



There's renewed focus on opportunities for Europe's ports, as **Felicity Landon** explains

COMPETITIVENESS, DIGITALISATION AND decarbonisation – these are the three strands of the Valletta Declaration on the EU's maritime transport policy, approved by ministers earlier this year. The European Sea Ports Organisation (ESPO) has already expressed its hope that the Maritime Year will “reinforce the support for modern, sustainable and well-connected European ports, pave the way for maritime trade facilitation and simplification and, last but not least, embrace the sustainable agenda of European ports”.

Isabelle Ryckbost, ESPO secretary general, says each of the three themes address some real challenges for Europe's ports.

“For competitiveness, infrastructure development remains a big priority,” she says. “It isn't so much about always increasing capacity and adapting to the bigger size of ships – it is for many other reasons, including climate, environmental reasons, safety and security. There is a continuous need to invest in ports and we therefore plead to keep or enhance the possibility to have funding through the TEN-T and CEF (Connecting Europe Facility) policy.”

Digitalisation relates to the whole Single Window discussion, she says: “There really should be a focus on harmonising data so that whether you are in Country A or Country B, you should be asked for data in the same way. It is essential that formalities are simplified. Europe is preparing a review of the Directive 2010/65 (on ships' reporting formalities) and we are very much in favour of looking for solutions – including looking at what is happening with blockchain.”

Decarbonisation and the sustainable agenda are the third focus. European ports must contribute to the global, European and national climate and decarbonisation agenda, says ESPO – and it has emphasised that the IMO is the best forum to introduce CO₂ targets and measures to reduce emissions from shipping in line with the Paris Agreement. “We believe this should be covered by the IMO, i.e. at global level, but if this doesn't happen by 2023, probably it should happen at European level,” says Ms Ryckbost.

Allied to this, she points out, is the huge challenge for ports in terms of cargo. “Almost 40% of European ports' throughput is related to sources of energy, so it also affects business in ports – although I am not saying that it is not also an opportunity,” she says. “In renewable sources, ports will also play an important role and that is positive. But this will come with a lot of investment that is not bankable in the short term. It will be important that ports can play a role in the

Chances and challenges



SLUGGISH: it's been a slow recovery for ports in the Baltic

decarbonisation economy and facilitate the uptake and production supply of other sources of energy – but they will probably need to have some support as well.”

DEALING WITH OVERCAPACITY

Port overcapacity is a big issue in Europe, says Paul van Eulem, director of the Rotterdam-based finance and strategy advisory firm Maritime & Transport Business Solutions (MTBS).

Isabelle Ryckbost
ESPO



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“The challenge will be to assess alternative uses for terminal land areas. We are seeing companies that in principle do not need a quay area being located again in these high-value port lands. In recent years, such companies were relocated to less expensive areas outside the port – or at least non-coastal land areas – but this trend is reversing somewhat.

“Next, there will be a need for the renegotiation of concession agreements, as volume guarantees, time triggers, etc., are not feasible any more, and that will result in even more overcapacity.”

The reshuffling of the major container line alliances offers both chances and challenges, says Mr van Eulem. “We will see fewer ports calls and a shift of large volumes ‘packages’ to the best ports. Second best does not exist anymore – the winner takes it all.”

With this, he says, the ‘peak factor’ becomes more important. “Unloading vessels of over 20,000 teu will be challenging for terminal operators and it is likely that hinterland connections are not capable of dealing with this peak factor, so congestion will occur.”

MANAGING RISK

Port authorities will probably have to accept a higher share of market risk in new concession agreements, with direct effect on public financing possibilities, he adds. He also expects further consolidation of terminal operators, following the shipping lines' example, and more need for port authorities within a country to collaborate along the lines of a national port masterplan, not always to compete, as this leads to more overcapacity issues.

“Co-operation or even mergers can be seen between cross-border port authorities – the best

Antwerp's dual focus

AFTER RECORD VOLUMES in 2016, the Port of Antwerp has reported further growth this year, handling 54.3m tonnes in the first quarter – 1.5% higher than the same time last year.

Containers volumes were up 0.7% to 2.48m teu in the first three months, and there were increases in ro-ro (up 5.3%), cars (2.8%) and conventional breakbulk (8.3%).

"We had a great first quarter with very good figures and we expect this to continue," says chief commercial officer Luc Arnouts. He is keen to point out the advantages of having three terminals outside the locks to suit the needs of the new container line alliances – enabling flexibility of calls and interchanging of containers. "The three terminals are more or less handling each different alliance and I think that is very attractive, providing operational and commercial advantages through the possible combinations."

Inside the locks, meanwhile, the focus is on development at two key sites: Delwaide Dock, where MSC vacated its old Home Terminal to move out to the Deurganck Dock, and the Churchill Industrial Zone.

At Delwaide Dock, there have been investments in liquid bulk storage and breakbulk operations and, interestingly, containers are on the agenda once again, run by the SEA-Invest Group.

"This is a golden opportunity to serve the big alliances in Deurganck Dock while also providing facilities for niche players inside the locks – direct services to and from Africa, for example," says Mr Arnouts. "This would likely be independent container lines conducting services between specific countries or regions – we do believe there is still room in the market for these niche players."

At the Churchill site, the port authority announced in May that it would be seeking a new investor. Energy Recovery Systems Company (ERS) held an option to develop a waste-to-chemicals plant on the site but needed more time. "The company has been in long talks with us but finally they are not ready in time and we can't keep on waiting," says Mr Arnouts. "The company is continuing to work on its plans and would still be welcome, but it doesn't have the exclusivity."

"Our strategy is to further develop our circular economic activity. There are already some operations, but this one is unique because it would be converting waste into chemical components. It would be a great project to strengthen our industrial cluster as well as generating a lot of maritime business."



ADDED BONUS: Antwerp sees its Deurganck Dock as a 'golden opportunity' to serve the big alliances

example being Malmo and Copenhagen, but also now between Ghent and Zeeland Seaports, as well as co-operation in hinterland links."

Among projects that MTBS is currently working on are the Thessaloniki tender, Croatia masterplan, Lisbon development and Venice masterplan – all examples that the southern region is trying to upgrade its port sector, says Mr van Eulem. As for the north/south debate, some southern ports are gaining more market share but only slowly, he adds. "With privatisation/concessions of main ports in South East Europe, the region could gain more market share – for example, ports including Piraeus [which is now one of Europe's top ten container ports top 10 list and grew a further 9.4% last year], Thessaloniki, Durres, Rijeka, etc."

Overall, however, we can expect fewer huge expansion projects in Europe, because of lower growth, existing overcapacity and more focus on national or even regional ports rather than on one port in isolation, he says.

BREXIT AND THE BALTIC

In the northeast corner of Europe, ports in the Baltic are used to dealing with the fallout of Russia's ups and downs. Now there is a new uncertainty to deal with – the impact of Brexit on Baltic trade. "Brexit means a question mark for many Baltic ports – there is a lot of shipping between Baltic ports and UK ports," says Bogdan Oldakowski, secretary general of the Baltic Ports Organization (BPO).

The economic crisis in Russia led to a significant drop in volumes for several key Baltic ports three years ago, with DCT Gdansk, Klaipeda, Riga, Tallinn and Hamina-Kotka inevitably among those affected. The expansion of Russian port operations at Ust-Luga and St Petersburg exacerbated that.

There has been a slow recovery, says Mr Oldakowski. "However, there is still uncertainty over Russia – people are looking at the relationship between Russia and the EU, and the future of that

relationship is important for the ports industry. Of course not everyone depends that strongly on the Russian market, but you can feel the consequences in many of the Baltic ports."

Among the big developments in the region, DCT Gdansk formally opened its second deepwater berth in October. The T2 project, described as the largest private investment in the Polish ports sector, has provided a 650 metre long berth, equipped with five cranes that are the largest in the Baltic region and able to handle ships up to 20,000 teu. With 15 electric RTGs and 30 IMV trucks, the development doubled the terminal's handling capacity to 3m teu.

DCT Gdansk handled a record 1.3m teu last year, compared with 1.06m teu in 2015 – it put the increase down to the growing need for direct deepwater calls in the Baltic and the notable growth of cargo destined for Eastern and Central European markets.

Paul van Eulem
MTBS



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