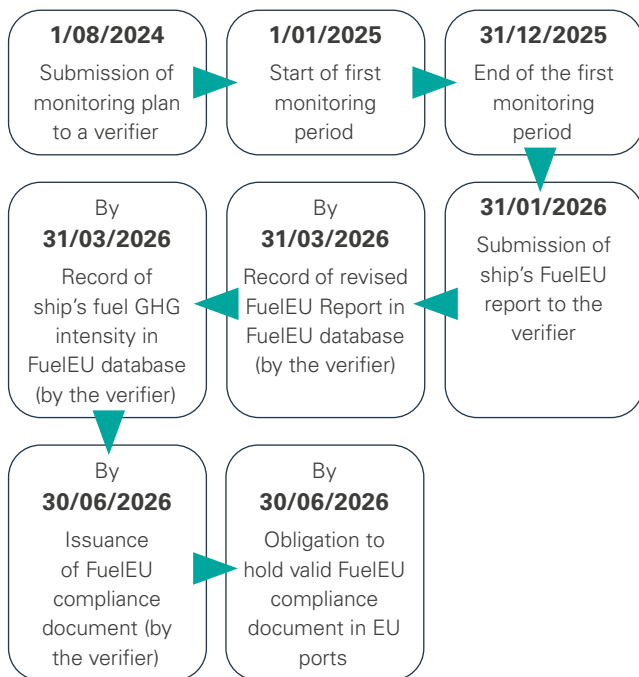


On 25 July 2023, the EU institutions agreed on the final text of the regulation on the use of renewable and low-carbon fuels in maritime transport (Fuel EU Maritime Regulation). The new legislation aims to put the maritime sector on a path to meet the EU’s 2030 and 2050 climate goals.

This is to be achieved by intertwined measures aiming to reduce greenhouse gas (GHG) emissions from the shipping sector, and promote its uptake of renewable and low-carbon fuels.

Our alert focuses mainly on the proposed monitoring, reporting and verification system (MRV) for ships’ energy consumption and fuels’ GHG intensity – the solution from the first group of measures (GHG reduction focus).

Below sets out a simplified outline of the system:



Applicability

The new rules are to apply to all passenger and cargo ships of more than 5,000 gross tonnage, regardless of their flag, in respect of:

100% of energy used	during stay	in a port of call in one of the EU member states
100% of energy used	during voyages	between EU ports of call
50% of energy used		from and to EU ports of call when the previous or next port of call is a non-EU port
50% of energy used		from and to ports of call located in Martinique, Mayotte, Guadeloupe, French Guiana, Réunion, Saint-Martin, Madeira and the Azores, or the Canary Islands (notwithstanding Line 1 of the table)

Exemptions

The new rules will not apply to warships, naval auxiliaries, fish-catching or fish-processing ships, wooden ships of a primitive build, ships not propelled by mechanical means, or ships owned or operated by a government and used only for non-commercial purpose. In addition, member states will be allowed, under certain conditions, to allow for further exemptions. National exemptions can apply only until 31 December 2029.

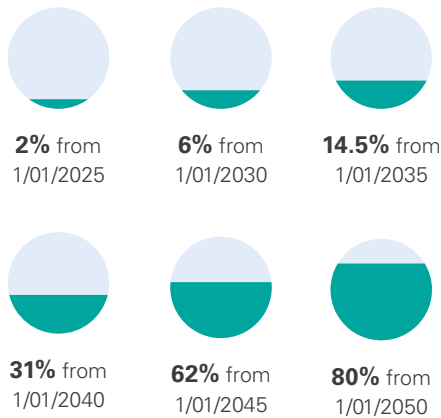
Obligated Entities

The compliance obligations will lie with (i) the shipowner or (ii) any other natural or legal person that has assumed responsibility of the ship operation from its owner and agreed to take over all responsibilities stemming from the International Management Code for the Safe Operation of Ships and for Pollution Prevention.



Obligations

This regulation will impose gradually decreasing limits of GHG intensity of fuels used on board the ships (GHG intensity reduction target). The annual limit will have to be calculated by reducing the reference value of CO₂ emitted per megajoule (MJ) by*:



* Reference value was set up at 91,16 grams of CO₂/MJ. This value corresponds to the average GHG intensity of the energy used onboard by ships in 2020.

Monitoring, Reporting and Verification System

In order to show compliance with the GHG intensity reduction target, obliged entities will have to monitor and report their operations annually (the reporting period will correspond to a calendar year – from 1 January until 31 December). Monitoring and reporting will be focused on various aspects of ships' energy and fuel consumption and will be based on preestablished monitoring plans. Accuracy and credibility of the gathered data and information will be subject to review of dedicated accredited verifiers. Final information about the performance of the ships will be registered in a new electronic database – FuelEU (to be established by the EU Commission) – and compliance will be confirmed by a FuelEU document of compliance. **Below you can find a simplified outline of the system.**

By 1 August 2024, obliged companies will need to have the first monitoring plans ready and submitted to a verifier for assessment.

As of 1 January 2025, the obliged companies will have to start to monitor and record the data necessary to verify compliance with their annual GHG intensity reduction target. These include, for instance, the type and amount of fuel consumed at berth and at sea, along with required emissions factors, date and time of arrival and departure from the port of call for each of the reporting periods, or the amount of electricity delivered to the ship through onshore power supply.

Based on data gathered throughout the year (reporting period), in January of the following year (verification period), the obliged company will have to prepare the ship's FuelEU report.

By 31 January, the ship specific FuelEU report will have to be submitted to an accredited verifier. Based on the positively assessed report, the verifier will calculate the ship's average GHG intensity of energy used for the year concerned, and, by 31 March should record the outcome of the calculation, as well as the FuelEU report in the FuelEU database.

By 30 June, the verifier will issue a Fuel EU document of compliance for the ship. The verifier's obligation will have a corresponding obligation on the part of the company.

And so, **by 30 June** of the verification period, ships that enter, remain in, or leave a port within a member state's jurisdiction, or have undertaken journeys during the corresponding reporting period, will be required to hold a valid FuelEU compliance document.

Specificities of the System

Green Bonus

In order to proliferate renewable fuels of nonbiological origin (RFNBO), ships can be rewarded for their use by allowing the energy from RFNBO to count twice for the calculation of the ship's annual GHG intensity of energy used.

Banking and Borrowing of Compliance

In principle, compliance surplus on the GHG intensity calculated for a reporting period will be allowed to be banked to the same ship's compliance balance for the following reporting period. Similarly, in case of compliance deficit, the company will be allowed to borrow an advance compliance surplus from the following reporting period of the ship. These instruments can only be used if the formal requirements are met.

Pooling of Compliance

Compliance of two or more ships may be pooled to balance the fuel GHG intensity targets of the ships involved. The ships participating in pooling might be controlled by more than one company. A ship's compliance balance in a given reporting period can be included in one pool only. While still in the planning stage, the project should be notified to the FuelEU database, where the allocation of the balance of vessels participating in the pool will be registered. Financial terms and conditions of the "pooling" should be determined by the entities involved.

Entry Into Force

The Fuel EU Maritime Regulation will be published in the EU's official journal after the summer recess and will enter into force the 20th day after this publication. The regulation will take effect from 1 January 2025, with the exception of the requirement to submit a monitoring plan to a verifier, which will have to be complied with as of 1 August 2024.

How We Can Help

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