

Dear esteemed Members of the European Parliament,

We are writing to you regarding the negotiations on the FuelEU Maritime proposal.

There is an urgent need for action to reduce the greenhouse gas emissions from the maritime sector and FuelEU Maritime can be a key tool to achieving this objective.

In the Council negotiations, a number of Member States have argued in favor of higher reduction targets and the need for more incentives to accelerate the use of **renewable fuels of non-biological origin (RFNBOs)**. RFNBOs are scalable and can therefore meet the growing fuel demand of the shipping sector. Incentivizing the use of RFNBOs in an early stage is critical as it ensures fuel manufacturers start the specific RFNBO investments and it will drive down production costs and make sure that these fuels are available and affordable in the future.

As such, Denmark and Germany have put forward a proposal to both raise the **reduction targets** and include a **sub-quota** on the use of RFNBOs in FuelEU Maritime, which received support from several other Member States in the Council. Please find the joint proposal enclosed.

Additionally, we strongly advise against the sole introduction of a multiplier for RFNBOs into FuelEU Maritime without raising the reduction targets significantly and including a RFNBO sub-quota. A multiplier alone could slow the needed uptake of RFNBOs in the maritime sector, as the use of transitional fuels, like biofuels and even fossil fuels, would be incentivized.

We now have a unique opportunity to send a strong signal to the industry and the rest of the world, that the EU is fully committed to decarbonize its shipping industry. Moreover, the push is also demanded by the industry, which calls for a level playing field with clear, ambitious and long-term regulation.

We therefore kindly ask the European Parliament to push for an ambitious new regulation.

Yours sincerely,



Annex: Joint proposal by Denmark and Germany for raising the ambitions in FuelEU Maritime and meeting the 2050 climate targets,
TTE Joint statement on FuelEU Maritime by several Member States

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Proposal for raising the ambitions in FuelEU Maritime and meeting the 2050 climate targets

The Fit for 55 package is a cornerstone in the European Union's efforts to combat climate change. For shipping to contribute to the objectives of a 55% reduction in GHG emissions by 2030 and reaching net-zero by 2050, ensuring a greater uptake of zero-emission fuels is key. We support the objectives of FuelEU Maritime (FEUM) to ensure greenhouse gas emission reductions, but believe that the level of ambition must be strengthened in order to ensure that we meet the 2050 climate targets.

The problem:

As the FEUM proposal stands now, we see a great risk of not meeting the 2050 climate goals mainly due to the fact that fuels with a real CO₂e reduction potential are expensive and not the natural economic choice in the business case for shipping companies before 2040-45¹. The current regulation/incentive approach in the FEUM regulation reduces its impact on promoting sufficient sustainable and scalable renewable fuels. This is because:

- 1) Ships will be allowed to use cheap lower-carbon fossil fuels, such as LNG or other transitional fuels with limited long-term potential and still comply with the emissions reduction targets, and
- 2) Ship owners and operators will continuously have a possibility and potentially an economic interest in choosing the least costly, and yet in the short term compliant, fuel option.

If we do not set the right regulatory framework with clear incentives for promoting the cleanest alternative fuels, we might indirectly promote short-term solutions with long-term implications on infrastructure investments.

The solution:

This proposal intends to ensure that FEUM creates a real demand, and early uptake of the cleanest and least CO₂e intensive alternative fuel types, which are considered to be Renewable fuels of non-biological origin (RFNBOs). RFNBOs are to be defined in RED-II and a delegated act under this directive. Therefore, this proposal and specifically the sub-quotas should be reviewed in context with the adoption of the delegated act. For the purpose of this proposal under FEUM, RFNBOs include green hydrogen, green ammonia (produced from green hydrogen and nitrogen that is obtained by an air separation unit), green synthetic methanol (produced from green hydrogen and CO₂ captured from the atmosphere or biogenic CO₂²), and green synthetic methane (also produced from green hydrogen and CO₂ captured from the atmosphere³).

RFNBOs are necessary fuels for long-term scalable and sustainable solution for the maritime industry, but in order to promote an early uptake of these, we must create the right regulatory framework. This proposal includes three main elements, which in combination will ensure:

- 1) A higher long-term climate impact thus also ensuring that the EU meets its climate obligations
- 2) Ensure the early uptake by introducing sub-quotas of RFNBOs and by bridging the price cost between fossil fuels, "conventional" alternative fuels such as LNG and RFNBOs.

The three components of the proposal are summarized in figure 1:

- 1) Increase the greenhouse gas intensity reduction targets as defined in article 4.
- 2) Introduce sub-quotas on the use of RFNBO's in article 4
- 3) Introduce a multiplier on over-compliance on the use of RFNBOs

¹ This conclusion also includes the effects of the proposed EU Emissions Trading System

² Biogenic CO₂ includes CO₂ released as a result of the combustion or decomposition of organic material, that is biomass and its derivatives

³ Only CO₂ from Direct Air Capture and biogenic point source capture (CO₂ from a biogas power plant) are considered as green CO₂.

Figure 1

	2025	2030	2035	2040	2045	2050
Original FuelEU emission intensity reduction target	2%	6%	13%	26%	59%	75%
New proposed emission intensity reduction target	3%	10%	20%	40%	75%	100%
Sub-quota: Minimum share of RFNBO	0%	2%	5%	12%	(?)% ^(*)	(?)% ^(*)
Multiplier (to encourage RFNBO usage)	4x	4x	3x	(?)x	(?)x	(?)x

(Note: ^(*) these values will be determined in a review of the regulation in 2037 and 2042 at the latest)

1) Raising the targets in Article 4 (2) and avoid a lock-in in fossil fuels and stimulate the early uptake of RFNBOs

We believe that stimulating the early use of long-term renewable fuels in maritime transport is important to facilitate the long-term energy transition. The current short-term targets in the FuelEU Maritime proposal risks being met mainly using fuels with only low greenhouse reduction potential or limited long-term impact. This could result in a possible lock-in of these less ambitious fuels – and the roll-out of their infrastructure – at the expense of the uptake and transition to more innovative renewable fuels (RFNBOs). We see the need for raising the overall reduction targets instead of waiting for the FEUM evaluation, as foreseen in article 28. As the evaluation is foreseen to be reported to the Parliament by 1 January 2030, this moment would be too late for an amendment to the reduction targets of 2025 and 2030. Consequently, we see a high priority in raising these targets already now. However, we also see the need for amending the long-term targets, especially in the light of the discussions regarding the revision of the Initial GHG Strategy of IMO where EU has an ambition of zero emission shipping in 2050. If the EU on a regional level decides on a less ambitious target, it will undermine our credibility in the IMO negotiations.

2) Introducing sub-quotas for RFNBO's

We propose to introduce sub-quotas for RFNBO's in FuelEU Maritime for several reasons.

- *Costs of RFNBOs are significantly higher than e.g. transitional fuels and biofuels, but their GHG reduction potential is much greater*

When RFNBOs are produced from additional renewable electricity in a carbon-neutral way (closed carbon cycle without any additional CO₂ emissions), the potential emission savings are highest (compared to biofuels or transitional fossil fuels such as LNG). However, the cost of RFNBOs today are significantly higher than biofuels and LNG. Without a sub-quota there is great risk that industry players may simply continue to compare future fuel cost projections to the existing alternatives and choose the least costly, yet compliant, option. Without a clear incentive like a sub-quota, it is likely that the industry will ramp-up demand for (and therefore, also production of) RFNBOs too late to meet the fit-for 55 emission reduction target.

- *Incentivizing investments and driving down the production costs*

Introducing a sub-quota for RFNBOs will have various positive and needed effects for securing the green transition of the maritime sector in a cost efficient way. The accelerated use will contribute to earlier scaling of production and drive down production costs as demand and supply increases. To accelerate

the uptake of RFNBOs and thereby reduce costs via economies of scale production, improving technologies and developer experience, their use needs to be incentivized as early as possible⁴. Moreover, a sub-quota will incentivize the needed retrofitting/building of ships able to use RFNBOs and incentivize investments in the dedicated bunkering infrastructure for RFNBOs.

- *Risk that the shipping sectors share of RFNBOs is used by other transport sectors*

A sub-quota for RFNBOs will assist in ensuring, that the maritime sector is not bypassed by other sectors (which could be electrified) in the ramp-up of RFNBOs. RED II sets a minimum share of 2.6 percent for RFNBOs in all modes of transport. If demand for RFNBOs is not actively stimulated for the shipping sector, other subsectors of transport could use their shares of RFNBOs to the detriment of the share for maritime shipping. A sub-quota for RFNBOs will possibly also secure that RFNBOs are used in sectors that do not have other alternatives.

3) Introducing a multiplier for RFNBO over-compliance

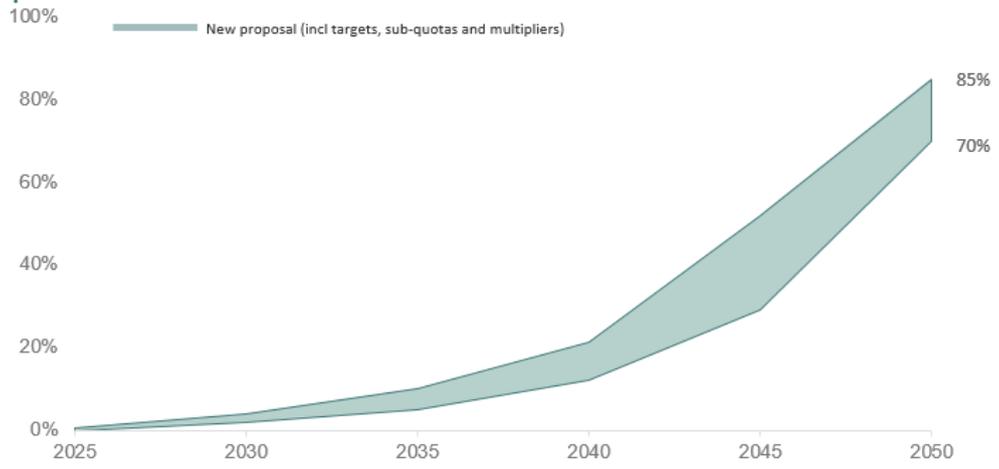
Presently and in the decades to come, RFNBOs are an expensive solution both in terms of fuel costs and in terms of investments in ships and port infrastructure. In order to bridge the price difference on fuels, we propose to introduce a multiplier, which incentivizes the use of RFNBOs. With the multiplier, we reward ships who have a RFNBO compliance surplus, by giving these a bonus, which can help them meeting the increased GHG intensity reduction targets of article 4, 2. Thus, the multiplier should be seen in conjunction with the increase in the overall reduction targets as a means to ensure that progress is attained and that the effect of the multiplier does not undermine the overall objective of reducing GHG intensity targets. The value of the multiplier should be set until 2035. In 2035, the multiplier should be part of the review clause and determined based on the market development of RFNBOs.

Effects of the proposal

By adding the sub-quota system combined with a multiplier on over-compliance, a higher share of renewable fuels from non-biological origins (RFNBOs) emerge as part of the fuel mix, as illustrated in figure 2. The high/low ranges show the up-take of RFNBO arising from this proposed regulation. The lower bound is the proposed sub-quota, whereas the upper bound illustrates the potential effect of the multiplier. It is calculated as the level of RFNBO necessary to comply with the overall reduction target, if no other low carbon alternatives are used and the multiplier is used. The range arise from the different ways to comply with the regulation using RFNBOs compared to other emissions reduction alternative fuels such as bio-fuels, blue fuels and lower-emission fossil fuels (LNG, LPG). Without the new regulation there would be no regulation directly promoting RFNBO. Note that no exact multiplier for 2040 onwards is set. For illustrative purposes a multiplier of 3 is used for 2040, and 2 is used for 2045 and 2050.

⁴ A comparable example of this is how renewable power generation costs have fallen sharply over the past decade, driven by steadily improving technologies, economies of scale, competitive supply chains and improving developer experience. Costs for electricity from utility-scale solar photovoltaics (PV) fell 85% between 2010 and 2020.

Figure 2
Uptake of RFNBOs



Joint statement on FuelEU Maritime – TTE

Belgium, Denmark, Germany, Ireland, the Netherlands and Sweden, are fully in support of the overall objective of the FuelEU Maritime initiative. There is an urgent need for action to reduce the GHG emissions from the maritime sector and FuelEU Maritime will contribute to achieving this objective.

We welcome the efforts of the Presidency to reach a compromise proposal for General Approach, which is presented today in the Transport Council. It is important to act now and to send the right signals to reduce the GHG emissions from the sector. Therefore, we see the need to progress the negotiation process and it is meaningful that we achieve a General Approach.

At the same time, we reiterate our view that more proactive legislative framework is necessary to reduce the GHG emissions from the sector. Therefore, in discussions on this file to date, we have emphasised the possibility and need for higher ambition and have put forward several credible proposals and openings for discussion in attempts to achieve this. Moving into the trilogues, we see momentum to underline this.

- Higher GHG reduction targets within FuelEU Maritime are needed to achieve the EU's climate intermediate and 2050 ambitions.
- Higher targets are needed to achieve the 2030 objectives, of 13% reduction and a share of 2.6% of RFNBOs (as discussed in RED), on the supply of renewable energy to transport.
- More incentives are needed to accelerate the use of clean and renewable fuels in maritime transport.
- Higher ambitions on the demand side are needed to contribute to strengthen the competitiveness of the EU maritime sector and provide planning reliability for fuel suppliers, ship owners and operators. This would eventually also lead to a level playing field between EU- and non-EU-Ports.
- Higher ambitions for EU Member States to maintain our credibility in our efforts to promote an ambitious global GHG reduction strategy within the IMO, which is also crucial to maintain a level playing field.

It is meaningful that we achieve a General Approach and we support to progress the process. At the same time, we reiterate our view that a more proactive legislative framework is necessary to reduce the GHG emissions from the maritime sector and will continue to advocate for this at EU level in cooperation and collaboration with colleagues across the EU.