February 2025

FAQ: Argus FuelEU costs, Ucome abatement prices

What has *Argus* launched?

Argus has launched two FuelEU cost of compliance prices that represent the cost of abating one tonne of CO_2 equivalent (CO_2e) by bunkering used cooking oil methyl ester (Ucome) instead of marine gasoil (MGO) or very low-sulphur fuel oil (VLSFO). The prices are called FuelEU Ucome-MGO abatement and FuelEU Ucome-VLSFO abatement, and are published daily in €/tCO_2e and \$/tCO_2e.

The prices are calculated as the difference between the *Argus* RED Ucome fob ARA range and *Argus* 0.1pc sulphur MGO fob northwest Europe barge or *Argus* 0.5pc sulphur fuel oil fob northwest Europe barge prices, divided by the difference in well-to-wake (W2W) emissions for the biodiesel and the conventional fuel.

Both fuel price and emissions are adjusted for the difference in energy content between Ucome and MGO or VLSFO, and converted to a common per tonne of MGO or VLSFO equivalent basis. Ucome is assumed to have a lower calorific value of 37 GJ/t and MGO of 42.7 GJ/t, in line with RED Annex III and the FuelEU Maritime default as per regulation (EU) 2023/1805. W2W emissions are based on standard values laid out in regulation (EU) 2023/1805 and include CO_2, CH_4 and N20 emissions using AR4 values from the IPCC, in line with the current FuelEU Maritime standard.

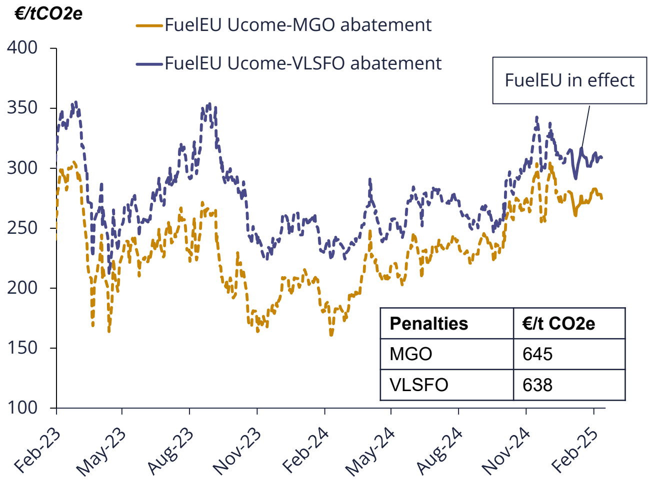
Argus will also publish the FuelEU VLSFO and MGO penalty in €/t CO_2e and \$/t CO_2e for comparative purposes.

Why launch FuelEU cost of compliance prices?

Shipowners and charterers need a way to value the cost of compliance under FuelEU Maritime regulation that came in to effect on 1 January 2025. These prices allow companies to decide if it is more profitable to:

- Trade compliance, allowing sellers to generate a new revenue stream and buyers to avoid physical bunkering of low-emission fuels
- Save compliance for later reporting years by banking it
- Make no changes and pay the FuelEU penalty

Argus Fuel EU Ucome abatement prices



**Dotted line shows back calculated data for illustrative purposes*

FuelEU compliance trading started in January and is ramping up as shipowners explore how they can manage compliance balances. Charter party agreements also need a price that values the transfer of positive compliance generated on a vessel or any potential compliance balance owed.

Global shipowners association Baltic and International Maritime Council (Bimco) has reacted to this market need, providing a FuelEU time charter clause referencing payment of any positive compliance balance in currency/tCO_2e.

How can this price be used by shipowners and charterers?

- To determine whether it is more profitable to sell compliance, bank it, or pay the penalty
- In contracts to value the sale of compliance to other shipowners
- For internal transfer of the value of compliance within a company's own fleet
- To determine the value of compliance generated during long or short-term charter agreements
- To hedge compliance exposure using the Ice futures Ucome contract

Why choose Ucome as the abatement fuel?

Biodiesel — a readily available drop-in fuel — is the only way for a shipowner without alternative vessels in its fleet to reduce greenhouse gas (GHG) emissions by bunkering. For this shipowner there are three options — bunker biodiesel, pay the penalty or buy compliance.

Ucome is the most popular biodiesel globally for marine blending and the *Argus* Ucome fob ARA spot price is widely referenced in term contracts. *Argus* Ucome fob ARA is underpinned by daily trade on the Argus Open Markets (AOM) platform, on which 667,000t of Ucome was traded in 2024. The established Ice futures Ucome contract — with 1.3mn t traded as of September 2024 — clears against this price.

Can I use this price to value compliance generated from B30 and B24 blends?

The price is based on a tonne-to-tonne comparison of the biodiesel and conventional fuel, so it can also apply to blends of varying biodiesel percentages. For example, if a vessel bunkers 1,000t of B30 (30pc Ucome and 70pc VLSFO) on a voyage, then it has consumed 300t of Ucome.

What is 'pooling' and how does this make compliance trading possible?

Pooling is a flexibility mechanism under FuelEU Maritime that facilitates compliance trading. It allows a shipowner to aggregate the compliance generated by its fleet with the aim of achieving a positive compliance balance across the entire pool at the end of the reporting year. If a shipowner has any excess after its own compliance requirements are covered, it can choose to 'sell' it to another shipowner under the pooling mechanism. In effect, the shipowner would be allowing another shipowner to join its pool.

How this prices works with EU emission trading scheme (ETS) costs

This price does not include the EU ETS, but adjusted 'net-ETS' prices in €/tCO_2e (or $/t$CO_2$e) can be considered with *Argus* FuelEU cost of compliance prices to understand the additional benefit of bunkering RED-compliant Ucome that has a default CO_2 emission factor of 0 under EU ETS.

Why choose a Ucome abatement approach rather than a penalty-based approach?

Pricing compliance based on the penalty is a 'worst-case scenario' and could be more expensive than the value of generating compliance by bunkering Ucome.

Shipowners use-case example

Shipowner A bunkered marine biodiesel in February at an abatement price of €275/tCO_2e. Towards the end of the reporting year, shipowner A realises that it is overcompliant with the FuelEU reduction requirement. Shipowner B, on the other hand, is undercompliant. But at that stage, the abatement price had risen to €400/tCO_2e. Shipowner B may now have three options — bunker marine biodiesel at an abatement price of €400/tCO_2e, pay the penalty at €638/tCO_2e, or join Shipowner A's pool. The margin for shipowner A between the abatement price paid in February and the abatement price later can potentially set the starting point for a price that shipowner B could pay to join Shipowner A's pool.

For more information

These prices are published in the ***Argus Biofuels*** and ***Argus Marine Fuels*** daily spot price reports. For general queries on our global marine biodiesel price suite and to talk to one of our experts, please contact ***oil-products@argusmedia.com.***