OFFSHORE NORGE

From

Offshore Norway

To:

The European Commission

04.09.2024

Comments on the draft Delegated Regulation amending Regulation (EU) 2015/757

As regards the rules for the monitoring of greenhouse gas emissions from offshore ships and the zero-rating of sustainable fuels

1. Introduction

Offshore Norway appreciates the opportunity to provide input on the Commission's proposal for the Delegated Regulation amending Annexes I and II of Regulation (EU) 2015/757 concerning the monitoring, reporting, and verification of greenhouse gas emissions and the zero-rating of sustainable fuels.

Offshore Norway is Norway's largest industry organization for operating companies and suppliers on the Norwegian continental shelf. It currently represents over 100 operator, supplier, and distributor companies within the oil and gas sector, as well as other companies active on the Norwegian continental shelf. In collaboration with several other industry organizations, Offshore Norway has through KonKraft committed to a 50% GHG reduction goal by 2030. KonKraft measures progress against its goals on a yearly basis. Operating companies and ship owners have been working for many years to reduce greenhouse gas emissions from offshore ships used in the petroleum industry.

Offshore Norway welcomes amendments to existing regulations aimed at governing the monitoring of greenhouse gas emissions from offshore ships. The organization views systematic monitoring and reporting as crucial for advancing the offshore industry's progress toward achieving net-zero emissions.

However, the organization is concerned that the current proposal may introduce unintended practical and administrative challenges. This note outlines Offshore Norway's perspective on the challenges with the present proposal and how the Commission's proposed amendments to Regulation (EU) 2015/757 could be revised to better support the green transition of the European offshore fleet. This input is the result of extensive dialogue between Offshore Norway and its member companies, as well as with other key stakeholders such as the Norwegian Maritime Authority and the Norwegian Shipowners organization. Our concerns have also been communicated to the Norwegian Environment Agency and the Norwegian Ministry of Climate and Environment.

2. Comments to the delegated act

Offshore Norway is concerned that the Commission's proposal may introduce significant unintended practical and administrative challenges. The key issues identified are:

- The intended scope of the amendment is unclear, making it hard to provide concrete input on which ships/ship categories to include.
- The proposed ship categories defined as 'offshore ships' could lead to considerable administrative costs, inconsistent application and risk of regulatory loopholes.
- The proposed ship categories risk leading to additional reporting and verification obligations for ships already covered by the EU ETS leading to a need for clear guidelines as to when which obligation applies.
- Need for clarification of key definitions concerning the offshore segment

The key issues are described in more detail below.

2.1 Unclear intended scope of the amendment

A fundamental issue when providing input on the Draft Act is the lack of clarity regarding the Commission's intended scope of 'Offshore ships'. For example, it is not clear whether the scope is meant to only include ships servicing the offshore petroleum industries or offshore sectors more generally including also offshore wind and carbon transport and storage. The list as it stands neither covers the offshore scope within petroleum nor exempts the renewable industry.

This complicates the process of providing meaningful input to the regulation. For example, if the goal is to list ships servicing only the petroleum industry, it should look different than a list that also includes those servicing offshore renewable energy, and carbon transport and storage.

Giving input to the proposed amendment, Offshore Norway assumes that the purpose of the regulation is to ensure the monitoring, reporting, and verification of greenhouse gas emissions from all vessels over 400 GT serving any offshore sector.

2.2 The proposed list of categories defined as 'offshore ships' could lead to considerable administrative costs, inconsistent application, and risk of regulatory loopholes

The proposed list of ships defined as 'offshore ships' in the Draft Act consists of the ship types categorized as offshore ships in S&P Global's Ship Type Coding System. Using the set-up in this database to determine which vessels fall under the MRV regulation is likely to result in substantial practical and administrative challenges.

The list does not comprehensively cover the full range of vessels operating within the offshore sector. By excluding certain relevant ship types, the draft delegated act leaves many vessels outside the scope of the MRV and ETS. This omission undermines the environmental objectives of the legislation and makes the regulation susceptible to obsolescence as new technologies and ship types emerge.

Another issue regarding the proposal is that the list of ship types does not correspond to categories used by the flag State to identify ships. The list therefore does not provide the flag State with a clear set of rules by which it can be determined whether a specific ship should be covered by the MRV regulation or not. This could mean that each regulatory authority would have to assess whether any individual ship should be categorized as one of the types included in the list. The result would be considerable administrative costs, uncertainty for the ship owner and risk of inconsistent application of the rules across ships and flag States.

These issues are exacerbated by the fact that many offshore ships are built to serve different purposes across several sectors (multi-purpose). Offshore ships are designed to be versatile and can serve various purposes regardless of the sector requesting their services. There is no uniform way to classify these multi-purpose vessels, so a single ship may be listed under different categories depending on the classification method used. Limiting the list to specific ship types could therefore encourage reclassification efforts to avoid inclusion in the MRV scope. It will be hard to avoid the risk of reclassification in any case where the definition of 'offshore ship' is determined by a list of ship types that falls into this category, regardless of the database or system used to determine the ship type.

Offshore Norway agrees with the Norwegian Maritime Authority's concerns regarding non-compliance with national statutory certificates and refers to their comments on the Draft Act.

In addition to the main issues regarding ship classification described above, Offshore Norway find that the proposed list of offshore ships contains several unclear or ambiguous categories. Some examples include:

- The term "offshore construction vessel, jack-up" raises questions about whether other types of offshore construction vessels are covered.
- Some offshore ships can offer accommodation to personnel without being categorized as "Accommodation Ships," leading to ambiguity about which vessels should be included in this category
- Several listed vessels, such as "Diving Support Vessels" and "Anchor Handling Tug Supply Vessels," are utilized in both the petroleum and offshore wind sectors, leaving the regulation's scope unclear

2.3 Potential additional reporting and verification obligations for ships already covered by national EU ETS regulations requires clear guidelines as to when which obligations apply

Some vessels (e.g. mobile rigs drilling production wells and FPSOs) that are already covered by the Norwegian MRV obligations for offshore installations under EU ETS could potentially also be covered by the MRV for offshore ships, depending on which ship types are included in the category 'offshore ship'. No emissions should be reported twice, and it is therefore important that clear guidance is provided under Norwegian regulations on when the different MRV regulations will apply. Offshore Norge believes the guidance should include a range of practical examples of how offshore operations will be incorporated into MRV.

2.4 Need for clarification of key definitions concerning the offshore segment

We believe that further clarification of key definitions related to the offshore segment is necessary. Specifically, clearer definitions of terms such as 'voyages,' 'ports of call,' and 'crew' within the context of offshore operations are needed. These definitions are crucial to ensure consistent and fair application of the regulation, and to avoid dual reporting and misunderstandings that could lead to non-compliance, inconsistent enforcement, and an uneven playing field.

Offshore Norge questions if the 'Port of Call' definition provides the necessary clarity. The current definition of a 'port of call' based on crew changes for offshore vessels does not accurately reflect the operational realities of offshore practices, resulting in potential ambiguities and varied interpretations. Ships engaged in offshore operations do not necessarily make regular port calls for crew changes. For some offshore vessels, crew changes can be rescheduled or avoided entirely, raising the risk of evasion by moving crew changes to non-EU ports or by using small crew boats to avoid regulations.

Clearly defining movement and activities between ports and offshore areas is crucial for the inclusion of offshore operations into the MRV system. This will help prevent duplication of reporting and reduce financial exposure to other regional MRV and ETS systems.

We strongly recommend that the Commission engage in further dialogue with industry stakeholders to improve the legislation and explore practical solutions that address these sector-specific challenges.

3 Proposed adjustments to the delegated Act

Based on the identified issues described above, Offshore Norway recommends the following adjustments to the Commission's proposal:

In the **short term**, Offshore Norway recommends adopting a negative definition of 'offshore ship' so that all non-transport vessels not currently covered by or explicitly exempt from the regulation falls within the definition of 'offshore ships'.

It could also be considered whether the national authorities in the coastal state should be given a mandate to define which ships are included in the scope of the regulation. This approach is believed to minimize the risk of excluding relevant vessels from the list and of vessels being reclassified to evade reporting requirements.

In the **longer term** the regulation could transition to activity-based definitions to determine which ships are included. This change would enable the regulation to adapt to the evolving nature of the offshore sector, ensuring that all vessels involved in emissions-contributing activities are regulated, regardless of their specific type. This approach would future proof the legislation, making it more resilient to technological advancements, the emergence of new vessel types, and industry changes.

An activity-based definition of offshore ships should be consistent with in Article 2.6 of the International Code of Safety for Ships carrying Industrial Personnel (IP Code): "The construction, maintenance, decommissioning, operation, or servicing of offshore facilities related, but not limited, to the exploration and exploitation of resources by the renewable or hydrocarbon energy sectors, aquaculture, ocean mining, or similar activities."

Offshore Norway once again expresses its gratitude to the Commission for the opportunity to provide feedback on the proposed Delegated Regulation and look forward to continuing our engagement in shaping regulations for greenhouse gas emission monitoring from offshore vessels and the zero-rating of sustainable fuels.

Yours sincerely

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