International Transport Forum

Ports as strategic assets

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OECD

Ports are strategic assets

… for a stronger, greener, fairer, smarter Europe

- A powerful geopolitical tool
- Catalyst for climate change mitigation
- Generator of employment and social cohesion
- A testing bed for innovation

Within a dynamic global-local interaction

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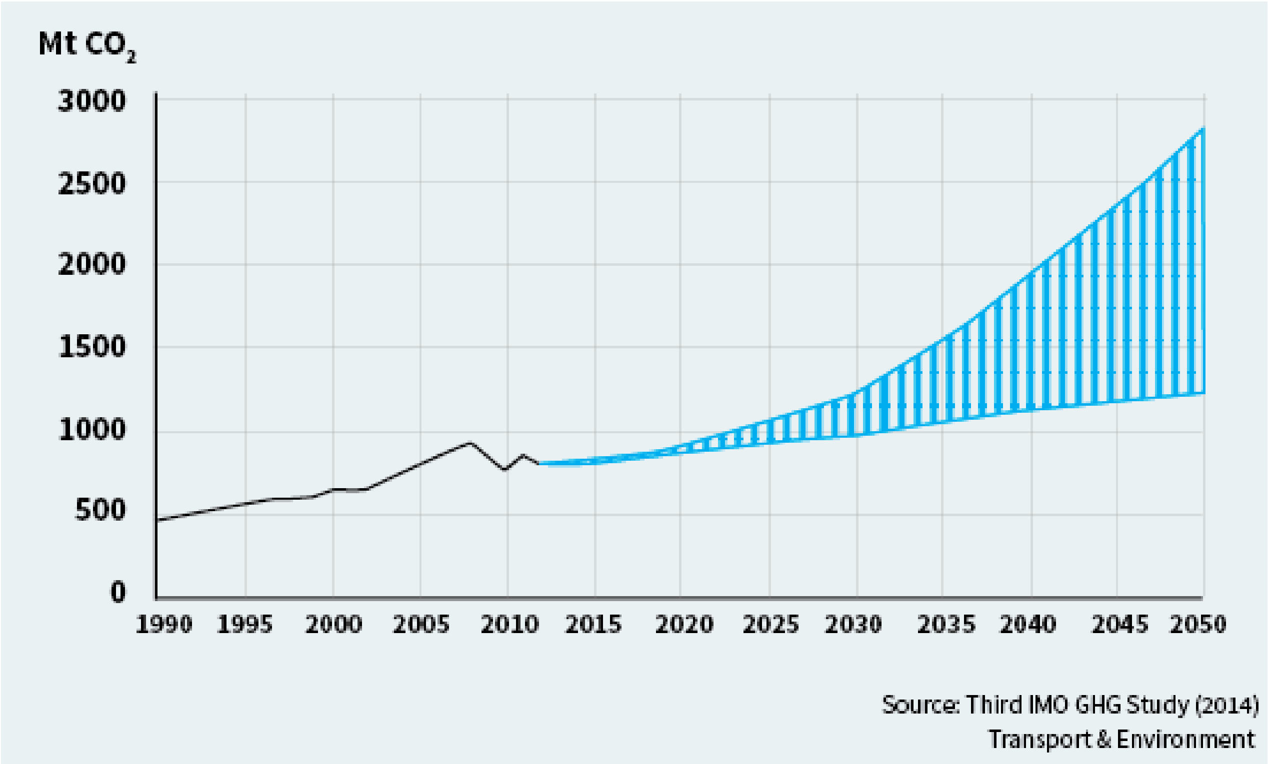
Ports as catalysts for climate mitigation



Could ports be the tail that wags the dog?

Strategic climate change incentives by ports

Three levers: dues, concessions, berth allocation

Port dues:

- Lower port dues if ship reduced **speed** in territorial waters (Long Beach)
- Not only local pollutants, also **carbon** (Sweden): adapt criteria ESI, GreenAward
- Not only bonus, also **malus**. So more coordination between ports needed

Port concessions and procurement:

- Carbon emissions as one of criteria for port concessions (terminals, towage).
- Related: carbon targets for EU funding of port infrastructure

Berth allocation:

- Clean ship jumps queue (Panama)

Put such incentives in IMO 2018 Initial GHG Strategy

Ports as a strategic geopolitical tool to…

- …prioritise own and strategic supply chains (preferential berthing)
- …block supply chains of foreign nations (via port closures or more subtle measures)
- …provide services to naval vessels (provisioning, bunkering, ship repair)

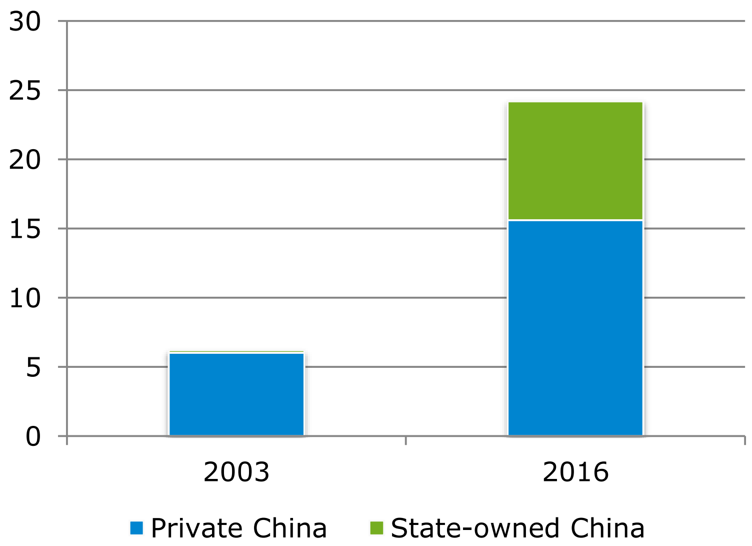
Becoming increasingly relevant in current context (“We are on our own now” – Angela Merkel)

Ports and geopolitics: current state

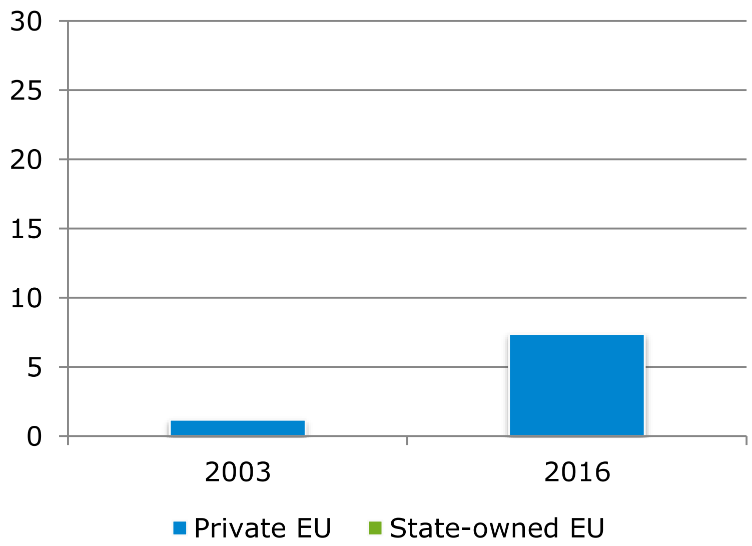
- Growing divergence of Chinese participation in EU ports and EU participation in Chinese ports
- Emerging ambition of Chinese state-owned companies in foreign terminal operations.
- Asymmetry in allowed foreign ownership shares
- Privatisation of port authority functions
- Increased inter-relation of carriers and terminals (and terminal joint ventures) obfuscating matters

Growing divergence

Chinese terminal stakes in Europe



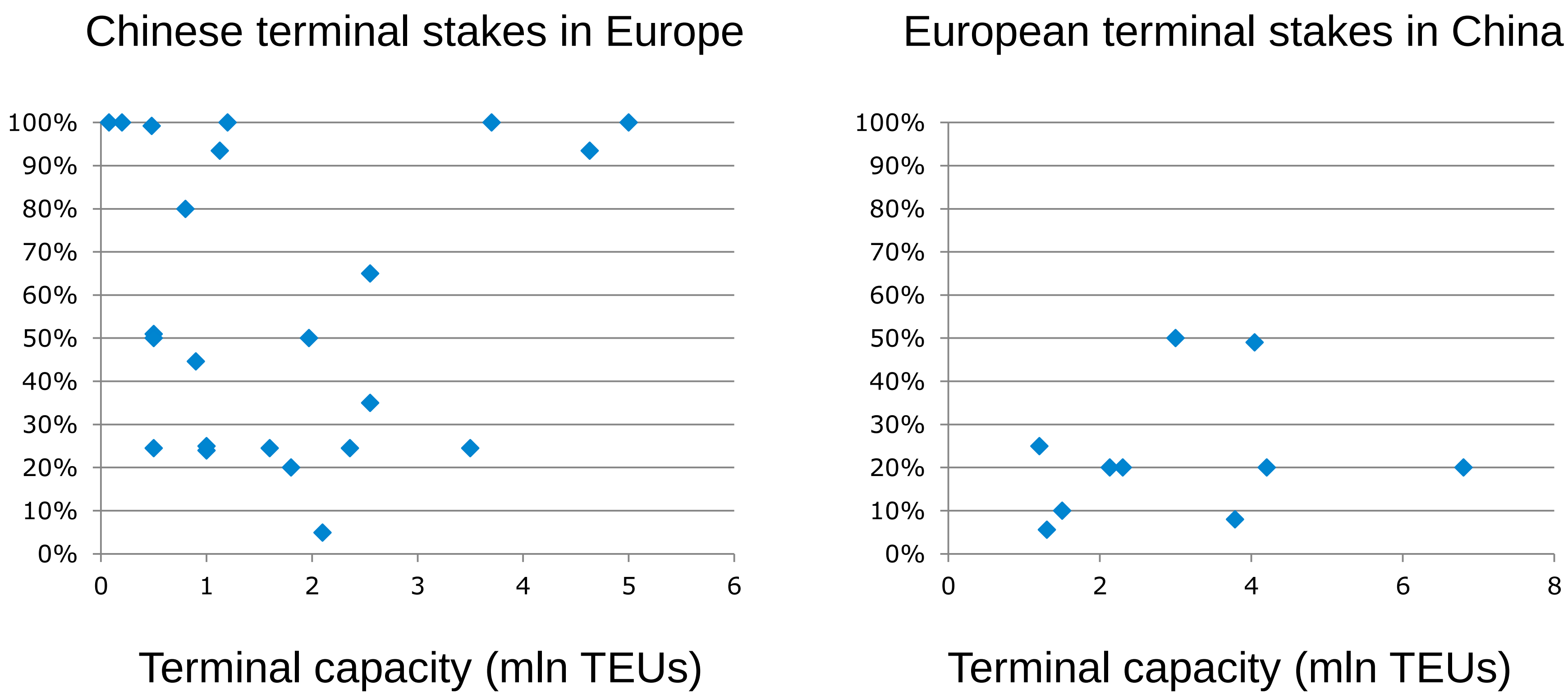
European terminal stakes in China



Chinese state-owned capacity in EU: 8.6 mln TEU

Source: ITF/OECD elaborations based on Drewry

Asymmetry foreign ownership shares



No European majority stakes in Chinese ports

Source: ITF/OECD elaborations based on Drewry

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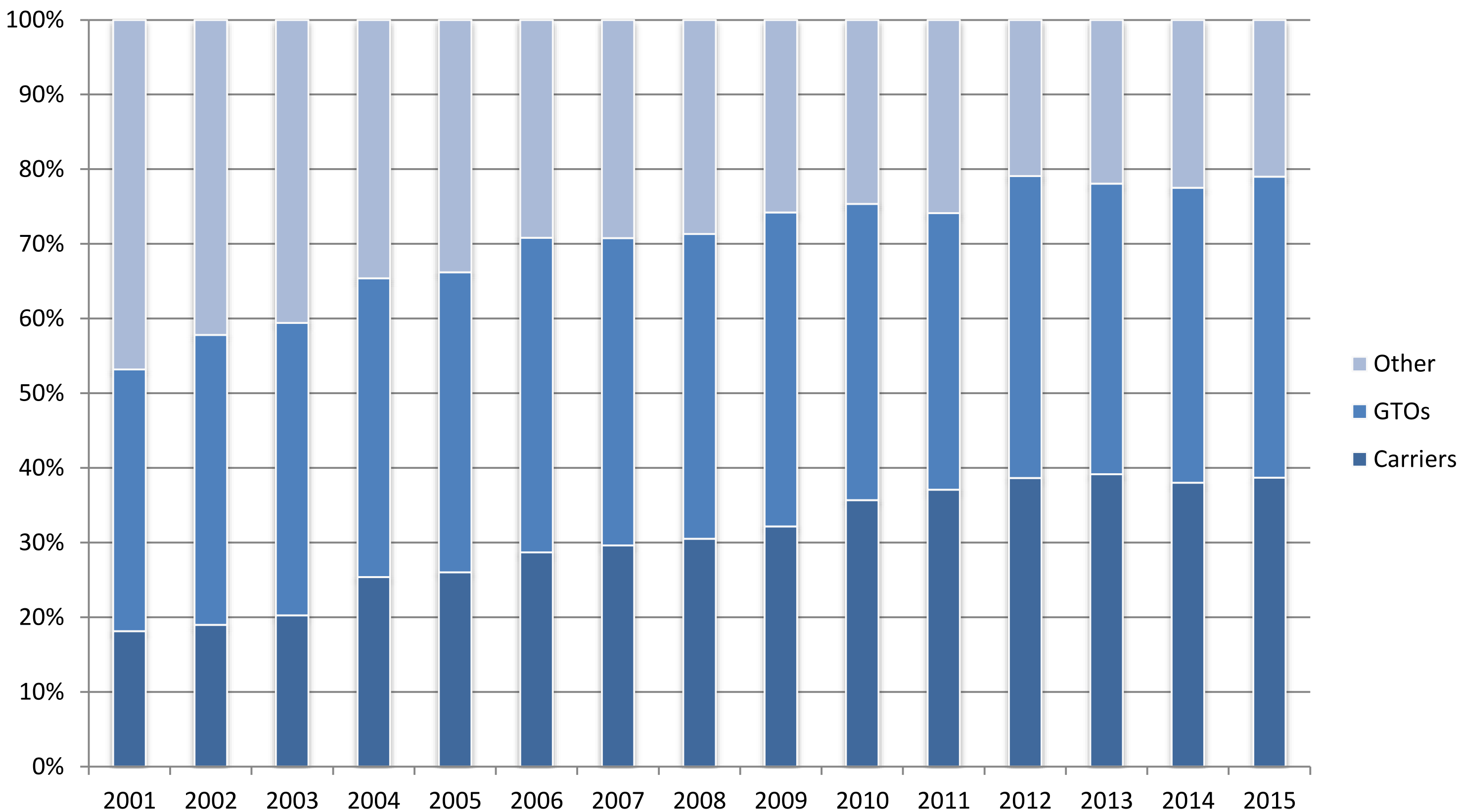
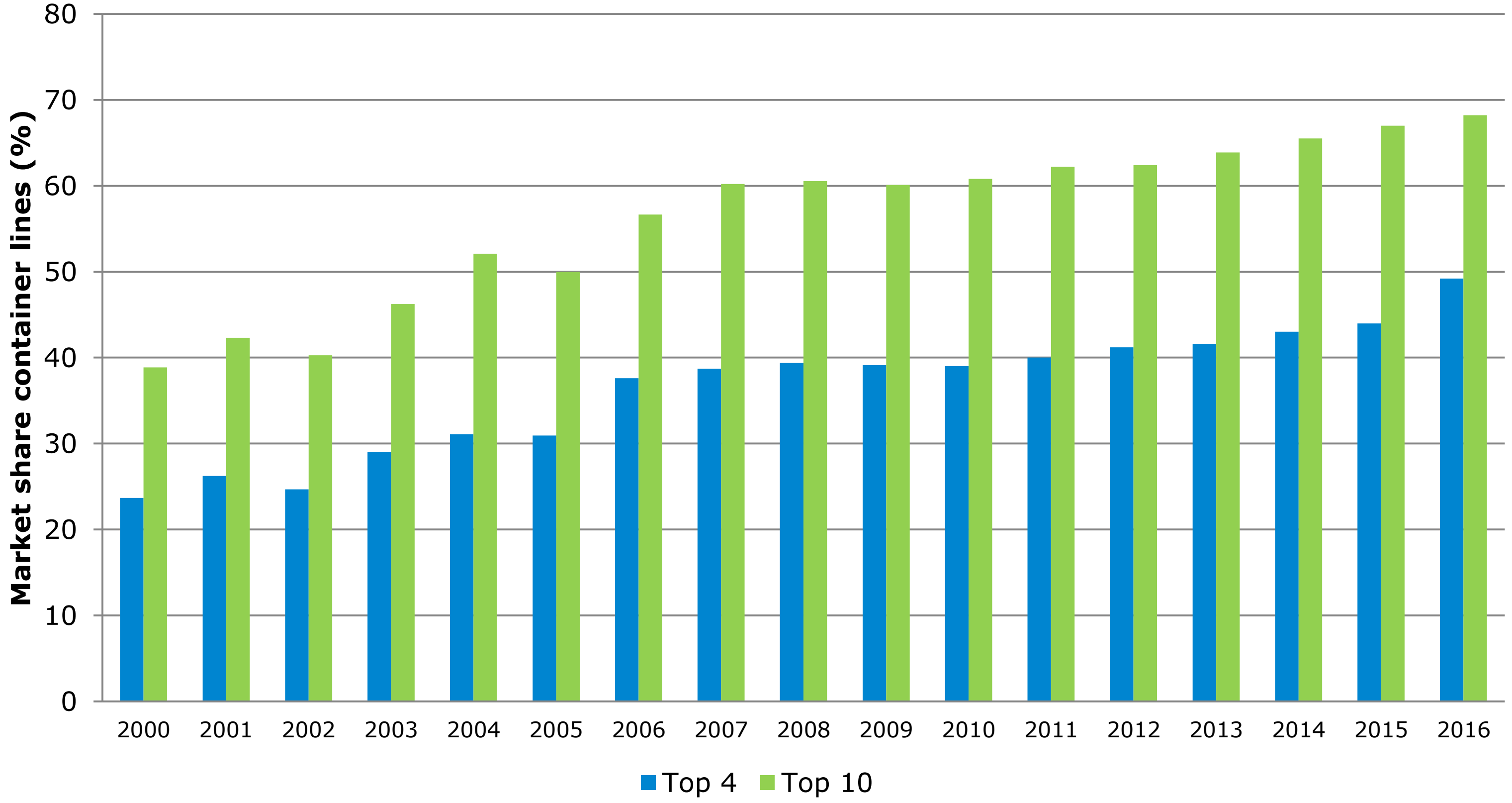
Vertical integration (carriers-terminals)



Carrier-owned terminals have 38% market share of terminal capacity

Source: ITF/OECD elaborations based on Drewry

Horizontal integration



Top 4 carriers have 50% market share of container ship capacity

Source: ITF/OECD elaborations based on data from Alphaliner

Links between carriers and terminals

- Will carrier consolidation lead to trend of ports replacing multi-user terminals with carrier-driven terminals because they "bring cargo"?
- So an easy target for quickly expanding carrier-driven terminal operators?
- Acquisition of even a small share in a carrier could give a foreign state a majority share in the terminals owned by the carrier
- E.g. CMA CGM and Terminal Link

How to be more strategic?

- Reciprocity in market access to port operations?
- Are ports less strategic than airline sector? They have maximum 49% foreign ownership.
- A list of strategic regulatory port functions that should not be privatised?
- Towards a network of global ports essential to EU supply chains or naval interests? Network formed by the foreign stakes of EU public ports

Thank you!

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