Oakfield Insights.

Sustainability | Financial Markets | Real Estate | **Marine Assets**

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EU Maritime Reforms.

Six months in – what Middle East operators are seeing and preparing for.

As the phased implementation of the European Union (**EU**) sustainability and governance reforms progresses, the direction of travel is becoming clearer. Some rules are already in effect, while others are only beginning to bite. Early impacts are now being felt across the maritime sector, not uniformly, but noticeably.

For shipping and bunkering businesses operating from the United Arab Emirates (**UAE**) and wider Middle East region (**MER**), these developments are more than background noise. They are changing how voyages are planned, how contracts are written, and how risk is assessed. Compliance is essential, but the key differentiator lies in how proactively firms respond, and how clearly that preparedness is conveyed to clients and stakeholders across multiple jurisdictions.

Carbon costs are now real.

The expansion of the EU Emissions Trading System (**ETS**) to cover maritime transport has moved from policy to practice. Since January 2024, shipping companies have been required to account for a portion of emissions on EU-linked voyages. That share increased to 70% this year and will rise again in 2026. At the same time, the FuelEU Maritime Regulation came into force in January 2025 requiring ships to progressively reduce greenhouse gas intensity, starting with a 2% cut, with further tightening to follow.

For MER-based operators, particularly those calling at EU ports or bunkering through Fujairah, the implications are immediate. Fuel strategies are evolving, allowance costs are reshaping voyage economics, charterparty clauses are under review, and carbon cost-sharing is emerging as a commercial discussion point.

These regional rules build on a wider regulatory baseline. The International Maritime Organisation (**IMO**) already requires global compliance with the 'Carbon Intensity Indicator' and the 'Energy Efficiency Existing Ship Index', and is working towards a new fuel standard and pricing mechanism for carbon emissions later this decade.

But while the IMO sets the floor, the EU is now setting the ceiling, with rules that create direct cost exposure, apply extraterritorially (based on voyage activity rather than flag), and advance on a faster timeline. As a result, MER operators trading into Europe face a clear shift from technical compliance to regulatory cost management.

CBAM: tighter rules, rising risk.

The Carbon Border Adjustment Mechanism (**CBAM**) remains in its transitional phase, but emissions reporting obligations are already live for importers of certain high-emission goods such as steel, fertilisers, and aluminium, with financial charges taking effect from 2026.

While CBAM does not regulate shipping services directly, MER-based maritime firms involved in logistics or customs are increasingly exposed. Those handling or clearing affected goods into the EU must navigate new documentation, emissions declarations, and authorised importer procedures, including emissions registration and reporting protocols.

Even minor delays in emissions reporting can cause hold-ups at the border. Enforcement rests with individual EU customs authorities, and implementation to date has been uneven. For UAE firms operating from free zones or acting as intermediaries, strong internal processes will be key to avoiding disruption.

ESG is no longer optional.

The Corporate Sustainability Reporting Directive now applies to large EU businesses. Its companion, the Corporate Sustainability Due Diligence Directive, is pending but will require member states to establish national supervisory frameworks and is expected to apply to large non-EU companies with significant EU turnover. Both sit within broader Environmental, Social, and Governance (**ESG**) standards.

MER-based maritime operators are already seeing the commercial impact. ESG clauses are increasingly common in charterparties, procurement contracts, and financing agreements, while due diligence expectations are now shaped as much by client and lender standards as by regulation. This shift is particularly visible in tenders, RFPs and refinancing mandates involving EU-facing operations.

For operators and service providers with EU-facing clients, demonstrating structured ESG governance is fast becoming essential. This includes emissions monitoring, labour standards oversight and supply chain risk mapping, where proactive documentation can offer a competitive edge.

Sanctions: a moving target.

The EU sanctions regime continues to expand in response to geopolitical developments, especially the Russia–Ukraine conflict, and further measures are expected, focusing on shadow fleets, transhipment practices, and circumvention strategies.

While EU sanctions regulations have direct effect across the bloc, enforcement is the responsibility of individual member states, resulting in scrutiny and follow-through that still vary by port and jurisdiction. A directive adopted in April 2024 (and which member states must implement by May 2025) aims to bring greater consistency by introducing minimum criminal penalties across the EU for serious breaches.

For Middle East fleet managers and bunkering providers, particularly in key transhipment hubs such as Fujairah, Sohar, and Jeddah, vigilance is essential. Contractual clarity around sanctions compliance should now be boilerplate across charterparties and fuel contracts. Screening systems must be robust and up to date, supported by clear internal protocols and documented audit trails. The question is no longer if regulators will act, but how soon.

Supply chain risks.

Two further EU measures are increasing scrutiny over supply chain inputs. The EU Deforestation Regulation, in effect since December 2024, prohibits market access for goods linked to deforestation. A separate regulation banning products associated with forced labour is expected to take effect in 2027 and establish an EU-level authority empowered to block goods at borders.

While neither law directly targets maritime services, both carry real implications for MER-based operators. Carriers or ports handling non-compliant goods, may face delay, disruption, or reputational risk if scrutiny is triggered at EU entry points.

Where cargo is consolidated in Middle East ports, firms should consider upstream due diligence, declarations of compliance, and embedding ESG terms into standard trading documentation. Enforcement increasingly targets entire supply chains, not just importers.

Oakfield Outlook.

The EU's regulatory agenda is far-reaching, but it remains uneven in both implementation and enforcement. For MER-based shipping and bunkering firms, this is a time for "measured readiness". Strengthening internal systems, reassessing contractual allocations of risk, and building ESG competence will help meet rising expectations, and distinguish compliant operators from credible partners.

The first half of 2025 has tested regulatory awareness; the second will challenge operational response, where compliance is not just required, but expected.