



## **Position of the European Sea Ports Organisation on the FuelEU Maritime Initiative**

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### **1. The greening of shipping is a priority for reaching the Green Deal ambitions.**

ESPO and European ports welcome Europe's ambition to be the world's first net zero emission area by 2050. Achieving the ambitions of the European Green Deal for 2030 and 2050 should be the driver of EU policy. This is especially true for the shipping sector, where delivering on the Green Deal will require ambitious goals to be set for the medium and long term. The findings of the Fourth IMO GHG Study finds that total greenhouse gas (GHG) emissions from maritime shipping rose by about 10% from 2012 to 2018. The study points out that the maritime sector needs to do more if it is to meet the IMO's goal of cutting GHG emissions from international shipping by at least 50% compared to 2008 levels by 2050.

In this context, European ports welcome the FuelEU Maritime Initiative, which should be designed in such a way that it contributes to reaching global and European Green Deal ambitions, and to enhancing the uptake of sustainable alternative fuels in the maritime sector. This will require stimulating demand for, and overcoming barriers to, the use of sustainable alternative fuels and the corresponding infrastructure. By addressing the demand for alternative fuels, the FuelEU Maritime proposal will have direct implications for alternative fuel infrastructures and must therefore be compatible and well-aligned with existing legislation, specifically the Alternative Fuels Infrastructure Directive.

### **2. Achieving significant emission reduction and the greening of shipping requires addressing all ship emissions, both during navigation and at berth.**

Ambitious goals for reducing emissions from ships in navigation and at berth should be set in a way that achieves real emission reduction in the most effective manner over time. The 2018 Annual EU MRV report found that emissions at berth consisted of 6% of total emissions covered by the EU MRV Regulation. This illustrates that an emission reduction standard at berth is in itself not sufficient to achieve the decarbonisation of shipping. Emission reduction measures and efforts at berth should go hand in hand with emission reduction measures and efforts during navigation. Importantly, emission

reductions at berth cannot be a way to delay or compensate for lacking emission reductions during navigation.

As a complement to a performance-based requirement on the carbon intensity of fuels, specific energy-efficiency measures could be taken on the level of individual vessels. In order to achieve the necessary emission reductions in the short term, measures could address the operational efficiency of vessels in navigation (carbon intensity per transport work).

**3. Reducing emissions at berth is crucial to improve air quality, which is the first environmental priority for Europe's port managing bodies.**

ESPO supports setting targets for emission reduction at berth and in ports, where a gradual approach should be taken, focusing on berths close to urban areas and prioritising particular segments such as cruise ships and ferries. In this context, OPS relying on green grids can make an important contribution towards improving air quality when used by ships that have high energy consumption at berth, and which spend many hours at berth and/or are berthing near the cities.

**4. A goal-based and technology neutral approach is best placed to facilitate the deployment of promising potential technologies and allow for innovation as part of a multifuel future.**

Since there is currently no silver bullet to reduce shipping emissions, new legislation should facilitate the uptake of a variety of clean fuels that can deliver on the Green Deal ambitions, rather than prescribe specific fuels for shipping. The uptake and development of sustainable alternative fuels for shipping has to be enabled and encouraged through significant investment into R&D and through private and public support to enable the deployment of alternative fuel infrastructure. Whilst port-specific solutions should be encouraged, a degree of harmonisation of the technology used for bunkering infrastructure must be ensured.

**5. Targeted and effective investments in the European maritime sector should go to solutions on all levels that can deliver the most effective emission reductions over time.**

European legislation should be fit for purpose, recognising that the challenges facing different segments of the maritime sector might require different solutions. The solutions and investment needs will vary on the local, national, and European level.

While European legislation must support and encourage the use of available technologies and truly clean alternative fuels, it should avoid putting all eggs in one basket. Therefore, European policies should support the development and deployment of alternative and equivalent solutions in parallel. This is key to addressing the different needs of the different shipping segments and of the ports. Achieving the emission reduction goals should remain the guiding principle and the motivating factor in order for the shipping sector and the different stakeholders involved to make progress and deliver.

Past EU policies have tended to focus on promoting individual technologies or solutions. This approach has clear downsides as such flawed legal incentives run the risk of misallocating resources and leaving

first-movers with obsolete or stranded assets. European ports support a goal-based and technology-neutral approach as it avoids such a situation and facilitates the achievement of real emission reduction.

**6. European ports call for the creation of bottom-up coalitions and framework agreements between all relevant stakeholders in the maritime sector to ensure that the demand for alternative fuels infrastructure matches the supply.**

Europe's ports are committed to playing their part in helping the shipping sector decarbonise. European ports are nodes of transport and energy, making the participation of port stakeholders in multi-sector coalitions crucial to a successful greening of the sector. To ensure that the different greening and energy transition pathways for shipping do not get stuck in a discussion about the chicken-and-egg dilemma, coalitions or framework agreements should be developed by key stakeholders. Such coalitions could initially involve shipping lines, port managing bodies and energy providers at port level and could in a later stage evolve into a deeper cooperation with connecting ports. Such a bottom-up approach would see an individual ports engage key stakeholders based on the ports' individual roadmap, which provides a detailed plan of pathways for the greening of the shipping and takes account of each port's particular circumstances. The roadmap should be accompanied by a timeline which engages all relevant stakeholders: the port, shipping lines, the energy sector (producers and providers), and other European ports where suitable.

Relying on a supporting policy framework at the European level, such coalitions would ensure that the alternative fuels infrastructure available in ports is effectively used. The approach would help achieve economies of scale and overcome potential hurdles to the deployment of alternative fuels infrastructure, which include uncertain demand, high initial investment costs, and slow and uncertain return on investment.

**7. Tangible commitments and/or risk-sharing by infrastructure users is a precondition for effective port-side investments in alternative fuels infrastructure.**

In order to ensure a matching supply and demand for alternative fuels, there is a need for more cooperation between stakeholders. This does not only concern the development and use of technology, but also applies to business models and investments. Bilateral agreements, memoranda of understanding, and letters of intent, specifying the use of the facilities by the users, should be encouraged before an investment decision is taken. Broad cooperation between shipowners, ports, and energy providers could include co-financing of investments involving multiple stakeholders with clear risk divisions and private-public partnerships.

To encourage and facilitate such investments, ESPO believes that the review of the Energy Taxation Directive should support the uptake of all sustainable clean fuels, including OPS, by introducing a tax exemption for all of them. In the long run, policy must aim at fair and just taxation, guaranteeing a level playing-field between all modes of transport.

**8. European legislation, including the FuelEU Maritime Initiative, must provide the appropriate financial incentives to enable the decarbonisation of the maritime sector.**

The most important aim of any dedicated regulatory framework should be to remove barriers to the uptake of different alternative fuels and to align the FuelEU Maritime with existing legislation on alternative fuels infrastructure. The principle of Better Regulation as a shared effort should guide this work. Likewise, guidance and cooperation on the standardisation of OPS solutions should be facilitated. Vessels should be able to directly use available infrastructure without requiring any additional installations or modifications to the plugging equipment. A clear definition of shore power readiness based on existing ISO standards is necessary in order to ensure that ships can actually use the OPS infrastructure provided at berth.

The review of the Energy Taxation Directive should support the uptake of all sustainable clean fuels, including OPS, by introducing a permanent tax exemption. Under the current Energy Taxation Directive (2003/96/EC), a tax exemption can be provided only for OPS. Even for OPS, a tax exemption is time-limited and Member States have to go through a burdensome administrative process at EU level before obtaining it. To achieve the European Green Deal ambitions, the review of the Energy Taxation Directive must therefore provide for a permanent and EU-wide tax exemption for all clean fuels and clean sources of energy.

Other financial incentives include providing dedicated funds under new and existing instruments for investments in clean fuel infrastructure for shipping, the creation of clean energy hubs in port areas, and clean energy grid connectivity. The deployment and use of infrastructures could also be encouraged using revenues generated by forthcoming market-based measures for shipping. However, market-based measures will only deliver effective emission reductions if the revenues generated by such measures are reinvested in greening the maritime sector.

**9. Policies encouraging the use of certain technologies must allow for the development and uptake of alternative equivalent solutions.**

Onshore Power Supply (OPS) should be encouraged as an important part of the solution. However, alternative technologies which achieve the same objectives should also be encouraged and allowed. Moreover, emission reductions at berth cannot be a way to delay or compensate for lacking emission reductions during navigation. Accordingly, EU legislation should provide multiple pathways to reach the goals set out in the European Green Deal, as cooperation between the shipping sector and ports is crucial to ensuring the financial viability and uptake of alternative fuels by ships.

European ports believe that OPS will be most effective for shipping segments that are likely to be electricity-powered, such as ferry services operating over short distances. OPS can also make an important contribution to improving air quality and noise levels at berth and in ports. When comparing the emission reduction potential of available and future technologies, all CO<sub>2</sub> emissions generated during the production and transportation of fuel up to the point of consumption should be considered. OPS is in that respect only a truly green solution if it is connected to a clean energy grid.

The focus of legislation should be on reducing total CO<sub>2</sub> emissions from shipping in the most effective way. While being an important technology to reduce emissions at berth, OPS infrastructure in ports is not enough in itself to green maritime transport. Significant emission reduction from ships in navigation is required to achieve the overall greening of maritime transport. This means that shipping lines will have to combine the potential use of OPS with the uptake of clean alternative fuels and use of available alternative fuels infrastructure, which can be achieved through bottom-up coalitions and framework agreements between shipping lines and European ports.

**10. So-called flanking measures such as port incentive schemes and bottom-up coalitions remain the decision of individual ports.**

ESPO encourages European ports to introduce differentiated environmental port charges as part of their own strategy. Port incentive schemes can indeed be a useful instrument to reward frontrunners and assist ports in putting forward their environmental priorities. However, port dues are not the appropriate means to reward or punish port users or other stakeholders, as this would lie outside the licence to operate of port managing bodies. Thus, a decision to provide incentive schemes and green discounts should be taken by the port managing body in function of their commercial strategy and financial viability.

Port fees make up a small part of the total port costs (around 5%) for ships and an even smaller part of the total cost of a ship's journey. As such, they will not change the investment decisions of the shipowners, since they represent a negligible part of the total costs associated to voyages. At the same time, port dues represent an important part of the port's income (on average 50%). A discount on port dues can also reduce the capital available to ports to invest in green infrastructure.

**11. As part of the scaling up and acceleration of the uptake of clean fuels for shipping, European ports are in favour of clarifying the concrete criteria for maritime fuels to be considered as "clean fuels".**

Such criteria should take a well-to-wake approach, covering the production and transportation of fuel up to the point of consumption in order to avoid the risk of carbon-leakage and the use of fuels that do not live up to existing requirements under the recast Renewable Energy Directive (REDII). Any governance mechanism intended to address this matter should adhere to the governance already in place in the EU MRV Regulation and avoid placing additional enforcement or administrative burdens on European ports.

