

To: The Netherlands Ministry of
Infrastructure and Water
Management

From: A.P. Møller Maersk A/S

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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 the proposal to establish a new emission reduction system (ERE-system) for transport sectors to implement the revised Renewable Energy Directive (RED III).

Summary of Maersk's input to the public consultation

Maersk welcomes the initiative of the MIWM to implement the REDIII by establishing a system that incentives and support the uptake of biofuels for the different transport sectors. The Netherlands has, through the HBE system, shown that it is possible for one country to have a significant impact on the decarbonization of global shipping and it is therefore commendable that this journey could possibly continue from 2025 in the ERE-system.

Maersk's key points to this public consultation are that the proposed law should:

- Establish a system which combines elements from the different scenarios by;
 - Setting high ambitions for each sector, including shipping,
 - Allowing cross sector trading, allowing for cost effective decarbonization across sectors.
 - Setting competitive multipliers across sectors, including for seagoing shipping as this sector will achieve overall highest GHG reductions at lower cost
 - Incentivizes the use of Renewable Fuels from Non-Biological Origin (RFNBOs) to achieve European ambitions.
 - Ensures Netherlands is not in a competitive market disadvantage versus other ports in Europe or Asia.
- Ensure that the use of fuels with a high negative climate footprint create obligations with carbon intensity equal to RED II fossil reference value of 94gCO₂eq/MJ, equivalent to using conventional fossil fuels.
- Include feedstocks listed in Part B of Annex IX of the RED to be eligible for compliance when delivered to international shipping to meet a critical growing demand in uptake of sustainable and

certified biofuels.

- Ensure that all climate and financial consequences from the proposed law (including different sector structures) are laid out before deciding.
- Avoiding yearly changes to the new system, as seen with the current HBE system.

Please, find elaborated comments on these points below.

General comments

Biofuels for maritime use have shown to be a safe, clean and effective way to contribute to achieving decarbonization. Moreover, biofuels have significant practical characteristics, which means biofuels can be used by all types of ships. This has also been underlined at the IMO with adoption of a “unified interpretation” at MEPC 78 regarding easing requirements for approval of use of biofuels and with the adoption of interim guidelines at MEPC 80 for allowing biofuels to count for CII compliance. However, ensuring the continued development and uptake of biofuels and other renewable low carbon fuels for marine application requires further support.

Maersk therefore strongly supports that the Netherlands will continue to support the development and uptake of biofuels within different transport sectors, including for seagoing shipping. The current HBE system has (in conjunction with the port of Rotterdam being a key trading and bunkering hub on a global scale) been 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. Maersk expects that the ERE-system has the potential to have the same, if not greater, impact upon entry into force in 2025, provided the structure of system supports this.

The three scenarios

Maersk notes the three proposed scenarios by the MIWM on how to structure the system. Maersk proposes a system which entails a combination of such different components;

- Has **high ambition targets** for each sector, including shipping (as suggested in proposed scenario 1),
- Has **flexibility by allowing cross sector trading** (as suggested in proposed scenario 2 and 3),
- Has **competitive multipliers**, also for seagoing shipping as this sector will achieve – bottom line – highest GHG reductions thus

aligning with international and regional reduction goals for decarbonizing the maritime industry both at EU and IMO level.

All legislation aligning with international principles and targets

Maersk calls for all elements of the proposed law, as well as coming adoptions of accompanying underlying legislation (by Ordinance and/or Decree) to support and align with already adopted principles and regulations for decarbonization at international and regional levels.

- This includes that the proposed law should not lead to Dutch additionality on how emissions are counted but should instead follow common international understandings hereof. Also, to avoid that a public law regulates third party agreements between private parties. If anything, the law should define the flow and implications of transfer of ERE's in terms of environmental attributes.
- To ensure consistency with e.g. EU regulations, the ERE system should ensure that the use of fuels with a high negative climate footprint create obligations with carbon intensity equal to RED II fossil reference value of 94gCO₂eq/MJ within the system equal to using conventional fossil fuels.

Inclusion of feedstocks listed in part B of Annex IX of the RED

The consultation also raises a question on whether the list of eligible biofuels under the ERE-system in international shipping should be broadened to include the feedstocks listed in Part B of Annex IX of the RED to meet a growing demand in uptake of sustainable and certified biofuels. Maersk agrees to this critical concern and to the proposed solution wherefore we support Part B feedstocks to be eligible to book EREs for international shipping under the new system as it will allow for better and faster decarbonization across the different transport sectors.

Assessing climate and financial impacts from legislation

Maersk also calls for the MIWM to ensure that the proposed law (and any subsequent adopted underlying legislation) is assessed in relation to what the consequences are of such adoptions in terms of GHG reduction and financial impact on the Netherlands.

- It should be recalled that the purpose of the revised RED which is implemented by this law, as well as other legislative pieces of the EU's Fit For 55 package plus international agreements such as the IMO's GHG Strategy and the Paris Agreement, is to ensure the much needed reduction of GHG emissions from human sources, especially from industries such as international shipping which accounts from almost 3% of all global GHG emissions. The chosen legislative outcome should therefore reflect this when e.g. choosing how to structure the new system.



- The financial impacts of a chosen system should also be assessed as uncompetitive terms could lead to displacement of bunker trade away from the Netherlands, especially the port of Rotterdam, thus impacting overall income to the Dutch government, plus endangering Green Corridor initiatives that include the port of Rotterdam. In fact, displacement of bunker trade to other regions is developing, also considering that biofuels are cheaper in other regions, due to the higher availability of feedstocks and lower energy costs. It is therefore important that the continued development and uptake of biofuels is supported through systems like the HBE-system and, in the future, the ERE-system.

Overall comments relating to the legislation and the adoption process

- Maersk hopes that the adoption of all underlying legislation to the law will await the outcome of how the law proposes to structure the system, also taking into account all incoming consultation answers.
- We also suggest, to ensure industry trust in the system, that changes to the new system is kept to a minimum once adopted.

Conclusion

In conclusion, Maersk supports the establishment of a sector ERE-trading system which has high targets and competitive multipliers, allows cross sector trading and includes feedstocks listed in Part B of Annex IX of the RED for international shipping. Furthermore, it is crucial that the legislation will not lead to Dutch additionality on how emissions are counted but, if anything, define the flow and implications of transfer of ERE's in terms of environmental attributes., creating obligations for all fuels with heavy climate footprints and ensure that relevant climate and financial consequences are properly assessed for the legislation before adoption.

Maersk thanks the MIWM for the opportunity to provide comments to proposed law on the new ERE-system. A system which has the potential to continue to place the Netherlands as a frontrunner among nations that are taking tangible steps for decarbonizing international shipping.