GETTING TO ZERO COALITION
GLOBAL MARITIME FORUM

Reflections on SMAP in the EU ETS revision for maritime

Background

- In July 2026, the European Commission proposed a revision of the EU Emissions Trading System (ETS) with several new measures for the maritime sector, including the Sustainable Maritime Alternative Propulsion (SMAP) mechanism. If approved, it would reserve up to 110 million emission allowances up to 2040 for the use of sustainable maritime fuels or the deployment and operation of zero-emission propulsion technologies.
- The Getting to Zero Coalition welcomes the revision as a valuable addition to the Fit for 55 package, alongside FuelEU Maritime, the Renewable Energy Directive, and the Alternative Fuels Infrastructure Regulation. Coalition members report that the combination of mandated targets and emissions pricing is already shaping their day-to-day investment decisions, but demand for alternative fuels remains low due to the fuel cost gap. By targeting the full maritime value chain, the EU's regulatory package can enable short-term compliance options while incentivising the early uptake of scalable zero-emission fuels to support the Paris Agreement's net-zero by 2050 target.
- SMAP is especially welcome as a much-needed demand-side measure for zero-emission technologies and fuels, including renewable fuels of non-biological origin (RFNBOs). Currently, a lack of offtake due to the fuel cost gap is limiting cost-competitive production, which has knock-on implications for the order of zero-emission vessels and the development of bunkering infrastructure. This is exacerbated by uncertain policy signals that prioritise cheaper transitional fuels, which delays demand for RFNBOs. So far, the Coalition has focused on how SMAP can be designed to facilitate long-term planning and improve the business case for scalable zero-emission RFNBOs. Going forward, the Coalition will explore how SMAP will interact with other regional policy mechanisms.
- As the ETS revision proposal passes through the legislative process, with agreement targeted for Q1 of 2027, the Coalition has identified several opportunities to strengthen SMAP's design in line with the EU's stated ambition, both through industry consultations and a public-private dialogue co-hosted with Transport & Environment. These discussions involved around 26 industry representatives from across the value chain, the results of which are outlined in this insight brief.

Design choices discussed with Getting to Zero Coalition members

Members discussed three areas, focusing on SMAP's ability to support RFNBOs and other scalable zero-emission options:

- long-term planning/predictability and what that means for investment flows and the business case for RFNBOs;
- the rule of origin (which currently stipulates that SMAP would only apply to fuel produced in the EU) and what this means for RFNBO uptake; and
- the green corridor exemption and its possible implications for both green corridor initiatives themselves and wider RFNBO investments.

Key messages from the Coalition to EU policymakers

1. **Support long-term planning and predictability by enabling forward allocation, multi-year blocks, and/or RFNBO ringfencing.** Forward allocation can increase certainty for shipowners that allowances will be available for the extent of their long-term offtake agreement. Blocks or ringfencing can ensure sufficient allowances go to scalable zero-emission fuels that need support over a longer time horizon, rather than prioritising an already limited pool of allowances for cheaper transition fuels in the short-term. This will improve project bankability required for long-term offtake agreements by giving fuel producers and shipowners greater certainty to invest in zero-emission fuels and technologies.
2. **Soften the rule of origin to protect European first movers operating globally, boost domestic and global cost-competitive RFNBO supply, and reflect fuel availability.** In this scenario, European production/clean tech manufacturing could still benefit from higher support rates, e.g. bonuses, under SMAP (and wider policy mechanisms), boosting domestic growth while simultaneously supporting European ports and shipping companies in bunkering and purchasing cost-competitive fuels produced in third countries. This would scale both domestic and global RFNBO production, avoid penalising first movers with existing offtake agreements in third countries, and support European energy security and competitiveness objectives.
3. **If strict rules of origin are retained, adapt the current green corridor exemption to instead focus on a clear list of exempt ports.** This removes uncertainty around which third-country-produced fuels are eligible for SMAP support and avoids conflating select ports with multi-stakeholder green corridor initiatives. Avoiding overlap with the concept of green corridors is important, because (1) a universal definition for what constitutes a green corridor does not exist and stakeholders are often unclear or undisclosed, and (2) green corridors are primarily voluntary initiatives on a specific route, rather than compliance-driven hubs.

Detailed design considerations discussed by the Coalition

1. Allowance allocation

Directing support to shipowners is a strength of SMAP's design because it places purchasing power in the buyer's hands, thereby stimulating demand. However, Coalition members are hesitant about whether SMAP's current allocation approach will truly provide the predictability and long-term demand signals necessary to create a future offtake market for RFNBOs.

If allowances are allocated annually, they are likely to flow to the fuels that are cheapest and most readily available today, such as biofuels, leaving little or nothing for longer-term options such as RFNBOs, which need more time to reach commercial scale. As a result, shipowners cannot rely on allowances lasting for the full term of an initial offtake agreement—a risk felt on both sides of the market. Shipowners struggle to commit to multi-year offtake without price and SMAP revenue certainty, and producers cannot raise financing without a committed buyer. Neither can assure lenders that SMAP support will remain available throughout the life of a 10-year contract signed in 2027.

The options proposed below would improve predictability for shipowners and fuel producers alike. If implemented in part or in full, they could help create long-term RFNBO offtake:

Option	Description	Effect on the RFNBO business case
"Book-in-advance" forward allocation	Allowances are reserved in advance for specific multi-year projects (mirroring the EU ETS aviation model).	Turns policy support into a firm, bankable commitment before capital is deployed.
Multi-year allocation blocks	Release allowance pots in fixed phases (e.g., Phase I: 2028–2033; Phase II: 2034–2040) with rollover for unused units.	Provides clear supply visibility and prevents early budget depletion by already mature fuels.
Ringfencing for RFNBOs	Reserve a dedicated segment of the allowance portfolio exclusively for RFNBOs with multi-year review periods.	Protects zero-emission fuels from head-to-head competition with cheaper, less scalable options.
Intermediary guarantee for fuel producers	Back commitments via a long-term intermediary (e.g. Hintco) to protect producers if buyers switch fuels or suppliers, particularly as shipowner demand alone may be insufficient to justify billion-euro investments.	De-risks fuel production facilities by securing revenue beyond individual shipowners.

2. Softened rule of origin

Under SMAP's current design, fuels eligible for support must be produced in the EU, an ETS-linked country, or an 'ETS as a service' country. Industry views on the rule of origin tend to differ depending on where companies operate. However, the global nature of the sector means the majority of Coalition members who engaged in these discussions favour softened eligibility rules, combined with other policy mechanisms, to further stimulate European production.

Such an approach would help scale up RFNBO production and uptake in both the EU and regions where these fuels are more readily available. Members note that the origin of a fuel does not change its renewable status or emissions impact, and that grants or subsidies could support EU production without excluding RFNBOs that meet environmental standards solely because of where they were made.

Members also note that the current design would effectively penalise first-mover companies that have already signed offtake agreements with non-European fuel producers, which could disincentivise future industry action and further slow shipping's transition at a critical juncture pre-2030.

A variety of different options for softening the rule of origin are proposed below. These would resolve issues around fuel availability and uptake while still advancing European competitiveness and energy security goals:

Option	Description	Effect on the RFNBO business case
Lower support rates for non-EU fuels	Apply a lower SMAP support rate to fuels produced outside the EU than to those produced in the EU.	Allows global fuel eligibility but incentivises domestic production, lowering fuel costs overall and enabling a global transition.
Phased-in approach (i.e. grandfather clause)	Allow third country eligible fuels up to a set date.	Protects European early movers who signed offtake agreements under earlier rules and stimulates cost-competitive RFNBO supply and demand globally while EU production scales up.
Regional-specific reference price for RFNBOs	Recognise that RFNBO prices differ by region by setting separate reference prices accordingly (e.g. Europe), instead of a shared market price. The cost gap is then calculated against the relevant regional price.	SMAP covers a share of the cost gap that reflects regional costs, making RFNBOs more competitive and bankable. This will drive costs down in the long run and support European production without making it the only eligible option.
European bunkering eligibility	Allow third country fuels bunkered in a European port to be eligible for SMAP.	Directs economic benefits to European ports and fuel distribution.
European technology eligibility	Offer SMAP support for projects that use European technology, such as electrolysers.	Boosts domestic clean-tech manufacturing while allowing global fuel eligibility, lowering fuel costs overall and benefiting European manufacturers.
Trade policy and carbon-intensity rules	Address unfair foreign subsidies through trade policy and apply strict lifecycle carbon-intensity rules under the Renewable Energy Directive.	Tackles unfair competition directly and maintains high environmental standards without geographic bans.

3. Exemptions (if strict rule of origin is retained)

If the strict rule of origin is retained, there is a risk that the current approach to the green corridor exemption leads to prolonged uncertainty around which third-country-produced fuels would be eligible for SMAP support. The current legal text empowers the Commission to adopt and update implementing acts to support projects in non-EU ports, including those identified in the EU Ports Strategy and those participating in green shipping corridors with EU ports. However, no specific locations are listed in the EU Ports Strategy, and without immediate clarity, business planning is likely to stall, further delaying shipping's transition.

The current exemption approach also risks conflating green shipping corridors — which are voluntary route-based initiatives — with select ports that could be eligible for SMAP support. This conflation is likely to result in a watering down of existing and new green shipping corridor initiatives into purely compliance-driven efforts. Coalition members also note that there is no universal definition for what constitutes a green corridor, and initiatives often have undefined participants and limited publicly available data, making the exemption practically difficult to implement.

A proposed solution is to reframe the green corridor exemption to instead focus on a targeted list of exempt ports and publish clear eligibility criteria. This would achieve the desired geographical clarity without complicating the concept of green shipping corridors and creating implementation challenges.

Option	Description	Effect on the RFNBO business case
Reframe from green corridors to 'exempt ports' or similar	Publish a clear list of non-EU ports eligible for SMAP support, in line with the objectives of the EU Ports Strategy, and establish a transparent process for updating the list.	Gives industry certainty on third country fuel eligibility.