New climate policies for offshore vessels

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Some background...

Emissions:
Offshore vessels contributes the most to emissions from domestic shipping with approx *1 million tonnes of CO_2 per year*.

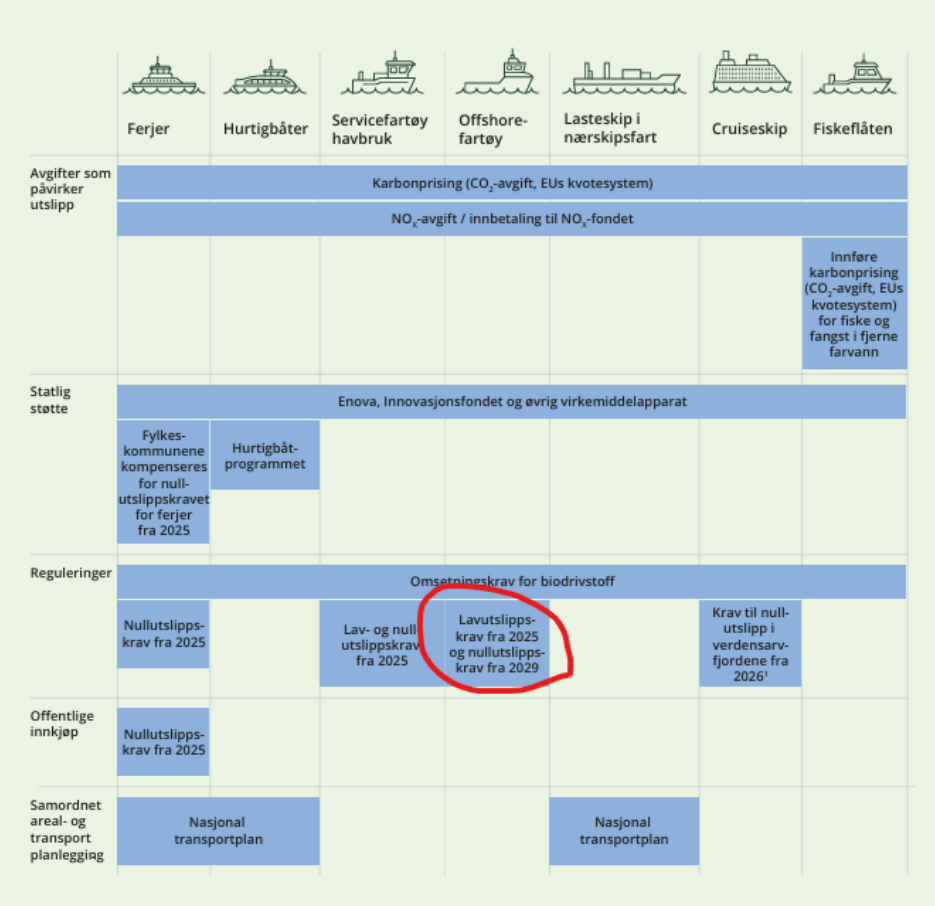
Government white-paper 2019: Proposes to assess climate regulations for offshore vessels

Hurdalsplattformen 2021: Government plattform includes ambitions for climate regulations for offshore vessels

National budget 2023: Parliament asks government to introduce zero emission regulations for offshore vessels

Labour-government 2025:
Proposal on public hearing

Norwegian national emissions budget



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Overview of the proposal

- The purpose of the regulation is to reduce greenhouse-gas emissions from ships used in connection with petroleum activities and to promote the development of zero-emission technology for such ships. *Estimated reduction is 1,4 million CO_2e from 2029-2040*.

- The regulation applies to operators (oil and gas companies) on the Norwegian continental shelf and covers vessels used in connection with petroleum activities.

- The GHG-intensity shall be reduced in four stages relative to a reference value: 10% (2029–2031), 15% (2032–2034), 20% (2035–2037), and 40% (2038–2040).

- The requirement applies in aggregate to all vessels performing activities on behalf of the operator, and not to each individual vessel.

- Operators may cooperate to comply with the requirement jointly.

Logic of the proposal in a nutshell

- The oil and gas companies must increasingly demand low carbon solutions, and expect higher day-rates and contract prices due to increased CAPEX/OPEX

- Due to the Norwegian petroleum tax system, oil and gas companies can deduct 78% of the investment (mirrored by a 78% tax on revenues)

- Estimated total abatement cost over the period is NOK **4.62 billion** → 78% of this (NOK **3.60 billion** (approx EUR **304.6 million**)) in public financial support

1.4 million tCO_2e × 3,300 NOK/tCO_2e
= 1,400,000 × 3,300 = ***4,620,000,000 NOK***.

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Potential overlap with international regulations

- Norwegian government proposal: All norwegian offshore vessels
- EU Emissions Trading System (ETS): Offshore vessels ≥ 5 000 GT from 2027. Review by 2027 if vessels ≥ 400 BT should be included
- FuelEU Maritime: Offshore vessels not included
- IMO Net-Zero framework draft: All vessels ≥ 5 000 GT. Norwegian Maritime Authority expects ≥ 400 BT by 2033.
- EU vs IMO: EU is obliged and will consider adjustments to ETS to avoid double pricing of the same emissions, and is expected to consider FuelEU alignment to avoid overlap in intensity requirements

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Technology options

- Liquid biofuels can’t be used for compliance
- Biogas can be used, provided it meets sustainability criteria.
- *Renewable fuels of non-biological origin and low-carbon hydrogen are double-counted until 2034.*
- Onboard carbon capture to be reviewed by 2028
- Wind assisted propulsion (WASP) no bonus credit
- Operational and energy efficiency measures alone won’t reduce GHG-intensity

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Consequences of the proposal for RFNBOs

- Reference value: GHG-intensity of **91,16 gCO_2e/MJ** (well-to-wake) – *same as FuelEU Maritime*.
- Todays estimated GHG-intensity of the Norwegian offshore-fleet: approx **90 gCO_2e/MJ** (well-to-wake).
- Shorepower and sustainable biogas expected to be used for compliance – what's left for other technologies such as RFNBOs?

year	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
No. RFNBO vessels	2	4	5	6	7	14	15	17	24	34	47	55
LNG/LBG vessels	15	15	15	15	15	15	15	15	15	15	15	15

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Plattform Supply Vessels (PSVs) ideal for conversion

- Long contracts reduces financial risk
- Regular routes (ports) and operational profile reduces technical risks and makes supply chain easier and cheaper
- Regular workforce ideal for crew training and contingency planning
- PSVs very much standardized which makes replication and scale easier
- PSVs mainly connected to Norwegian market – avoids possible distortion of Norwegian ships-owners competitiveness in other markets with less demanding policies


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