To: The Netherlands Ministry of Infrastructure and Water Management

From: A.P. Møller Maersk A/S

Date: 5/10/2023

A.P. Møller Maersk A/S ("Maersk" in the following) hereby forwards its answer to the public internet consultation by the Netherlands Ministry of Infrastructure and Water Management ("MIWM" in the following) regarding proposed reduction of the multiplier to 0,4 related to maritime bookings.

Summary of Maersk's input to the public consultation

Maersk's key points, which are laid out in detail in the following, are:

- As Maersk has stated before, the HBE system has been – and still is – instrumental in ensuring that the international maritime industry achieves immediate and immense GHG reductions. More than 77 % of all CO2 reductions achieved by the maritime industry today are contributed to the HBE system. A continued reduction of the multiplier will lower these achieved savings.

- Maersk acknowledges and supports the intention of the Dutch Government to overall increase the annual obligation by 20PJ, which for 2024 will be 28.4%.

- The system aligns with international and regional set goals for decarbonization. Goals that the Netherlands have supported, worked for, and called for to be raised, for example at the IMO.

- Biofuels for maritime use have shown to be a safe, clean and effective way to achieve decarbonization which can be used by all types of ships and do not require the same quality as biofuels for road and aviation. Ensuring the continued development and uptake of biofuels for marine application requires further support which the HBE system, with the current multiplier, ensures.

- Lowering the multiplier for 2024 will not help the industry prepare for the implementation of the RED-III in 2025, but could instead displace bunkering operations to Asia, thus potentially reducing the effect of the adopted EU GHG-reduction measures.

Input to the public consultation on reducing the maritime multiplier to 0,4

Maersk has, as an industry frontrunner, put forward a dedicated target of becoming net-zero by 2040 which we will achieve through significant investments in new ships and production of new fuels (methanol).

The transition of the entire industry to using entirely new fuels (e.g. methanol) will be costly and long wherefore a transitional low-carbon fuel, such as biofuel, is needed to begin mitigating the adverse effects of climate change which are already heavily affecting our world today. Also, to meet the targets set out by the IMO in its GHG Strategy, the EU's Green Deal and the Paris Climate Agreement. Biofuels have been a catalyst in starting the green transition, putting the maritime industry on the right trajectory towards decarbonization. This has also been accepted at the IMO where a Unified Interpretation at MEPC78 in 2022 established that flag State approval was not always needed when using biofuels and at MEPC80 (this July) it was concluded that biofuels can be used for achieving CII compliance.

Shipping is considered a "*hard-to-abate*" sector due to the above-described processes of developing new fuels, while the road sector is not considered hard-to-abate, as this sector is eligible and ready for electrification. A development which is already well underway for cars, busses and trucks throughout Europe.

Impact of the HBE system on maritime decarbonization

The HBE system is an enormously important driver to ensure that the international maritime industry, which approximately accounts for 3 % of all global GHG emission, achieves immediate and immense GHG reductions. It was established in a 2023 report on the biofuels marked[1] that around 77 % of all CO2 reductions achieved by the maritime industry today are contributed to the HBE system due to the incentive for blending biofuels in key ports hubs as Rotterdam.[2]

Such immediate reductions are pressingly needed, especially considering the conclusions of the IPCC's reports stating that current trajectories show that it is becoming more and more challenging to meet the required

[1] *Biofuel Market Study* by Argus, February 2022 stating world global marine biofuels demand at 260,000 tons in 2020.
[2] HBE-rapportage, April 2023, stating that 35% (out of 81,74mi HBE equivalent to around 476,000 tons) of the HBEs credited for 2022 are the result of deliveries of renewable energy to shipping.
HBE report April 2023 | Publication | Dutch Emission Authority (emissieautoriteit.nl)
MPA estimates on bio bunkering in Singapore. Bunker sales in 2022 included about 140,000 tons of biofuel blends over more than 90 biofuel bunkering operations,
Maritime Singapore Closes 2022 with Good Momentum for Future Growth | Maritime and Port Authority of Singapore (mpa.gov.sg)

climate reduction targets.[3] Immediate reductions are needed to turn this around in time.

Costs related to development of advanced biofuels

Biofuels for marine use do not require the same processing as biofuels for road and aviation. This means that the marine sector can use types of biofuels that cannot be used by other transport sectors, at least not without further refining which entails further costs and emissions. Biofuels for marine use are currently produced exclusively with waste & residues feedstocks, in which collections, pre-treatment and production technologies are under development. HBE system offers economic incentives for continuity of expansion of waste & residues feedstocks volumes and development of new processing technologies that benefit not only the shipping industry but all transport sectors. Nonetheless, advanced biofuels from waste & residues feedstocks are very costly to develop and produce in sufficient scales and therefore requires further support through the HBE system with the current multiplier. It should be noted that premiums on advanced biofuels can reach 5x the price of fossil fuels. (While other green fuels can reach 2-3x times the cost of fossil fuels.)

If the multiplier is lowered it will slow, and perhaps halt, this development and production, by broadening the gap between the costly development of biofuels and regular fossil fuels, thus encouraging an increase in uptake of the latter.

Maersk does recognize the arguments put forward by the MIWM in the internet consultation regarding more and more HBEs coming from the maritime sector, despite this sector not having an annual obligation. Nonetheless, Maersk urges the MIWM to see the effects of the HBE in a bigger, global picture.

If the multiplier for shipping is lowered to 0,4 it risks negating the positive path which the maritime industry has embarked on momentarily. Proposed IMO measures to reduce GHG from shipping will not take full effect for many years. Ensuring that GHG emissions continue to reduce in the interim is of the upmost importance, which reducing the multiplier in 2024 will go against.

The Netherlands position as international frontrunner

Such a reduction would also risk impairing the Netherlands position as a clear frontrunner for decarbonization of the maritime sector. Furthermore, the principles established by the Dutch Supreme Court in the *Urgenda case*[4] - entailing that the Netherlands must do 'its part' to prevent

[3] https://unfccc.int/news/climate-plans-remain-insufficient-more-ambitious-action-needed-now
[4] ECLI:NL:HR:2019:2007. Point 5.7.2.

dangerous climate change, also outside its jurisdiction[5] – could be recalled in this regard.

If the multiplier is lowered it will, as concluded above, lead to a reduction in the production and use of marine biofuels and stimulate uptake of regular fossil based marine fuels. From a global perspective, lowering the multiplier would incur more damage on the climate.

Displacement of trade

Furthermore, lowering the multiplier for shipping in 2024 will to a lesser extend help the maritime industry prepare for the implementation of the RED-III in 2025 as stated by the MIWM. Such a change could instead displace bunker-operations to Asia for 2024, thus when the RED III enters into force, ships will be taking bunker outside EU, not allowing the potential of the EU Fit For 55 package (incl. RED amendments) to take full effect. It would also discourage industry belief in the effectiveness and longevity of the new 2025-system which could jeopardize the Green Corridor initiative between the Port of Rotterdam and Singapore. In fact, displacement has already begun, also considering that biofuels are cheaper in that region, e.g. in Singapore, due to the higher availability of feedstocks and lower energy. This could also jeopardize the international maritime commitment to using Rotterdam as a trading hub thus impacting income for Netherlands.

Conclusion

Maersk instead supports the proposal by the MIWM to increase the annual obligation by 20PJ annually, which for 2024 will be 28.4%. Such a general increase of the annual obligation should counter the effect of HBE's claimed for shipping in relation to the road sector.

Finally, using the HBE system to incentivize the decarbonization of shipping through immediate use of biofuel (also on account of road use of biofuel) will, irrespective of national reduction targets, yield a bottom line significantly higher reduction of GHG emissions on a global scale.

For the abovementioned reasons, Maersk cannot support the proposal to lower the multiplication factor to 0,4 for shipping in the HBE system but welcomes the increase of the annual obligation for 2024 and the work on broadening the system to encompass other green fuels from 2025.

[5] ECLI:NL:HR:2019:2007. Point 5.7.1.