



# ECSC position paper on clean fuels for shipping

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## Main Recommendations

- **Use the EU ETS revenues to bridge price gap** between conventional fuels and low and zero carbon fuels, notably via dedicated maritime mechanisms, Auctions-as-a-Service or Grant-as-a-Service.
- **Foster the production** of low- and zero-carbon fuels for shipping by strengthening the provisions of the FuelEU Maritime Regulation and of RED III by introducing a mandate on fuel suppliers to produce in the EU at least 40% of the marine fuels needed to comply with the FuelEU Maritime targets.
- **Develop energy hubs and delivering on safety**, by establishing a European maritime industrial strategy covering the production of low- and zero-carbon fuels for the shipping sector.

## Introduction

The 'Fit for 55' package and the historic recent IMO agreement on greenhouse gas Strategy have set clear targets for shipping, making its energy transition not a question of 'if' but a question of 'how'.

The 'Fit for 55' package introduces the new ambitious measures for Europe to reduce emissions by at least 55% by 2030 and become carbon neutral by 2050. **Shipping contributes to the EU climate targets as it is covered by the EU ETS, a carbon pricing mechanism, and the FuelEU Maritime Regulation, a fuel standard for shipping.** The IMO also reached last July a historic agreement for GHG emissions from international shipping to reach net-zero by 2050.

European shipowners are committed to contributing to the EU's goal of becoming the first carbon-neutral continent by 2050. The implementation of the legislation of the 'Fit for 55' climate package is key to achieving the 2030 climate goals and contributing to the decarbonisation of the shipping sector.

The shipping sector is one of the most difficult sectors to decarbonise. Its energy transition will require immense quantities of low- and zero-carbon affordable fuels. Sustainable and scalable renewable fuels are key to decarbonise the shipping industry, but the current lack of availability risks blocking the decarbonisation of the sector. Low-and zero-carbon shipping fuels are currently four times more expensive than conventional fuels.



## ETS revenues to bridge the low and zero carbon fuels price gap

Decarbonising shipping will require access to public funding and private finance. The EU ETS generates revenues, which will feed into EU Funds, the EU budget as well as Member States' national budget. These revenues should be used to support the uptake of low and zero carbon fuels, while ensuring a level playing field and not leading to market distortions.

### ECSA recommends that:

- The revenues of the EU ETS should be spent on energy transition-related activities to decarbonise the shipping sector at the EU and the Members States' levels. The earmarked revenues **for the maritime sector** under the Innovation Fund should be used as soon as possible to foster the decarbonisation of the sector and **bridge the price gap between conventional and low and zero carbon shipping fuels** and be prolonged after 2030. Administrative burden should be limited to ensure that SMEs, which are the backbone of the shipping sector, can apply to the calls of the Innovation Fund.
- The Commission should tailor **dedicated mechanisms**, such auctions or (carbon) contracts for difference, to scale-up the production of low and zero carbon fuels for the shipping sector, using the experience it gained from the European Hydrogen Bank pilot auction.
- Under the 2023 European Hydrogen Bank pilot auction, the Commission introduced a new mechanism called "**Auctions-as-a-Service**". It allows Member States to use their EU ETS national revenues to top up EU auctions to increase the number of projects funded. ECSA calls on the Commission to introduce this mechanism for any calls opened under the Innovation Fund and on Member States to use this opportunity to multiply the effects of the Innovation Fund. In addition, an equivalent system should be established under the general Innovation Fund calls, that-is-to-say to introduce a "**Grant-as-a-Service**" in the framework of the next calls, to encourage Member States to fund projects, which were eligible but could not be funded due to a lack of EU funds.

## Fostering the production of low- and zero-carbon fuels for shipping

European shipowners welcome the strong commitment of the Commission, in its [communication](#) on the 2040 climate target, to address barriers to the deployment of low- and zero-carbon fuels, including e-fuels and advanced biofuels, in shipping and to give the sector "priority access to these fuels over sectors that have access to other decarbonisation solutions, such as direct electrification".



### Current regulatory framework

The **FuelEU Maritime Regulation** introduced a fuel standard for ships. However, it does not make the EU fuel suppliers responsible for meeting the fuel GHG reduction targets.

The **Renewable Energy Directive** (RED III) includes a binding combined sub-target of 5.5% for advanced biofuels and RFNBOs in the share of renewable energies supplied to the whole transport sector. For shipping, it gives the possibility to Member States with maritime ports to introduce a sub-target of 1.2% for the supply of RFNBOs to shipping.

Fuels complying with the FuelEU Maritime targets, including advanced biofuels and e-fuels, are included in the list of net-zero technologies of the **Net Zero Industry Act** (NZIA). NZIA provides a benchmark for the Commission and the EU Member States to match 40% of the deployment needs for low- and zero-carbon fuels for shipping with production capacity.

The provisions of the FuelEU Maritime Regulation and of RED III should be strengthened to foster the production and availability of affordable low- and zero-carbon fuels for the shipping sector.

### **ECSA recommends that:**

- A **mandate on fuel suppliers to produce in the EU at least 40% of the marine fuels needed to comply with the FuelEU Maritime targets**, including advanced biofuels and e-fuels, should be introduced. This would ensure that fuel suppliers produce fuels compliant with the FuelEU Maritime's targets in sufficient quantities. It would also align the FuelEU Maritime Regulation with the Net Zero Industry Act.
- Member States should make the **sub-target of 1.2% for the supply of RFNBOs to shipping** provided for in RED III legally binding.
- **NZIA should be swiftly implemented** in the national climate plans of the Member States to ensure that its 40% benchmark for the manufacturing of low- and zero-carbon fuels for shipping in Europe is translated into immediate action. This is key to scale up the production of low- and zero-carbon fuels for shipping and strengthen its the value chain under the EU industrial strategy.
- **Priority access to low- and zero-carbon fuels should be given to shipping** as provided for in the Commission's communication on the 2040 climate target. Therefore, no further incentives for the use of additional quantities of advanced biofuels and e-fuels in road transport should be introduced.



## Developing energy hubs and delivering on safety

As a prerequisite to the decarbonisation of the shipping sector, port infrastructure and maritime energy hubs should also be developed to make fuels available across the EU.

The full implementation of the Alternative Fuels Infrastructure Regulation (AFIR) will be key to ensure that fuels refuelling infrastructure and onshore power supply are available for ships. While no major infrastructure changes are necessary for the storage and refuelling of biofuel blends, other fuels, such as e-fuels, will require investments as well as new strict safety requirements for their storage and refuelling. However, AFIR does not include any requirements for these fuels.

### ECSC recommends that:

- 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.
- **AFIR** should be revised to include provisions on the deployment of storage and refuelling infrastructure for e-fuels.
- The EU should establish a **maritime industrial strategy covering the production of low- and zero-carbon fuels for the shipping sector** to ensure that it can meet the EU and IMO targets.
- New strict **safety requirements** should be developed for low and zero carbon fuels for shipping and in particular for advanced biofuel blends and e-fuels.

### For further information:

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