

REPowerEU Strategy

In March 2022, EU leaders agreed to phase out EU dependence on Russian gas, oil, and coal imports by reducing the EU reliance on fossil fuels, diversifying supply and by accelerating the development of renewables. During the EU Council meeting on Thursday, May 30, it was mentioned that through the REPowerEU Strategy and its targeted measures, the EU has saved 125.2 billion cubic metres of gas, secured sufficient reserves, and reduced gas imports from 45% to 15% in just two years. Additionally, installed wind and solar capacity increased by over a third between 2021 and 2023

New Norwegian regulation on handling of hull biofouling

A new Norwegian regulatory proposal on the management of hull biofouling on ships and mobile offshore units certified for international voyages entering Norwegian waters was circulated for review by the Norwegian Maritime Authority with a deadline for comments on 6 June 2024. The proposed regulation aims to prevent the introduction of hazardous invasive species to Norway through hull biofouling resulting from international shipping and to prevent the further spread of hazardous non-indigenous species in Norwegian waters.

- No information has been provided on when the final regulation will be issued.
- The regulation will enter into force on 01 July 2025.

The draft text is available in the Norwegian Maritime Authority - Start page Shipping Legislation [here](#).