

FueLEU Maritime & ETS

The FueLEU Maritime Regulation and the extension of the EU ETS (Emissions Trading System) to maritime transport.

- Adopting a well-to-wake approach in measuring emissions from maritime transport under FueLEU maritime is pivotal to the development of true carbon neutrality. To ensure interoperability between other Fit for 55 proposals and regulations formed on the international level, the well-to-wake/LCA methodology imposed by FueLEU maritime should be reflected in the EU ETS and EU taxonomy for measuring emissions from maritime activities. The IMO should be encouraged to take up a well-to-wake approach as implemented under the FueLEU Maritime.
- The pooling mechanism introduced under FueLEU Maritime represents an important first-mover and extra-compliance benefit, serving as a critical incentive to facilitate the integration of carbon-neutral vessels in the short term.
- The ETS and FueLEU Maritime should expressly state that GHG accounting be based on CO₂eq, not solely on CO₂ levels – considering all major greenhouse gases.
- The legislation should apply a dual-term Global Warming Potential (GWP20-100). To better account for short-lived climate pollutants in marine transport, the GWP should reflect a shorter timeframe of 20 years. For GHG with a longer lifetime, a GWP of 100 years should be applied.
- The Methanol Institute expresses its general support for the Commission's proposal to extend the Emissions Trade system (ETS) to mobility, promoting a shift towards a cleaner future for Europe by increasing GHG reduction from covered sectors to 61% by 2030. Overall, supply-side mechanisms aimed at spurring the uptake of renewable fuels should be emphasized over instruments to make fossil fuels more expensive to avoid shifting the economic burden of the energy transition to general citizens.



- The ETS system should calculate the GHG performance of fuels based on a well-to-wake approach and apply a CO₂eq to reflect the complete environmental profile of fuels, in alignment with the provisions of FueIEU Maritime.
- The Methanol Institute recommends a phase-in approach regarding applying ETS to maritime transport within the European Union to allow the fuel supply chain to react to policy and locate potential policy bottlenecks to be amended as implementation unfolds.
- The Methanol Institute recommends the incremental rise of the FueIEU Maritime GHG reduction targets beyond 2030, accelerating at a quicker pace to direct investment towards alternative fuels with transitional pathways towards carbon neutrality. The final reduction target in 2050 should be 100% following the objective of the Climate Target Plan (CTP) and the European Green Deal (EGD).
- FueIEU Maritime should support the use of fuels sourced from biomass as long as they deliver climate benefits and do not cause a displacement effect on previous agricultural land management and practices.

The Emission Trade System (ETS)

The extension of the Emission Trade System (ETS) into mobility proposed under the set of legislative proposals collectively labeled the Fit for 55 packages is central to the drive towards carbon neutrality. As a carbon pricing mechanism, it is pivotal that the revision yields prices on carbon that prove sufficient to trigger a systemic shift towards renewable and low carbon fuels. Considering provisions of other instruments aimed at addressing the energy transition under the Fit for 55 packages, the price of carbon under ETS, in the case of road transport and building and shipping and industry, should be moderate and in line with the EU governance principle of proportionality. Furthermore, the ETS and FueIEU Maritime initiative should collectively aim to address the most significant challenge to the decarbonization of the maritime sector, which is the lack of clear vision and corresponding support required to ensure uptake of sustainable marine fuels. To facilitate increased supply and use of fuels in addition to the instruments already introduced under the Commission's proposals, the Methanol Institute offers the following recommendations:



1. Life Cycle Assessment (LCA) approach to be reflected in other policy instruments under Fit for 55

We strongly endorse adopting a Well-to-Wake accounting approach to measure maritime emissions under the FuelEU Maritime initiative, as it gives a complete picture of the environmental profile of fuels and avoids a shift of emissions to upstream production processes. However, to ensure consistency and significant enforcement challenges, it is essential that all instruments pertaining to measuring GHG emissions of fuels be based on the same methodology and principles. The Emission Trade System should apply the same method in determining emissions from mobility. The methodology has already been produced under FuelEU Maritime with reference to the average GHG values of the Renewable Energy Directive. The EU Taxonomy measures only fuel emissions from maritime activities from 2026. The EU MRV, which will monitor ETS's extension to maritime transport, does not yet operate under the same LCA approach as the FuelEU Maritime. The instruments must be fully harmonized to reflect an intelligible market environment truly supportive of alternative fuel uptake. Furthermore, to better consider short-lived climate pollutants in maritime transport, such as methane, FuelEU Maritime should impose a dual term Global Warming Potential (GWP), with a 20-year timeframe (GWP20) for short-lived pollutants and GWP100 for GHG with a longer lifetime.

2. Phase-in mechanism to ensure a stable market environment for fuel suppliers and vessel owners

While the Methanol Institute fully supports the extension of ETS grounded on LCA and CO_{2,eq} to maritime mobility, we propose a phase-in approach to help overcome industry resistance to change and allows lessons learned in the early stages to be incorporated into the overall policy moving forward. Furthermore, the fuel supply development incentivized under the proposed legislation is limited today and will take several years to develop. Thus, we suggest a 5-year phase-in of ETS to marine mobility. Furthermore, and to the same end, the complexity of regulating extra EU voyages warrants a degree of caution. A holistic problem, climate change impacts the entire world and would better be fought through collective action. However, in the absence of effective leadership on behalf of the EU, it is unlikely that the ambition and climate action of the IMO would be sufficient. ETS with a phase-in would encourage and enable developments at the IMO level to materialize in lieu of inaction. Should the opportunity to impose a global fuel levy arise within the phase-in period, policymakers should be empowered to abandon the extension of ETS to maritime transport in favor of a more effective instrument with a more global encompassing scope.



3. Accelerate GHG reduction target in maritime transport beyond 2030

The transition of maritime transport towards renewable and low carbon fuels requires targeted investment across the value chain in fuel infrastructure, bunker procurement, vessel design, and operation. The carbon price resulting from the extension of ETS to maritime transport will by no means represent an investment signal strong enough to supply the sector with sufficient low carbon and net carbon-neutral fuel to carry out the energy transition, neither should it, as such would incur too high a social cost. The Methanol Institute commends the GHG intensity reduction target proposed by the Commission. However, we recommend a steeper expansion of targets after the initial phase-in period of 6% GHG reduction by 2030. Further, to provide a clear pathway towards carbon neutrality, the Commission's current proposal should be amended to recommend a trajectory closing at net carbon neutrality by 2050. To that end, the 2035 target should be increased to 25%, 70% in 2040, 90% in 2045, and the final reduction target in 2050 should be 100%, following the objective of the Climate Target Plan (CTP) and the European Green Deal (EGD).

4. Remove provision impeding synthetic fuels sourced from captured biogenic CO₂

The LCA methodology described in the FuelEU Maritime proposal should be amended to remove any regulatory barriers for fuels sourced from biomass as long as they deliver the climate benefits targeted under the legislation and do not cause a displacement effect on previous agricultural land management and practices. Fuels sourced from carbon dioxide, biological or non-biological, should be eligible under FuelEU Maritime in correlation with other EU policies about fuels and sustainability.



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