

MPA
Technical Notice

No. **7/2024**

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Subject:

Overview of the FuelEU Maritime

Introduced by the European Union (EU), this regulation ([Regulation \(EU\) 2023/1805](#)) aims to drastically **reduce onboard greenhouse gas (GHG) emissions by 2050** and forms a substantive part of the EU's Fit For 55 package to reduce GHG emissions from shipping.

When will FuelEU Maritime come into effect?

The Regulation will apply to commercial **vessels** with a **gross tonnage of more than 5,000** used for transport of cargo or passengers, regardless of the flag, **from 1 January 2025**.

FuelEU sets targets

FuelEU sets **targets to reduce the GHG** (CO₂, CH₄ and N₂O) **intensity** of energy used onboard against a 2020 baseline.

The baseline GHG intensity is set at 91.16 grams of CO₂ equivalent per megajoule (gCO₂eq/MJ), which represents the average GHG intensity of maritime fuels in 2020. From this baseline, the required reductions are as follows:

- **2025:** A 2% reduction from the 2020 level, resulting in a GHG intensity limit of 89.34 gCO₂eq/MJ.
- **2030:** A 6% reduction, resulting in a GHG intensity limit of 85.69 gCO₂eq/MJ.
- **2035:** A 14.5% reduction, resulting in a GHG intensity limit of 77.94 gCO₂eq/MJ.
- **2040:** A 31% reduction, resulting in a GHG intensity limit of 62.30 gCO₂eq/MJ.
- **2045:** A 62% reduction, resulting in a GHG intensity limit of 34.64 gCO₂eq/MJ.
- **2050:** An 80% reduction, resulting in a GHG intensity limit of 18.23 gCO₂eq/MJ.

Voyages, scope

The FuelEU Maritime GHG intensity requirements apply to **100%** of energy used on voyages and **port calls within the EU/EEA**, and 50% of energy used on voyages into or out of the EU/EEA.

Flexibility compliance mechanisms

To maximise FuelEU compliance and minimise penalties, ship operator may **bank or borrow savings in GHG intensity, or pool savings within or between fleets**. These approaches are known as 'flexibility compliance mechanisms'.

In any one year, ship owners, managers or charterers can bank unused GHG emissions from an over-compliant ship, to use on that same ship in the next reporting period. Or they may pool any unused emissions from one ship with under-compliant ships in a common pool. Pooling can be applied either within a fleet or between fleets where a contractual agreement is in place. While individual ships can use different verifiers, each pool must be logged with a single verifier.

For ships which do not comply in any one year, it's possible to pool the unused emissions from another ship or ships in the fleet, as described above. Or ship owners, managers or charterers may borrow unused emissions for the same ship from the next reporting period. However, those choosing this option must pay back the surplus, plus an 10% surcharge, from that ship's next reporting period.

What happens if a ship can't achieve compliance with the regulations?

Ships must **compare their GHG intensity with the regulatory limits** for the relevant years.

If the limit is **not achieved**, and a ship has a compliance deficit even after adjusting its Compliance Balance through banking, borrowing, or pooling, the **ship can achieve compliance by paying a penalty**. The penalties are calculated based on the extent to which a ship exceeds the GHG intensity limit and the amount of energy used on board.

The penalties are designed to be **progressively more stringent** for ships that fail to comply with the GHG intensity limits for multiple consecutive years. For example, if a ship fails to achieve the required GHG intensity limit for two consecutive years, the penalty is multiplied by 1.1. If the non-compliance continues into a third year, the penalty multiplier increases to 1.2, and so on.

This escalation of penalties is intended to incentivise compliance and ensure that ships take appropriate steps to reduce their GHG emissions. By progressively increasing the consequences of non-compliance over time, the system aims to encourage continuous improvement in emissions performance.

COMPLIANCE PROCESS

Responsible shipping company

As opposed to EU ETS, the responsible company under FuelEU Maritime must be the **ISM company** and cannot be retained by the registered owner unless the owner is also the ISM company. This implies that the responsible company for a ship may not be the same for EU ETS and FuelEU Maritime. Each responsible company will need to be **registered with an administering state**, which is the same as the Administering Authority for EU ETS compliance.

When are ships required to start collecting fuel use and emissions data?

Once their **monitoring plan is in place**, ship operators must begin **collecting data on their fuel use and emissions starting in January 2025**. This data will then be assembled into an **annual FuelEU Report**, which must be **submitted by 31 January** the following year.

The report will be subject to **verification by an independent verifier**, who will review the data and ensure that it complies with the regulatory requirements. This report will be **verified and recorded in the FuelEU database by 31 March 2026**. During this period, companies can also record any banking, borrowing, or pooling actions related to the GHG intensity limits in the FuelEU database by **30 April 2026**.

The energy use and emissions will be reported and verified through a scheme which is **separate from the existing EU Monitoring, Reporting and Verification (MRV) system**. However, elements from the MRV regulation can be reused for the purpose of the FuelEU Maritime regulation.

By **30 June 2026**, ships will receive a **FuelEU Document of Compliance**, verified by an independent verifier if they meet the requirements. If a ship **fails** to meet the requirements, they will be required to **pay a penalty, by 30 June**, after which the FuelEU Document of Compliance will be issued by the competent authority. This document is essential for demonstrating compliance with the FuelEU Maritime regulations and must be presented during port inspections and other regulatory checks.

KEY DATES:

31 August 2024:	Submit a FuelEU Monitoring Plan
January 2025:	Start collecting fuel use and emissions data
31 January 2026:	Submit first annual FuelEU Report
31 March 2026:	Receive verification of first annual FuelEU Report
30 April 2026:	Deadline for recording banking, borrowing, or pooling actions
30 June 2026:	Receive FuelEU Document of Compliance



RECOMMENDATION TO OPERATORS OF INSB CLASS CERTIFIED SHIPS

INSB Class, at least presently **is not a FuelEU Verifier**, strongly recommends to all operators of INSB certified vessels of 5000 GT and above, falling under the above requirements, to promptly address these requirements and **select an accredited independent Verifier** to proceed with the relevant Verification.
