

# FuelEU Maritime in practice

WHAT'S ON THE HORIZON OF THE MARITIME INDUSTRY?



ISSUE #5 - JULY 2024

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## Stay up to date

Previous issues of information bulletins can be accessed and downloaded free of charge at [wagenborg.com](https://wagenborg.com)



### #1: Decarbonization rules explained

The IMO and EU establish regulations in line with the Paris agreement. We explain the impact of it for shipowners and cargo owners.

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### #3: Emission Trading System in practice

In 2024 the Emission Trading System will be in force. We inform about the settlements to be made and give some calculation examples.

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### #2: The journey to new fuels explained

The use of alternative fuels is likely to achieve GHG reduction targets. But how to select the right alternative fuels?

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### #4: How do we settle EU ETS costs?

What is the impact of the ETS regulations on your spot shipments, contract business and time charter contracts with Wagenborg?

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# Starting in 2025: this is FuelEU Maritime



### Threshold

Only for vessels which measure more than 5.000 GrossTon (GT)<sup>(1)</sup>



### Reduction targets

Reduction targets will be more stringent from 2025 onwards



### Scope

100% for energy used for intereuropean voyages, 50% of energy used to and from EU/EEA

<sup>(1)</sup> Gross Tonnage is a volumetric data and should therefore not be confused with the cargo capacity or DWT of a ship.

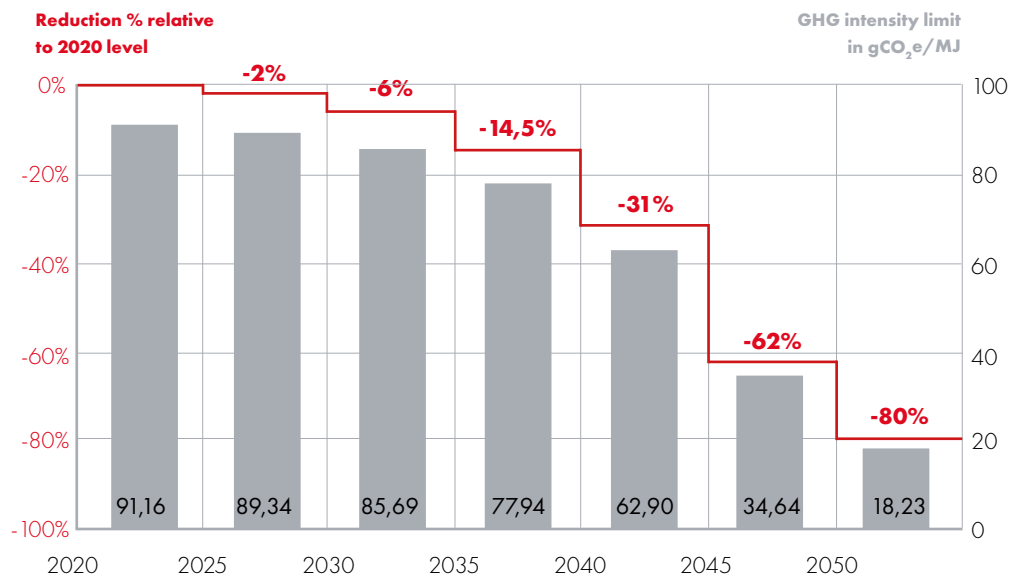
The European Union (EU) have incentivised the use of renewable and low-carbon fuels on vessels to reduce greenhouse gas emissions (CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O) through the adoption of Regulation (EU) 2023/1805 - FuelEU Maritime.

This Regulation forms a substantive part of the EU's Fit for 55 regulatory package. Ultimately this regulation will provide legal certainty for ship operators and fuel producers and increase the demand for, and consistent use of, renewable and low-carbon fuels, reducing the greenhouse gas emissions from the shipping sector.

### How does FuelEU work?

To incentivise the use of renewable and zero carbon fuels on vessels over 5000 GT the EU has set targets to reduce the greenhouse gas (GHG - CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O) intensity of energy used on vessels.

The graph below shows the reduction required at 5-year intervals until 2050, against the 2020 reference value of 91.16 gCO<sub>2</sub>e/MJ.



The entity controlling the vessel is responsible for ensuring compliance with the requirements of the FuelEU regulation.





## Related updates

- As from Jan 1<sup>st</sup> 2025 the EU ETS percentage will rise from 40 to 70%.
- As from May 1<sup>st</sup> 2025, the Mediterranean Sea will be come a SECA area permitting the use of low sulphur fuels (max. 0,1%) only.

# The impact of FuelEU Maritime on our mutual business

From 2025 all Wagenborg vessels bigger than 5.000 GT and sailing between European ports (100%) or from and to European ports (50%) have to reduce the Green House Gas (GHG) intensity.

## Pooling of vessels

FuelEU Maritime allows compliance to be achieved at the fleet level. This means that individual ships are not required to meet the specified GHG intensity on their own; they can depend on other vessels within the fleet to collectively maintain a GHG intensity that falls below the mandated threshold. In that case a vessel reducing his GHG intensity by about ~25%, can compensate for about 9 other vessels who have the same GHG intensity as before. At Wagenborg we choose this last option. As such, we are able to optimize the efficiency in fuel consumption and to purchase the bio fuel at the best spot/price.

When calculated according to the well-to-wake methodology, the consumption of 100% bio fuel will not result in a 100% reduction of GHG

emissions. That is why we need slightly more than 2% of bio fuel in our total fuel mix from next year on.

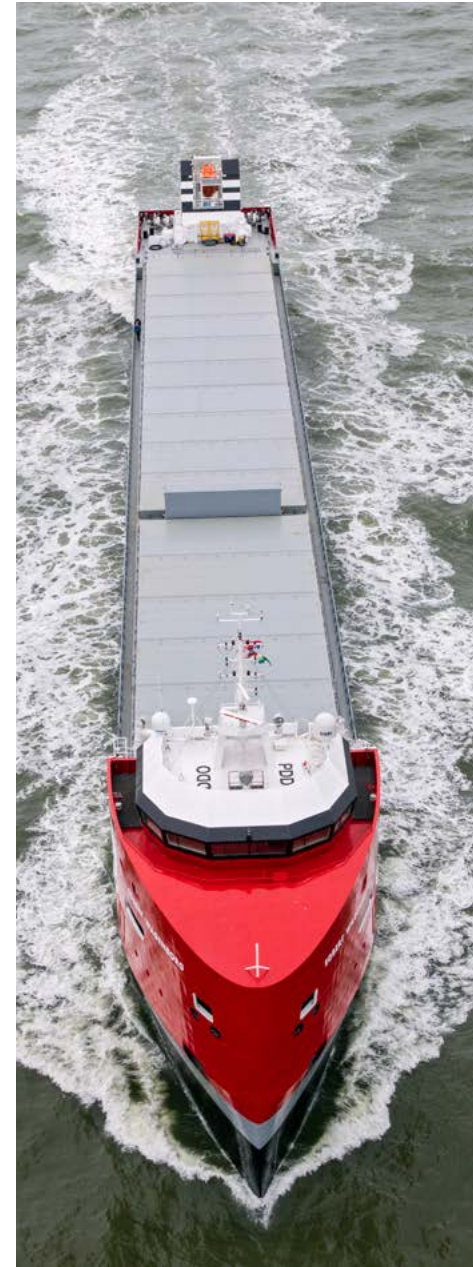
In the current fuel market the average price for bio fuels (100% FAME) is double the price for fossil fuels.

## Charging a premium

Conclusion of this is that Wagenborg has to charge a premium for the costs to be compliant with this new regulation in their prices. How Wagenborg will deal with the additional costs of FuelEU Maritime depends on the contract type. On page 6 and 7 more information is available.

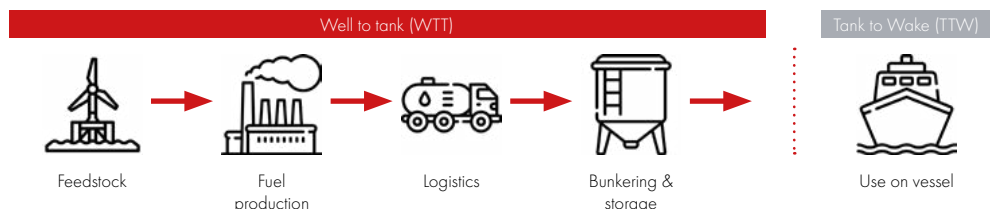
## Positive impact on ETS

Despite additional costs related to the mandatory FuelEU Maritime regulations, the amount of CO<sub>2</sub> emissions will be reduced. Biofuels are assigned zero under ETS. As such, less EU-ETS allowances have to be invoiced to our customers. In addition, the scope 3 emissions of our customers will also be reduced.



## Well to tank emissions require the use of >2% bio fuels

Even if 100% bio fuel is used the GHG intensity will not be zero. In the production, transportation and storage of this fuel Green house gasses are produced and emitted. We call this well to tank emissions. With most common biofuels at the market we can reach a reduction between 70 and 85%. That's why more than 2% bio fuel is needed to reduce our total GHG intensity in the scope by 2%.





# How we deal with FuelEU Maritime per agreement type

**The additional costs of bio fuels during (your part) of the commercial voyage will be invoiced to you. The costs made during ballast will be for Wagenborg. At Wagenborg, we have three agreement-types:**

## Spot Shipments

The agreed freight rate is "all inclusive". We will incorporate the costs of the FuelEU Maritime regulations starting Jan 1st 2025, as well as the required allowances compensating the CO2 emissions of your voyage in the freight rate. After completion you can receive detailed information showing type and amount of consumed fuel as well as the emitted tons of CO2.

## Time Charters

For actual and future Time Charter agreements we are waiting for the BIMCO's (Baltic and International Maritime Council) of a clear proposal for a clause. Same to be expected early November 2024. However, the time charterer will be responsible for the compliance balance during the charter period.

## Contract of Affreightment

As mentioned in earlier pamphlets, we need and want to be fully transparent about the costs of new or changing rules and regulations, such as EU ETS, FuelEU Maritime. Contracts work with the so called BAF (Bunker Adjustment Factor) clause. As obliged, we will use a part of renewable, low carbon and more expensive fuels as from Jan 1<sup>st</sup> 2025.

By pooling we will keep costs transparent and as low as possible. Vessel (A) that is trading in areas where renewable fuels are available and less expensive, will be sailing for the biggest part on that fuel type (e.g. B100). We can charge another vessels (B) for a certain amount of that fuel, compensating the costs for vessel A. The shipowner has to proof that sufficient amount of renewable fuels have been consumed in order to comply. This system will help vessels to stay compliant when trading in places where renewable fuels are less, not or only available at high costs only. The pooling needs to be checked and verified by an external verifier.

We will charge your (part) cargo on the booked vessel by establishing the difference in price of the low carbon fuel and the fuel as agreed in the CoA. Prices of both regular and low carbon fuels are very volatile and there is no steady delta between both.

On a daily basis, our bunker department feeds our systems with prices of the various fuels, for most contracts based on Platts Bunkerwire. But Platts is (for now) not quoting prices for renewable fuels. We are in contact with the independant provider of market intelligence 'Argus' for a subscription of their daily updates (argusmedia.com).

By increasing the actual price for bunkers (MGO-Vlsfo) with the delta of abt. 3% B100 (100% renewable bio fuel), you will only be charged with the surcharge on the bunkers used during your voyage. For ballast trips, these cost will be, as with EU ETS, for Wagenborg.

Good news is that by using renewable fuels, the CO<sub>2</sub> production will be lower and you will be charged less for allowances, and your Scope 3 emissions will be lower.

So, based on the details of the shipment, you will receive an invoice after loading your cargo, just like you are used to. On this invoice we show the freight rate and the BAF calculation including the FuelEU Maritime costs and the EU ETS costs. All based on the Bill of Lading date.

## Example calculation

### BAF + FuelEU Maritime and EU ETS calculation intra EU trip

	2024	2025
Agreed MGO price in the COA	\$600,00	\$600,00
Tons of fuel used for the customers Scope 3	100	100
BL Date price MGO	\$600,00	\$600,00
difference between actual price MGO and agreed in COA	\$-	\$-
<b>BAF correction</b>	\$-	\$-
BL date price B100	n.a.	\$1.200,00
delta price B100 and MGO	n.a.	\$600,00
Tons of biofuel to be mixed in (3% of 100 ts)	n.a.	3,0
<b>FuelEU Maritime Costs</b>	n.a.	<b>\$1.800,00</b>
<b>2024 EU ETS Costs</b> 100 * 3,206 * 40% * 0,95 * Euro 65 price allowance	€ 7.918,82	-
<b>2025 EU ETS Costs</b> 97 * 3,206 * 70% * 0,95 * Euro 65 price allowance	-	€ 13.442,20



**(1) Fuel consumption** is determined by the average speed of a vessel (kts), the total distance between loading port and discharging port and the fuel consumption of a vessel per day.

**(2) CO2 emission factor**  
 1 mton HFO = 3,114 mton CO<sub>2</sub>  
 1 mton VLSFO = 3,151 mton CO<sub>2</sub>  
 1 mton MGO = 3,206 mton CO<sub>2</sub>

**(3) Phased introduction**  
 2024: 40%  
 2025: 70%  
 2026 onwards: 100%

**(4) Discount**  
 Ice class: 5%

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