

A.P. Moller - Maersk position paper

A framework for the fuels of the future

Key Facts

- *Maersk has invested in new container vessels that can operate using carbon-neutral methanol fuel.*
- *An industry first, the vessels will offer Maersk customers truly carbon-neutral transportation at scale on the high seas.*
- *A fuel standard should reward vessels that operate using carbon-neutral fuel and encourage a greater production of new fuels.*



Decarbonising logistics is a strategic imperative to A.P. Moller - Maersk. As an industry leader, and with the resources available to us, we have an obligation to do everything in our power to ensure that A.P. Moller - Maersk runs climate-neutral business operations as fast as possible.

The transition towards climate-neutrality takes time, and appropriate, strong regulatory frameworks to accelerate the process are vital. However, policy frameworks should not only secure that low performers are held accountable, but also reward first-movers for the risks taken on behalf of the whole industry.

A.P. Moller - Maersk welcomes the 'Fit-for-55'

Package presented by the European Commission in July 2021. The Package is a cornerstone in the European Union's efforts to combat climate change. A key element of the Package is the FuelEU Maritime Regulation which introduces requirements to reduce the greenhouse gas intensity of the energy (including fuels) used on-board to increase the use of renewable and low-carbon fuels. More information on FuelEU Maritime can be found [here](#).

A.P. Moller - Maersk supports the FuelEU Maritime proposal, and believes the following changes are necessary to provide a tailwind for the decarbonisation of maritime transport:

Greater ambitions and support for the fuels of the future

In the shipping sector, renewable fuels of non-biological origin (RFNBO) have a key role to play in decarbonising maritime transport. Unlike sustainable biofuels, RFNBOs are scalable and can be produced in great amounts. The fuels can be produced from hydrogen and a variety of feedstocks. When the fuels are produced from renewable electricity in a carbon-neutral way, the emission savings are the highest. Examples of such fuels include green methanol, green ammonia, and green methane.

To unlock the benefits of RFNBOs, the FuelEU Maritime Regulation should incentivise the use of these fuels to a greater degree than is currently included in the proposal of the European Commission. At the moment, there is a very limited supply of RFNBOs, and the cost is estimated to be significantly higher than other alternative fuels, such as sustainable biofuels. To ensure a specific demand for RFNBOs, FuelEU Maritime should allow for these fuels to carry more weight towards the greenhouse gas intensity requirement of the Regulation. This would increase demand for RFNBOs and encourage an increase in supply, something which is currently lacking.

The incentivisation of RFNBOs should not lead to a de facto lowering of the FuelEU Maritime targets for greenhouse gas intensity reduction. Therefore, the targets should be increased to reach a 100% limit on the greenhouse gas intensity on energy used on-board a ship by 2050. This means that the shipping sector would make an even greater contribution to making Europe the world's first climate-neutral continent.

Ensuring deployment of vessels with the latest technology

Equipping vessels with the latest technology and procuring the necessary renewable fuels will advance shipping's green transition. It will also require significant investments both at sea and ashore. Given the limitations to the capacity to build new vessels and to produce sufficient amounts of new sustainable fuels, there needs



to be a clear incentive for investments to be made in vessels that use state-of-the-art technology. The alternative, a gradual improvement in the efficiency of the vessels is laudable but fundamentally unable to deliver a transition to climate-neutral maritime transport. To this end, the proposed pooling of compliance mechanisms in the FuelEU Maritime proposal is a key provision that should be retained. The provision allows for compliance with the greenhouse gas intensity limit to be assessed for a group of vessels, rather than for each vessel in isolation. Since this would base compliance on the average vessel, it incentivises investment by shipping companies in ships with the best available technology. As a direct result of the provision, more climate-neutral vessels will be on the seas.

The building brick for a global measure

Approximately 85% of GHG emissions from shipping occur in areas, where EU legislation does not apply. This emphasises the need for global cooperation in achieving global solutions. FuelEU Maritime seeks to address this by including half of the energy used on the last/first voyage of a vessel before arriving/ departing at a port under EU jurisdiction. While we understand the appeal of bringing as much activity as possible into the FuelEU Maritime Regulation, we worry that the diplomatic repercussions from an extraterritorial application will alienate trading partners that are crucial in reaching a global policy framework to decarbonise shipping.

A measure that starts by applying to voyages between the EU Member States would not cause the same risk of alienating trading partners. The European Union has a unique opportunity to demonstrate to the world the

advantages of the FuelEU Maritime approach and how it can promote decarbonisation of shipping without introducing new trade barriers or significant increases in consumer prices. In the long run, FuelEU Maritime would lay the foundation for a global framework.

Leading by example is never easy – it takes commitment and courage to convince others to follow, but we believe that a futureproof FuelEU Maritime has the potential to inspire a truly global measure for shipping at the International Maritime Organisation.

Maersk looks forward to supporting and engaging with EU and non-EU stakeholders on FuelEU Maritime. If done right, this initiative could chart the course for sustainable shipping.

For further information please email policy@maersk.com



A.P. Moller - Maersk is an integrated container logistics company connecting and simplifying trade to help our customers grow and thrive. With a dedicated team of over 95.000, operating in 130 countries; we go all the way to enable global trade for a growing world.