

MEMBER ALERT



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THE EUROPEAN UNION (EU): *FUELEU* MARITIME REGULATIONS

As of January 1, 2025, new requirements within the EU, promoting the use of renewable and low-carbon fuels for maritime transportation, referred to as *FuelEU* maritime regulations, are due come into force. The regulations will take effect in conjunction with the implementation of the EU Emissions Trading System (ETS), as described in the November 6, 2023 Club Alert, [The European Union \(EU\) Emissions Trading System \(ETS\): Monitoring, Reporting and Verification \(MRV\) Requirements](#).

The FuelEU regulations take into account the entire process of fuel production, delivery, use on vessels, and the carbon emissions that are produced at each stage, otherwise known as from “well-to-wake” (WtW). Concomitantly, the EU ETS takes into account those carbon emissions resulting from fuel used onboard vessels, described as “tank-to-wake” (TtW). The primary objective of the EU ETS is to promote energy efficiency through a “cap-and-trade” pricing system, while the FuelEU maritime regulations are aimed at promoting the use of decarbonized energy and other low carbon fuels.

The FuelEU maritime regulations promote the use of vessels with zero emission-based technology (e.g., wind sails, electrical fuel cells or wind assisted equipment) and passenger and container ships that utilize onshore power supply (OPS) as well as lower greenhouse gas (GHG) emission energy options.

This Alert reviews the FuelEU requirements that have an immediate effect upon Members’ operations beginning on January 1, 2025. Your Managers will address future requirements at a later date.

Which vessels do the FuelEU requirements apply to?

Vessels of 5,000 gross tons (GT) or more engaged on voyages transporting passengers or cargo for commercial purposes within, to, and/or from EU and European Economic Area (EEA) ports are required to comply in regard to:

- the energy consumed during ports of call within the jurisdiction of an EU/EEA member State;
- the entirety of energy consumed on voyages during which both ports of call are within the jurisdiction of EU/EEA member States;
- one half (1/2) of the energy consumed on voyages from a port of call under the jurisdiction of an EU/EEA member State to a port of call outside the jurisdiction of an EU/EEA member State; and
- one half (1/2) of the energy consumed on voyages from a port outside the jurisdiction of an EU/EEA member State to a port of call under the jurisdiction of an EU/EEA member State.

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The regulations exclude warships, naval auxiliary vessels, fish catching or fish processing vessels, wooden vessels of primitive build, vessels that are not propelled by mechanical means, or government vessels used for non-commercial means.

What is considered a “port of call” under FuelEU?

A port of call is defined as a port where vessels stop to load or discharge cargo, or embark or disembark passengers. Under these regulations, the following are not designated as a “port of call”:

- stops made with the sole purpose of refueling, taking on supplies, relieving members of the crew, dry-docking or making repairs to the vessel and/or its equipment;
- stops made due to distress or rendering assistance to other vessels in distress;
- ship-to-ship (STS) operations conducted outside port areas;
- stops made for the sole purpose of taking shelter from adverse weather or rendering aid in search and rescue (SAR) related operations; or
- stops made by container ships at designated container transshipment ports.

The entity responsible for compliance with the FuelEU maritime requirements is the International Safety Management (ISM) Code manager, i.e., the “Company” and holder of the vessel’s Document of Compliance (DoC). Responsibility cannot be transferred to any other entity, such as the vessel’s registered owner. Each Company is required to be registered with an administering state as has similarly been the case for compliance with the EU ETS. There is no requirement that the registered administering state for FuelEU and EU ETS purposes should be the same.

Can positive balances in a fleet of vessels be pooled or borrowed?

A ‘green’ vessel with a very low GHG intensity can be pooled to compensate for other vessels within a designated fleet by combining the compliance balance of multiple vessels to comply with FuelEU’s regulatory requirements. Pooling is valid for a fleet if:

- (1) the emissions balance is positive;
- (2) a vessel that had a compliance deficit does not have a higher compliance deficit after allocation within the pool; and
- (3) a vessel with a compliance surplus does not then have a compliance deficit after allocation within the pool.

Forthcoming important deadlines

In a manner similar to the monitoring plan requirements for the EU ETS, shipowners were required to submit their FuelEU maritime monitoring plan to a designated verifier as of August 31, 2024. Vessels that have not yet submitted their FuelEU monitoring plan for 2025, must

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do so within 2 months after their first EU/EEA port call in 2025. Members should also take account of the following dates:

- **January 1, 2025.** Vessels are required to monitor emissions in compliance with their approved monitoring plan, verifiers having also by then completed their approval of the monitoring plan.
- **January 31, 2026.** Vessels' FuelEU emissions reports are to be submitted to their verifier. Verifiers are to verify the submitted data, record, produce the FuelEU emissions report and calculate the compliance balance for the prior year.
- **March 31, 2026.** Companies are required to notify the FuelEU database if a vessel is to be included as part of a pool and the verifiers are to verify submitted data, record, produce the FuelEU emissions report and calculate and report the compliance balance for the vessel in a pool.
- **April 30, 2026.** Companies are required to record any compliance surplus and notify, via the FuelEU database, if they intend to include the vessel in a pool. Meanwhile, verifiers are required to submit data, record and produce a FuelEU emissions report that includes the calculated compliance balances and record the composition and allocation of the total pooled compliance for each vessel in the FuelEU database.
- **June 30, 2026.** Companies that have not fully complied with FuelEU maritime's emission standards are to make their penalty payments to their administering authority and issue a FuelEU Document of Compliance (DoC) and verifiers are to issue FuelEU DoC for a vessel if there are no penalty payments were made.

What is the penalty for non-compliance with FuelEU?

Financial penalties are based on compliance deficits measured as the difference between the required and actual WtW GHG intensity multiplied by the energy use. Non-compliance with the WtW GHG intensity target from 2025 will result in a penalty of US\$ 2,527 (€2,400) per ton equivalent of very low sulfur fuel oil (VLSFO). The penalty will be progressively increased by 10% if the vessel maintains a compliance deficit for two or more reporting periods.

This is just a brief summary of FuelEU maritime regulations to take effect by January 1, 2025, and the impacts of those requirements that fall into 2026. There are penalty mitigating options available including vessel refits, change of fuel, banking and borrowing within a pooled fleet of vessels.

Your Managers recommend that Members consult their classification societies, many of which are designated as verifying authorities, for further guidance and assistance to comply with the FuelEU maritime regulations, and generally take note of this information, and be guided accordingly.