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Response to Netherlands Government consultation on proposed amendment to Regeling Energie Vervoer relating to marine fuels multiplier

Ministerie van Infrastructuur en Waterstaat
Keten-ID 14881

Under the investment project name of Verda, Circtec Netherlands B.V. has been developing a large-scale plant investment in the production of marine renewable fuels and sustainable chemicals in the Netherlands since 2017. This investment, which uses the technology pathway of pyrolysis plus fuel product upgrading/refining and feedstock from waste end-of-life tyres, is the first major scale-up to flagship plant scale of this technology pathway globally. It is calculated to have an emissions reduction impact equivalent to 5% of all the CO2 emissions of the entire chemical sector of the Netherlands. The investment is circa €200million.

Since 2017, we have been supplying dedicated marine advanced biofuel product into the Netherlands marine fuel market. This was a process of product development and accreditation which involved considerable consultation with NEA and other parts of the Netherlands Government, who from the outset expressed and showed their support for the development of marine application-specific advanced biofuel products. The Netherlands established a reputation for being forward-leaning on marine decarbonisation policy and support to industrial investments seeking to meet that policy goal.

The Verda marine advanced biofuel product cannot be used in road transport fuels and there is currently no economically/technically viable way for the pathway of upgraded pyrolysis to produce any form of on-specification renewable Annex IXA road transport fuel from this feedstock. Therefore, for this pathway, there is no tension or competition between the needs of road transport fuel mandates and the application in the marine sector. However, the Verda pathway does produce high-quality marine renewable fuel product with significant decarbonisation impact (>90% GHG reduction impacts).

The value from the marine renewable fuel product also enables the scaling of other innovative circular chemical products produced from the same process in the same plant. The decarbonisation impact is therefore very large for the Netherlands, and the Annex IXA renewable marine fuel value is central from Netherlands Government policy is very important in supporting this.

The proposed amended legislation that is the subject of the consultation, proposes to reduce the multiplier in Article 11.6 of the Regeling Energie Vervoer for renewable fuels supplied to sea shipping (zeevaart), from 0.8 to a lower factor.

The justification for this proposed amendment is that the recent surge in the use of biofuels in marine transport in The Netherlands is “at the expense of innovation in and blending of (high-quality) biofuels in road transport”. It is also explained that the proposed amendment “is in line with the rising ambitions under the RED III and increases the sustainability perspective for all transport modalities.”

The explanation of this policy amendment proposal clearly makes sense, when considering biofuels that have dual-use in road transport and marine transport, or where a biofuel product can be made to varying quality specifications to comply with either road diesel application or

marine bunker fuel application. Principally this appears to concern the technology pathways for biodiesel.

Having been involved in the development of innovative marine renewable fuel products in The Netherlands since the early years of the current system, we agree that it is logical and desirable to take measures to reduce the surge of renewable fuels into marine transport, that could equally be used in the road transport sector.
However, the proposed amendment makes no distinction and gives no consideration to innovative development fuels for the marine sector, that cannot be used in the road transport sector. i.e. dedicated marine renewable fuels where the decarbonisation application in shipping is the only possible pathway and application for that product. These sorts of innovative fuel technologies are so-called Future Fuels and include dedicated marine Annex IXA advanced biofuels, and marine RFNBOs. The amount of dedicated marine-only Annex IXA renewable fuels (i.e. which have no possible application in road transport fuels) that are going into the Netherlands' market today is very small. It is not a factor in the problem that the policy seeks to address. By reducing the multiplier applicable to all renewable fuels going into marine transport, the proposed amendment impacts negatively both the fuel types it seeks to target, and the innovative future fuels it states it wants to support.

The explanation of the proposed amendment cites rising ambitions under RED III and increasing the sustainability perspective for all transport modalities. But RED III is one part of the Fit for 55 legislative package, alongside other legislation like the upcoming Fuel EU Maritime Directive, which will also introduce mandates for renewable fuels into marine transport in the Netherlands.

Innovative renewable fuels dedicated to marine transport will be required in order to meet these marine decarbonisation mandates. For that to happen, the innovative fuels being developed now in the Netherlands market (such as the Verda investment) need to maintain: 1) a stable and supportive legislative environment; and 2) reliable multiplier policy support to fund their ongoing scaling-up and innovation work. It cannot be in the interests of "increasing the sustainability perspective for all transport modalities" to reduce the support for, and reduce the value of innovative dedicated marine fuel product technologies, which are currently being curated and supported in the investment and innovation environment in the Netherlands.

For these fuel production plants to start to be available in 2025 and scaling for the significant mandates focussed through to 2030 and beyond, these dedicated marine renewable fuels need consistent stability and support today. The proposed amendment very severely undermines that stability and support, and for no significant policy impact gain, given that the target of the proposed policy amendment is dual-purpose biodiesel fuels, a completely different product type. In short, the amendment risks throwing the baby out with the bathwater if it is made without consideration for innovative fuels that have no other market other than marine transport. The financial impact will be direct and unavoidable as there is no way for these marine specific future fuels to shift the product sales into road transport, as the proposal intends. It will simply result in a direct loss of revenue for vulnerable developing fuel technologies.

The proposed amendment should be specifically focused on the fuel type that is creating the problem that the ministry seeks to address, and should be implemented in a way that does not apply to dedicated innovative marine renewable fuels that have no application in road transport.

By making the proposed amendment more specific and targeted in this way, it addresses the policy needs of both road transport decarbonisation under RED III, and the need to support

and not destabilise innovations and plant investments to fulfill the policy needs of marine decarbonisation with future fuel products under upcoming marine mandates in Fuel EU Maritime.

For innovative fuels to be available in the marine sector from 2025 onward, innovative fuels that are unsuitable for road transport applications need to be supported and kept free of legislative instability, (which is no doubt not intended), and not damaged with overly broad legislative amendments aimed at other fuels and technologies. The Netherlands has been a very forward-looking and supportive place for the development of marine renewable fuels over the past years, but this support needs to continue to enable the scale-up of new renewable fuel production technologies in the Netherlands. This is a very capital intensive and long-term process and it needs careful long-term stability and support.

From the perspective of development of innovative future marine fuels (that are not applicable to road transport applications), and the perspective of large investments needed for new production plants for these future fuels, the proposed amendment creates significant negative investment instability, economically damages the efforts to develop these fuels and sends the message that the Netherlands is a potentially unreliable investment environment for plants to produce new innovative renewable fuel products. This will have an impact on the future availability of new renewable fuel products in the Netherlands which conflicts with the stated intention to “tie-in with the rising ambitions in RED III” and to “increase the sustainability perspective for all transport modalities.”

As an investment stakeholder in the Energy Transition in the Netherlands, we would strongly urge that the policy amendment is implemented in a way that maintains stability for the small but strategically critical sector of future marine decarbonisation fuels, which will be needed very shortly by other policy initiatives, and which are after all, not the cause of the problem that this proposed policy amendment seeks to address