

## 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 CO<sub>2</sub>-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.

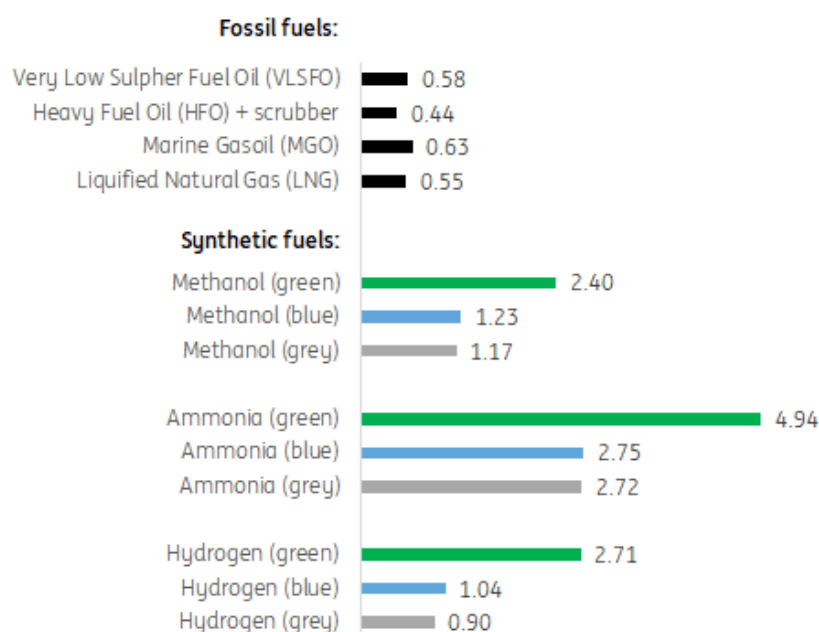
Emissions from bunker fuel don't show up in the national emission figures under current carbon accounting rules and hence are not subject to the national emissions reduction targets of the Netherlands, despite their significance. The National Plan for Energy does a good job of exposing these figures 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)



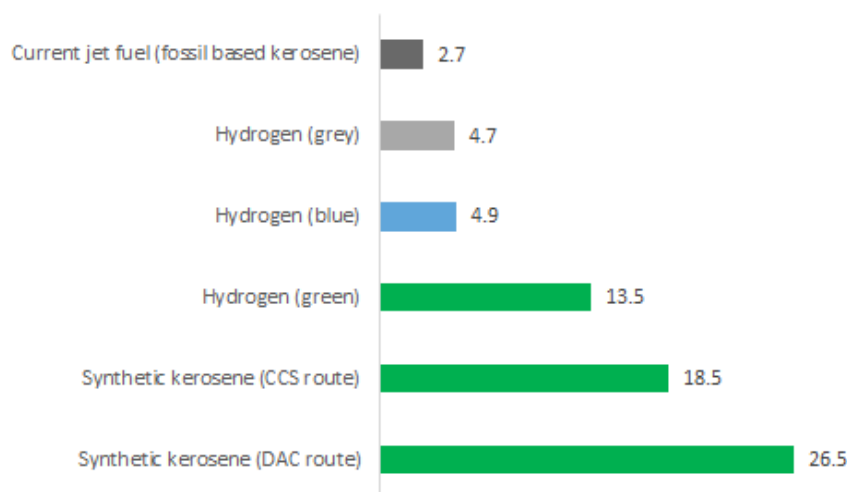
Source: ING Research

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.

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