

Challenges and opportunities for a maritime fuel standard

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Low carbon fuel standard

- **Uniqueness of maritime transport?**

International nature, longer transition timelines, range of political/economic considerations


- **What challenges to take into account?**

Disruptions, risk on fleet and infrastructure development.



Current precedents...1

MARPOL , Annex VI Regulation 18: fuel quality, sampling and delivery requirements

- In place since 2002, (MEPC 47), but limited enforcement.
- Similar requirements to the ISO 8217 international marine fuel standard
- Focus on bunker suppliers, but in practice compliance could be done through looking at  ships.

Current precedents...2

HFO ban in Antarctica

- MARPOL Annex I (Regulations for the prevention of pollution by oil)
- Regulation 43 prohibits HFO carriage as cargo and use as fuel
- Parallels in ECAs and Arctic (potentially)- i.e. 'Arctic Commitment'



Current precedents...3

DIRECTIVE 2009/30/EC – Fuel quality directive

- Emphasis on suppliers:

“Suppliers should, by 31 December 2020, gradually reduce life cycle greenhouse gas emissions by up to 10 % per unit of energy from fuel and energy supplied. This reduction should amount to at least 6 % by 31 December 2020...”



Low carbon fuel standard

- **Standard can be developed and implemented.**
However, **faces difficulties** due to:
 - 1. Increase of transport costs and impact on states (specifically SIDS/LDCs)**
 - 2. Implementation costs-** fleet development, infrastructure, administration, training, etc.
 - 3. Enforcement and political issues-** flag approval, class approval, enforcement likelihood...

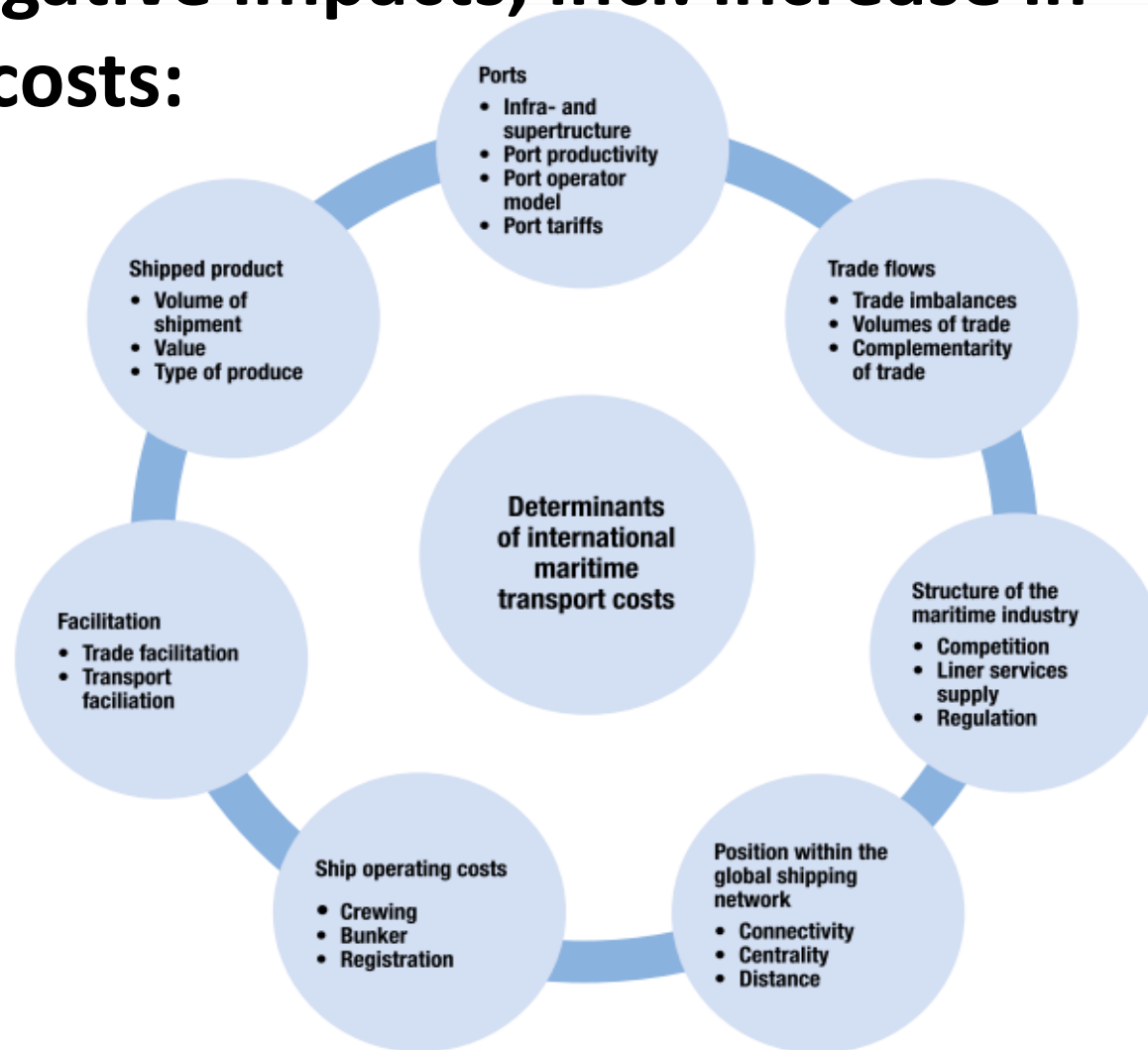


Potential impacts:

- Impacts of fuel standard (**i.e. increased transport costs**) should be **assessed and taken into account before adoption of the measure.**
- Attention should be paid to the needs of developing countries, especially SIDS and LDCs.
- Disproportionately negative impacts should be assessed and addressed, as appropriate.



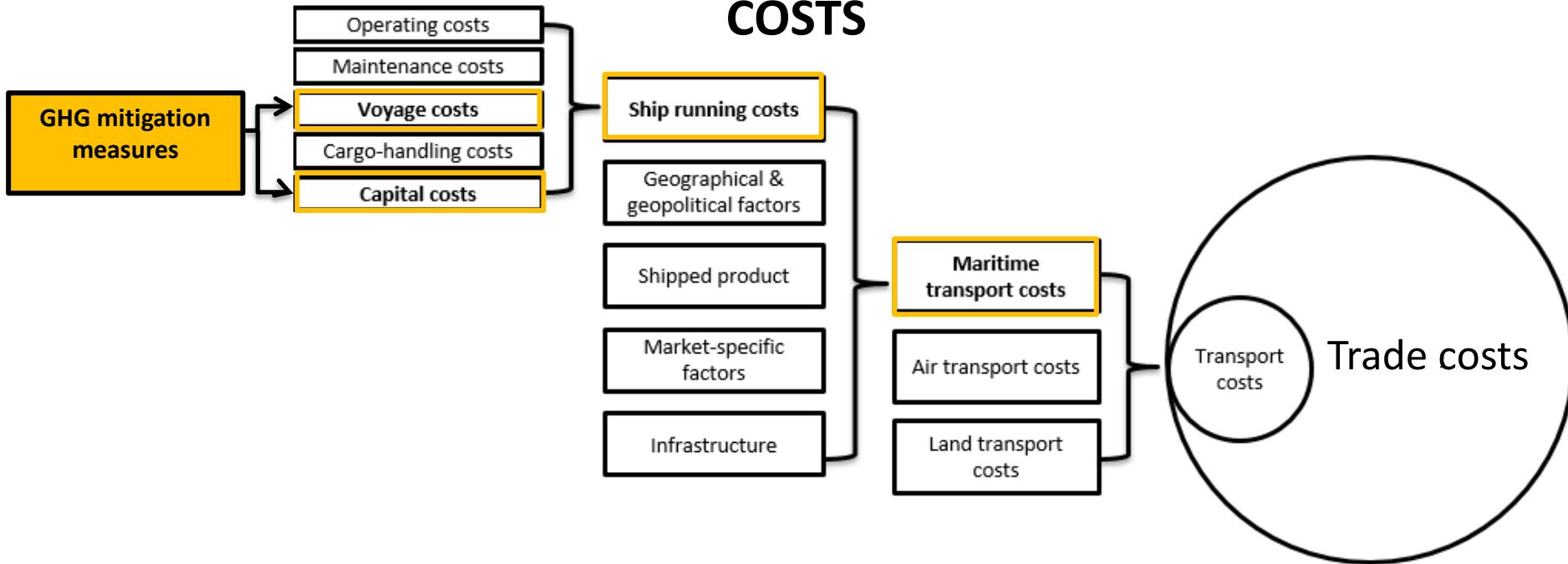
Reduce negative impacts, incl. increase in transport costs:



Source: UNCTAD secretariat, based on Wilmsmeier, 2014.



However, TRANSPORT Costs are a small COMPONENT OF TRADE COSTS



- Diverse share of maritime transport costs in product values
e.g. 5% (*manufactory*) vs. 11% (*agriculture*) vs. 24% (*raw materials industry*)
- Wide range of transport costs across products and countries of origin and destination



1. Solutions for SIDS/LDCs impact and transport costs:

- Phased implementation
- **Support RD&D and deployment**
- **Investment in ports/infrastructure**
- **Technology transfer and capacity building**
- **Exemptions:** certain routes/ports, cargo types, ship types/size/ag- **could limit diffusion?**



2. Solutions for implementation and adoption costs:

- **Private sector:** class rules - fuel safety/ bunkering standards (e.g. LNG safety rules), voluntary agreements (e.g. 1995 0.5% voluntary sulphur cap by Scandinavian cruise ferry operators).



- **National** : support cost effectiveness- GHG funds for early adopters, standardization between states (procedures, safety rules)(e.g. NOx fund)
- **Transnational**: development of financial support mechanism for bunkering infrastructure (e.g. Directive 2014/94/EU) or support for early adopters (TEN-T, H2020, CEF)
- **IMO complimentary policy**: IGF-like code, but wider scope; expansion of MARPOL



4 options to achieve adoption of new low carbon fuel whilst tackling...

1. Increased transport costs and impact on SIDS/LDCs
2. Implementation costs/challenges



Option 1:

- **Fund (from 2023)**- industry contribution, initially for RD&D, later potentially for deployment.
- **Fuel standard:** ratcheting up from 2023

How to manage impacts on states ?(fund could be used for tech capacity building)

- Perhaps exemption/phase-in for SIDS/LDCs- difficult to implement?
- Is fund sufficient **to tackle impact on states?**



Option 2:

- **Carbon pricing (e.g. from 2025/6):** higher prices, more coordinated reinvestment to tackle challenges (in-sector but also to address any negative impacts)
- **- + fuel standard:** to help provide certainty on the required rate of change and investment



Option 3:

- **Fuel standard only** (how do you tackle impacts on states?)

With investment certainty (timeline?) provided before justifying taking a fuel standard further?

Option 4:

- **Carbon price/levy only** (implementation, politics, sufficient?)



Thank you!
Questions and discussion?

Option 1: FUND+ FUEL STANDARD

Option 2: CARBON PRICING+FUEL STANDARD

Option 3: FUEL STANDARD ONLY

Option 4: CARBON PRICE/LEVY ONLY

