



WSC Response to the Public Consultation on the Review of Directive 2018/2001/EU on the Promotion of the Use of Energy from Renewable Sources

8 February 2021

Introduction

The World Shipping Council (WSC or the Council) is a non-profit trade association that represents the liner shipping industry, primarily operators of containerships, vehicle carriers, and roll-on/roll-off vessels. The Council's members carry over 90% of the world's containerized trade and include several of the world's largest lines headquartered in the European Union. WSC Member companies transport over 40 million TEUs of European export and import cargo each year or roughly two-thirds of the EU's seaborne trade by value; around 10 million TEUs of feeder cargo to and from the EU's trans-shipment hubs and 4 million TEU of cargo moved in pure intra EU trade. Roll on roll off cargo accounts for over 6 million EU imports and exports of light vehicles and over EUR10 billion of heavy machinery each year. WSC member companies play a pivotal role in European transport and logistics. Their operations and investments extend beyond ships to port terminals, warehouses, truck companies and the information technology systems that are critical for EU logistics and supply chains. The World Shipping Council is inscribed on the EU Transparency Register under number 32416571968-71.

The World Shipping Council welcomes the opportunity to contribute to this Public Consultation. The following comments are focused on Section 3.6 of the consultation as it pertains to renewable energy in transport.

The use of multipliers in renewable fuels:

Under the current Directive Member States are required to set an obligation on fuel suppliers to ensure that renewable energy makes up at least 14% of the energy used in the transport sector in that Member State. To achieve that target the Directive applies different **multipliers that incentivise Member States to direct renewable fuels towards certain transport modes**. Those multipliers are no longer fit for purpose in view of current EU transport and climate policy and should be revised.

The use of different multipliers applicable to suppliers of renewable electricity in road transport and rail transport, renewable fuels consumed in maritime and aviation, and advanced biofuels and biogas, has a significant impact on the availability of renewable fuels in the maritime sector. Today, multipliers set forth in the Directive range from a multiplier of 4 applicable to renewable energy in road transport, to a multiplier of only 1.2 for renewable fuels consumed in maritime and aviation. Recognizing that the supply of renewable fuels to the maritime and aviation industry is accompanied by the lowest multiplier applied in the current directive, we observe that these differentials have an adverse impact on the incentive of suppliers to provide renewable fuels to the maritime sector compared to other supply and distribution options that offer higher multipliers.

The supply of renewable fuels to the shipping sector needs to be incentivised to a much greater extent in order to support its green energy transition. An example of how the current framework disadvantages the supply of renewable fuels to the maritime sector was recently observed in the Netherlands where well-developed plans to supply biofuels to shipping companies was rolled back because the government would not reach its renewables target, given that shipping's prioritisation is not on par with other sectors in the national accounting system.

WSC recommends that the Commission amends these multipliers in a manner that would not make investments in other sectors more attractive or more profitable recognizing that these sectors are effectively competing for access and availability of these fuels. The supply of renewable fuels to shipping should be at a minimum incentivised to the same degree as road and rail. Such an approach would be in line with the European Commission's new Sustainable and Smart Mobility Strategy which recognises that shipping - as a hard to abate industry - should have 'priority access to additional renewable and low-carbon liquid and gaseous fuels in the short term.'

Promoting the use of renewable fuels in transport

WSC agrees that the supply and use of renewable and low-carbon fuels should be promoted as part of a long-term strategy that will transition transportation to low carbon and zero carbon fuels. Certain green and zero-carbon fuels will likely emerge as practical solutions in the future. WSC believes we should enable the use of low-carbon renewable and alternative fuels while not stunting the investments necessary to transition to low and zero-carbon fuels that may take longer to reach appropriate technology readiness levels.

In this context, we believe that advanced biofuels, ammonia, renewable hydrogen, renewable synthetic fuels, and recycled carbon fuels should be considered to evaluate how practical their use, production, and distribution may be. In addition, we also see value in evaluating the potential of a given fuel to be used across multiple transport modes and other sectors. This is especially important as the fuel demand of a single sector may be insufficient to warrant the necessary production and distribution system investments.

As part of the EC consultation respondents have been asked to comment on what measures are necessary to promote the uptake of renewable fuels in transport. In the maritime sector the European Commission has stated that it will accelerate the uptake of such fuels as part of its FuelEU Maritime Strategy. It is vital that any fuel use obligations on shipping lines that may arise from that package of measures are matched by supply side commitments and dedicated capacity. To meet those requirements, minimum shares or quotas of renewable and low carbon fuels, including renewable hydrogen, supply-side quotas and market-based support schemes as proposed in the consultation should all be considered.

WSC also considers that it would be important to widen the range of eligible feedstocks for biofuels in annex IX of RED II. The current availability of biofuels in the EU is insufficient for the road, aviation and maritime sectors combined. Support should also be extended to other stakeholders such as engine manufacturers and fuel suppliers, through funding, other incentives and a streamlined certification process to help develop a standard biocrude fitted for maritime use.

Retain focus on the drive for zero-carbon fuels and technologies

Promoting the uptake of alternative fuels that are immediately available is appropriate in many circumstances, but the principal objective should remain focused on the development and introduction of zero-carbon fuels and technologies. This is imperative if we are to see the introduction of zero-emission ships in the 2030s and the achievement of EU climate objectives.

Transoceanic shipping faces a particularly challenging set of engineering issues due to the immense energy demands of these ships and their need to carry large volumes of fuel over long distances. Today, we know certain fuels such as e-ammonia and e-hydrogen represent promising candidates for the needed energy transition, but too little work has been done to design or develop the onboard and shore-side engineering systems that will be required. For these reasons, it is difficult to arrive at definitive conclusions as to whether a given fuel will prove practicable for a given ship or how soon that change may be feasible in light of issues associated with specific characteristics of the fuel (e.g., toxicity, corrosivity, volatility), energy density limitations, and the need to develop systems that ensure that the fuel may be used safely.

Coordination of Measures Across the EU

Section 3.6.6 of the consultation raises a number of questions concerning harmonization of standards and policies across EU Member States. WSC agrees that the scope of fuels to be included should be harmonized so that renewable energy policies are consistent across the EU.

Harmonization of standards should promote a level playing field while also avoiding market fragmentation. With respect to the maritime transportation field some flexibility

should be afforded to those Member States that play a very minor role in the marine transportation network. This could allow more significant and comprehensive investments to be made in those ports that play a critical role in Europe's marine transportation network while avoiding mandates for suppliers in small ports that serve very limited marine traffic.

Guarantees of Origin

An important area that requires EU level harmonisation concerns Guarantees of Origin (GOs) for the end users of renewable fuels. An approach at national level was implemented in the Netherlands recently and offers a good example. It would be beneficial to rationalise and merge future certificates incorporating the attributes of GOs, under one EU standard. This would facilitate the necessary coexistence between traceable and non-traceable biogas and their exchange across the European gas system during a transition period. It would also be important that GOs and the future standard certification would be recognised as Contributing to fulfil EU ETS obligations (including for end-users out of the gas system).

Development of Fuel Supply Infrastructure

As noted in our comments on the *FuelEU Initiative* the EU should exercise care not to catalyse the development of fuel infrastructure that is premised on a given assumption (namely, that one given fuel is the fuel of the future). Doing so may undermine the speed and efficiency of energy transition by encouraging or catalysing the development of infrastructure that (in hindsight) may be considered a mistake leading to stranded assets. Alternatively, premature commitment to a particular fuel may lead to the extended use of an inferior fuel system because the level of investment in the shore-side and on-board infrastructure is so substantial that both private and government actors are reluctant to move to more efficient and more environmentally beneficial alternatives.

Taking care not to restrict the field of possible options by arbitrarily incentivising early-stage investment will help avoid the development of fuel infrastructure projects undertaken with the best of intentions, but which may prove of limited value as other fuels emerge as the primary mechanisms for reaching our climate goals as well as broader air quality objectives. Careful short, medium, and long-term consideration will be required to plan for a European wide network for both renewable and alternative fuels and their efficient uptake. Addressing the long-term viability of various fuels from the beginning as part of the policy process will increase the chances that we avoid an accelerated energy transition that is later derailed and delayed due to a variety of well-intended, but short-lived investments. It is critical therefore to undertake and support the technical work necessary to narrow the field of what fuels and technologies offer the most promise.

Research and Development Concerning Fuels and the Technologies needed for their Use

WSC encourages the Commission to make research and development focused on the technologies necessary to use carbon-neutral, low-carbon, and zero-carbon fuels a key

element of its GHG strategy and its planning with respect to renewable and alternative fuels. This is a critical strategic issue that should be addressed as a matter of priority. These efforts may also be linked to efforts under consideration globally such as the proposal in the IMO to establish an *International Maritime Research and Development Board (IMRB)*. A global effort in this area, combined with a complementary EU Programme with similar objectives should provide a practical mechanism to accelerate the introduction of these fuels by recognizing and addressing the technical barriers that need to be resolved to accelerate introduction of the most promising fuels and technologies.
