

Political uncertainty in the Netherlands to slow green synthetic fuel transition in shipping and aviation

The Dutch cabinet fell days after publishing the draft National Plan Energy, which highlighted ambitious plans for synthetic fuel. This is important as it addresses the large role of fossil-based bunker fuel in the Netherlands for shipping and aviation. Progress to green this fuel could be delayed unless the plan is completed by the caretaker cabinet



The National Plan for Energy puts synthetic fuel in aviation and shipping in the spotlight

Energy and Climate Minister Rob Jetten had just revealed the draft version of the National Plan Energy (NPE) before the Dutch cabinet collapsed. The plan aims to better understand how the Netherlands can transition to net zero by 2050.

Synthetic fuel is a vital ingredient of a net zero economy, particularly in aviation and shipping.

While regulation of airlines and shipowners is often international, the Netherlands is a major player in the supply of bunker fuel to the aviation and shipping sectors in the European Union. Planes fill up at Schiphol airport, and ships at the Port of Rotterdam, Europe’s largest bunker port. Therefore, the Dutch play a vital role in pushing the production and availability of synthetic fuel.

Total greenhouse gas emissions from the combustion of bunker fuel sold in the Netherlands to international aviation and shipping clients amounted to approximately 43.8 megatons of CO₂-equivalents in 2021, according to the Netherlands Environmental Assessment Agency (PBL). That is about a quarter of the total emissions in the Netherlands and more than 13 megatons higher than those from domestic mobility.

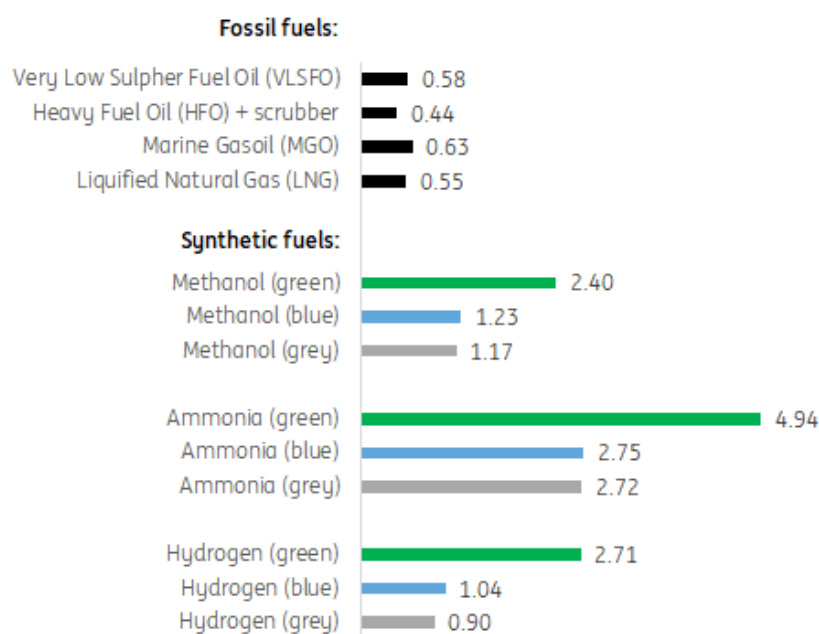
Emissions from bunker fuel don’t show up in the national emission figures under current carbon accounting rules and hence are not subject to the national emissions reduction targets of the Netherlands, despite their significance. The National Plan for Energy does a good job of exposing these figures while looking for ways of greening these fuels as we are likely to still use ships and aeroplanes in a net zero economy.

Synthetic fuel is up to 10 times more expensive

Marine [shipping](#) accounts for 75% of the emissions from Dutch bunker fuel. Here, synthetic fuel can be five to 10 times more expensive, with green ammonia currently being the most expensive option.

Green synthetic fuel in shipping is currently five to 10 times more expensive

Indicative unsubsidised cost of shipping fuel in euro per dead weight tonnage per 1.000km (euro/DWT/1.000km)



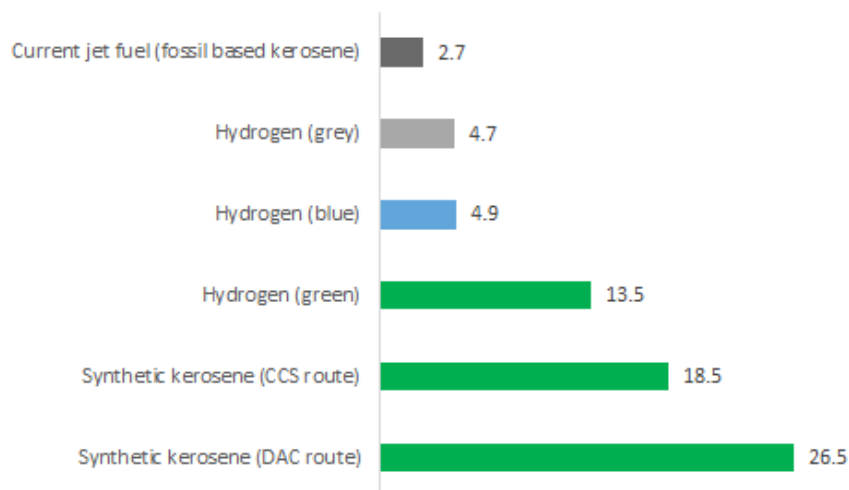
Source: ING Research

All the assumptions can be found in the source article by clicking the hyperlink on 'shipping'

In [aviation](#), which accounts for a quarter of the emissions from Dutch bunker fuels, synthetic fuel currently increases fuel costs seven- to tenfold. Substituting traditional jet fuel with hydrogen-based synthetic fuel would raise the cost of a return ticket from Amsterdam to London by about +150%, to New York by +400% and to Sydney by +450%.

Green synthetic fuel in aviation is seven to 10 times more expensive

Indicative unsubsidised cost of kerosene and synthetic fuel in euro cents per seat per kilometer



Source: ING Research

All the assumptions can be found in the source article by clicking the hyperlink on 'aviation'.

So irrespective of what is likely to be the dominant synthetic fuel in shipping and aviation, a lot of money and policy is needed to finance the transition.

We can expect shipowners and airlines to investigate the potential of synthetic fuel for their companies. We can also expect them to invest in small-scale pilot and demo projects. But we cannot expect them to make the switch from fossil-based fuel to synthetic fuel if the business case is so much more expensive than the existing technology.

Therefore, the final version of the NPE should not only provide more insight into the role of synthetic fuel in shipping and aviation, it should also come up with credible instruments and budgets to finance the transition.

Political uncertainty in the Netherlands is likely to slow the greening of bunker fuel

The final version was scheduled for late 2023 and was supposed to provide more insight into how synthetic fuel can green bunker fuels in the Netherlands and the larger green corridor that relies on these fuels. That has become [uncertain](#) with the collapse of the cabinet.

The House of Representatives will [decide](#) in September whether or not the caretaker cabinet

completes the final version of the NPE or whether this will be left to a new cabinet. Given the long investment cycles in bunker fuel facilities and their transition pathways, it should come sooner rather than later.

Authors

Gerben Hieminga

Senior Sector Economist

gerben.hieminga@ing.com

Rico Luman

Senior Sector Economist

Rico.Luman@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.