

Discussion Paper

Workshop on Demonstration of Sustainability Certification for Marine Bunker Fuels

Date: 25 JUNE

Venue: Only online (WEBEX) – link sent by email invitation

Participants/Moderation:

- EU Member States representatives
- Commission (DG-ENER, DG-MOVE, DG-CLIMA, EMSA).
- Renewable and Low-Carbon Fuels Alliance (RLCF Alliance)
- European Sustainable Shipping Forum

Moderation: DG-MOVE

Agenda

Separate

Context

- Both FuelEU Maritime and ETS extension to maritime require demonstration of RED-certification for biofuels and renewable synthetic fuels used onboard ships.
- It is important to ensure that demonstration of RED-certification for renewable fuels along the supply chain of sustainable marine fuels can take place in the best possible streamlined way, addressing the specificities of the sector.
- Despite indicating that sustainable marine bunker fuels must be RED-certified, both FuelEU and MRV/ETS do not specify process for demonstration of compliance of the sustainable fuels used onboard to MRV/ETS/FuelEU Verifiers.
- ESSF SAPS Workstream 2 (SAPS WS2) worked on the subject matter and delivered a draft report with a proposed procedure. ETS General Guidance is under development, including already some guidance on demonstration of sustainability certification.
- Discussions have been held between MOVE, CLIMA and ENER for the past months to best understand how to ensure that demonstration of sustainability certification across the sustainable marine bunker fuel supply chain.
- The end-goal objective, under both scope of FuelEU and MRV/ETS is to ensure that the Verifiers responsible for the assessment of compliance under both FuelEU and MRV/ETS – receive robust reassuring evidence of RED-compliance of marine bunker fuels. It is important to discuss how this will be ensured with the evidence of sustainability of the fuels going throughout the supply chain up to the Verifiers, while mitigating risks of erroneously reported sustainability characteristics or volumes of sustainable fuels.
- Mitigation of risk of fraud, double-counting, green-washing, erroneous reporting will only be ensured with full coverage of the supply chain and relevant operators – a mapping of all relevant stakeholders is presented in Annex-A.
- Necessary adaptations to the UDB will be required to allow for specific demonstration of compliance that shipping operators/companies will need to materialize under both FuelEU and MRV/ETS. Only the use of the IT-based system will ensure full mitigation in the risk of

erroneously or fraudulent reporting on 1) sustainability characteristics of the fuels or 2) volumes of sustainable fuels bunkered.

- Shipping Companies and Verifiers, in principle, would not be required to be “RED-certified” but rather to hold an account for access to UDB and access transactions directed to specific ships (identified by their unique IMO identifier).
- FuelEU and MRV/ETS do not introduce specific reporting requirements into the UDB. Demonstration of RED-certification will however be required for operators to demonstrate eligibility of sustainable fuels under FuelEU and ETS. Notwithstanding no specific additional requirements for reporting into UDB, additional economic operators will need to be covered by UDB to ensure that the mass-balance safeguarding mechanism of the IT system covers all transactions and reporting.
- A two-phase approach is proposed for the demonstration of compliance of sustainable marine bunker fuels, which considers the need to develop concept, budget estimation and project for UDB updates to allow onboarding and access to stakeholders involved in the supply chain for sustainable marine bunker fuels.

Questions to be addressed at the Workshop

1. **Is the Stakeholders’ mapping in Annex-A sufficiently complete?**
2. **Would stakeholders agree with the 2-phase approach proposed in Annex-B.**
3. **Are International Certification companies and the industry prepared for demonstration of RED-certification of marine bunker fuels using Proof of Compliance (PoC) documents.**
4. **With a view to ensure best use of UDB in the demonstration of sustainability certification for marine bunker fuels what are the important elements to ensure for both phase-1 and 2?**

Moderated Discussion

Discussion to be moderated with a focus on the process for demonstration of sustainability certification for marine bunker fuels (Phase 1 and 2 – see Annex-B).

Desired outcome:

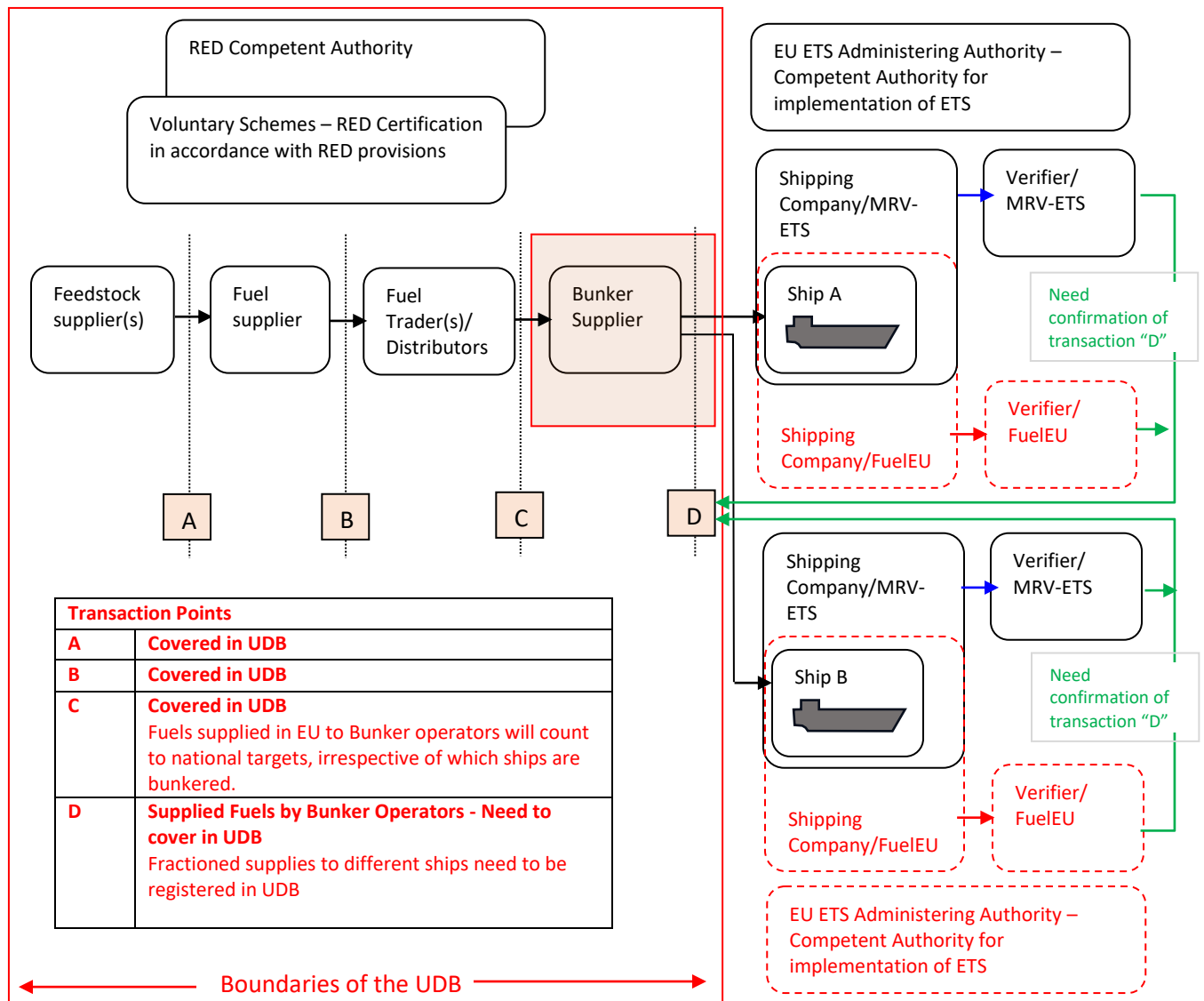
- Agreement on the full range of stakeholders involved in the supply chain of sustainable marine bunker fuels (see Annex-A).
- Confirmation with Industry on the preparedness for using a Proof of Compliance (PoC) where Proof of Sustainability (PoS) cannot be obtained.
- Industry stakeholders informed on the way forward proposed by COM, in agreement MOVE-CLIMA-ENER on a “2-phase” approach (see Annex-B)
- Elaboration on the concept for integration of maritime into RED UDB – for purpose of compliance with FuelEU and MRV/ETS.
- Collection of outstanding concerns on Fuel Certification of sustainable marine bunker fuels for follow-up by COM, ESSF and RLCF, as appropriate.

ANNEX-A – Mapping of relevant stakeholders – Sustainable marine bunker fuels

The diagram below identifies relevant stakeholders that must be considered in the supply of sustainable marine bunker fuels. Agreeing on a complete mapping of all stakeholders to be covered in the process for demonstration of sustainability of marine bunker fuels will be an important point for the Workshop.

Transaction “D”, identified below, is a key point for discussion. It is important to express the relevance to ensure that each fraction of sustainable fuel in point “D”, supplied by Bunker Supplier to Ship “A”, Ship “B”, Ship “n”.

The discussion on the concept and architecture/requirements for integration into UDB of all relevant stakeholders involved in compliance with FuelEU and ETS shall take the mapping below as a basis/reference.



ANNEX-B - Demonstration of Sustainability Certification for marine bunker fuels

Only the coverage of all economic operators involved in the supply chain for marine bunker fuels in the RED Union Data Base (UDB) will ensure adequate mitigation of fraud, double-counting, erroneous reporting.

Developing the necessary adaptations to the UDB to cover all maritime stakeholders involved in FuelEU and ETS compliance will however take some time. Need to ensure that demonstration of sustainability certification is already possible ASAP, making use of the simplest and more robust possible interim option.

With the above in mind a 2-Phase approach is proposed for discussion.

| 1 st INTERIM PHASE | 2 nd PHASE – LONG-TERM |
|---|--|
| <ul style="list-style-type: none"> - PoS used for demonstration of compliance across the supply chain (electronic when traded between UDB registered operators + paper when supplied to ship) - Where not available, a Proof of Compliance (copy of a PoS indicating Recipient Ship, Volume, Ref to origin PoS) - Bunker companies/suppliers must register in the UDB. - Shipping Companies receive paper PoS/PoC – no UDB account for Shipping Companies - Verifier will assess compliance based on ref to PoS number (access to UDB) - Mass-balance not ensured throughout the entire supply chain up to the Verifier – need volume delivery correlation with Bunker Delivery Note + Verification action with access to UDB, for sustainability check. | <ul style="list-style-type: none"> - PoS used for demonstration of compliance but only electronic flow) - All economic operators in the marine bunker fuel supply chain covered by the RED UDB - Shipping companies (FuelEU/MRV/ETS) + Verifiers holding account in UDB. - Mass-balance ensured throughout the entire supply chain up to the Verifier – no need for active verification – UDB to provide output for Verification. |