



Position of the European Sea Ports Organisation (ESPO)

on the proposal for a maritime EU ETS

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European ports welcome the extension of the EU ETS to shipping, whilst stressing the importance of a global approach

The European Sea Ports Organisation (ESPO) welcomes the proposal to extend the EU Emission Trading System (EU ETS) to shipping. The greening of shipping is a priority for European ports, and ambitious policies are needed to deliver significant emissions reductions from the sector. Putting a price tag on emissions is in that respect a strong instrument to stimulate the sector to choose greener solutions. However, the effectiveness of this policy risks to be undermined if evasion is possible through rerouting of business. If such evasion is taking place, it creates not only carbon leakage but also business leakage for Europe's ports and the port ecosystem.

Given the international character of shipping, a global market-based measure would be the most suitable option. **ESPO therefore asks the European Union to increase the pressure on the International Maritime Organization (IMO) to make progress on the development of such a global market-based measure.** The EU ETS proposal should be considered in parallel with this work, and the proposed inclusion of maritime in the EU ETS should be aligned with the implementation of a market-based measure on the international level. Europe's ports would support replicating EU ETS on the global level. If the ETS is to encourage the introduction of ambitious market-based measures on the global level, it must be seen as part of a larger global approach that avoids carbon leakage, and assuages competitiveness concerns in Europe.

EU policy must deliver real and significant GHG reductions in the shipping sector

European ports call for an EU ETS that is effective in terms of reducing shipping emissions in the EU without creating carbon and business leakage. The EU ETS is a climate policy, and not a taxation policy. It must put a price tag on emissions, and abide by **the principle of the polluter pays**. The focus of the

measure should be on reducing total greenhouse gas emissions from shipping in the most effective way, which is provided by a goal-based and technology-neutral approach. The revenues generated by the measure should be used to help greening the maritime sector and ports.

European ports call for a comprehensive impact assessment of all maritime-related Fit for 55 proposals

The maritime EU ETS is part of larger efforts to address emissions from shipping. Therefore, the proposal must be compatible, and aligned with, current and future legislation, especially proposals in the Fit for 55-package (specifically the revised Energy Taxation Directive and the Carbon Border Adjustment Mechanism). European ports call for the gathered impact of these proposals on the maritime sector and ports to be thoroughly evaluated in terms of emissions reductions and competitiveness.

ESPO calls for an ambitious geographical scope for the maritime EU ETS which avoids creating carbon and business leakage related to ports in countries neighbouring the EU

The Commission proposal for a European maritime ETS covers the emissions from intra-EU voyages and emissions at berth, alongside half of the emissions from extra-EU voyages (both incoming and outgoing voyages). Due to the limited scope of the ETS proposal, ships can find ways to avoid falling in the scope of the EU ETS as much as possible in order to minimise costs. Such practices must be prevented, in order to protect the integrity of EU climate policy, and to avoid undermining the competitiveness and connectivity of EU markets and ports.

Accordingly, **ESPO calls for the maritime EU ETS proposal to proactively prevent evasive action by forcefully applying the polluter pays-principle. A possible solution – if legally possible - could be to expand the scope of the proposal by considering the evasive call to/from a non-EU neighbouring port as a call to an EU port.**

Evasive port calls at neighbouring non-EU ports could seriously jeopardise the effectiveness of the maritime ETS, as it would not reduce total shipping emissions. It could even increase overall emissions, in particular when evasion leads to longer voyages. At the same time, such calls would divert traffic and business from European ports and seriously impact the business of certain important European ports which are already in fierce competition with their competitors in countries neighbouring the EU. This risk exists for ports in the EU located in the North Sea, the Baltic, the Mediterranean Sea and the Black Sea. **Different evasion scenarios are possible:**

The case of transshipment

Taking the case of an Asia-EU inbound voyage, under the current EU ETS proposal, if a deep-sea vessel coming from Asia calls at an EU transshipment port, the emissions from the Asia-Europe leg will account for 50%. The emissions from feeders travelling between the EU transshipment port and different EU ports will be covered 100%. Feeders going to non-EU ports will account for 50% of emissions.

If the same ship would call at a non-EU neighbouring transshipment port, where feeders would depart from different ports in or outside the EU, the result would be the following:

The incoming leg Asia-Europe would not be covered by the EU ETS, and only 50% of voyages between the non-EU transshipment port and the different EU ports would be included in the EU ETS. Feeders going to non-EU ports would be excluded as well.

The case of deep-sea container vessels subsequently calling at different EU ports

Deep-sea vessels coming from outside Europe are currently calling at different major ports to load/unload containers. Under the current EU ETS proposal, emissions will be accounted for 50% on the inbound leg to EU and for 100% during the different calls connecting European ports. To avoid this, the ship might choose a transshipment port outside Europe (outside ETS) from where feeders will serve all European ports (50% ETS). Such pattern would substantially reduce the connectivity of major European ports without any gains in CO2 emissions.

The case of EU ports being used as port of departure or arrival for non-EU freight

Well-performing European ports are important gateways for goods coming from outside the EU. The current EU ETS proposal could impact outgoing traffic of goods currently coming from outside the EU, which is being transported by rail or inland waterways to an EU port, from where they are being loaded on a ship for export. The current geographical scope of the EU ETS proposal could negatively impact the competitiveness of these ports since the ETS charge would make it less profitable to use an EU port. Instead, it would be easy to avoid the ETS by using a non-EU port in the area as the port of departure. This risk is certainly present in the Baltic, where Russian goods often go through EU ports.

It is clear that the current ETS proposal entails a major risk of carbon leakage as well as business leakage, as EU ports and markets would face competition from ports outside the scope of the ETS. Many of the affected ports are strategically important in EU logistic chains and are crucial to their regional economies.

The monitoring clause in the Commission proposal is too weak in that context and risks to be just a tool to measure the damage once it is already too late. The implications of the current geographical scope of the EU ETS should be further investigated and accounted for in preparation of the final legislation, along with the accumulated impact of all Fit for 55-proposals. ESPO and its members are happy to share evidence of this impact in the different above-mentioned scenarios with EU policymakers in order to find an appropriate solution.

Decisive action must be taken by the Commission to prevent the risk of evasive port calls, the risk of delocalisation of port activities outside the EU and the negative impact on Europe's connectivity.

In addition to reviewing the definition of a port call under the EU MRV Regulation, this might require the introduction of transition periods, bilateral agreements between the EU and neighbouring countries, or action through the carbon border adjustment mechanism. ESPO would call for the examination of possible options in close cooperation with the potentially affected ports with a view to finding a solution.

Therefore, ESPO calls for:

- **a full impact assessment of the implications of the current geographical scope of the proposal on carbon and business leakage, outlining the risk and impact of evasion and**

rerouting on both delivering the Fit for 55 ambitions as on the competitiveness of EU markets and ports;

- continuous **EU pressure on the IMO** to develop a global market-based measure and an alignment or alteration of the current EU ETS if an equivalent global measure is being developed before the entry into force of the current Directive;
- **the extension of the EU ETS scope and EU MRV** monitoring in Article 2(1) of the EU MRV Regulation so that the scope includes ships arriving or departing from a port under the jurisdiction of a Member State to or from a port neighbouring a Member State if the call involves [significant] transfers of cargo from one vessel to another vessel or a vehicle for the purposes of transshipment, or for the sole purpose of marine service provision like [significant] bunkering. This would be reported by the vessel through the bill of lading;
- an amended definition of ‘port of call’ in Article 3(b) in the EU MRV Regulation that specifically covers evasive calls for the purpose of transshipment activities in ports located in countries neighbouring the EU;
- the European Commission to evaluate the impact of the EU ETS on competitiveness six months after the entry into force of the maritime ETS and the cumulative effects of the Fit for 55-package, as well as continuing to carry out new evaluations on an annual basis;
- the introduction of pre-emptive monitoring of shipping voyages, transshipments, and modal shift, alongside a definition of what constitutes evasive trends in new Article 3ge, paragraph 2. A first evaluation of such trends should take place six months/one year after the entry into force of the maritime ETS.

Revenues generated by a maritime ETS must enable the decarbonisation of maritime and ports

To deliver the greening of shipping, EU ETS revenues should be reinvested in the European maritime sector and facilitate achieving actual deployment and use of sustainable alternative fuels, including the electrification of vessels and designated infrastructure in ports. It is a matter of principle that revenues generated through a market-based measure should be used for the purpose of greening, in this case the transition of the maritime sector to net-zero emissions. This approach is in line with discussions on a global market-based measure in the IMO¹ and the findings from a report on the EU ETS for maritime and aviation commissioned by the European Parliament Transport and Tourism (TRAN) Committee².

The energy transition of the sector requires large investments in both development and uptake of alternative fuels. Furthermore, depending on the stringency and timing of the policy measures, retrofitting of existing ships might also be required, which is known to be costly. The EU ETS proposal specifies that funds from the Innovation Fund could be used for the maritime shipping sector, but whether and to what extent these funds would become available for the sector is unclear. Earmarking the funds for the sector could thus facilitate a timely sectoral energy transition without the sector having to face disproportionately high costs. The EU ETS is a climate policy, and not a taxation policy.

In line with the objectives of the European Green Deal, the EU should enable the net-zero transition of the maritime sector by supporting ports in their role as facilitators and potential enablers of the

¹ IAPH: [Commenting Paper to the IMO](#)

² EP IPOL: [The aviation and maritime sectors and the EU ETS: challenges and impacts](#)

energy transition. Member States should be encouraged to stimulate the development of zero-emission ports and to invest in refuelling and recharging infrastructure.

ESPO supports:

- dedicated funding for the maritime sector, including ports, in the EU ETS, through the existing framework of the Innovation Fund (new article 10a, paragraph 8) and EU Member State investments, or through a dedicated fund as proposed in the European Parliament position on the revised EU MRV Regulation³;
- dedicating investments to the maritime sector, including ports, where Member States already have to invest a certain share of ETS revenues to investments in mitigating climate change under the existing Directive. The new proposal requires Member States to dedicate 100% of auctioning revenues or the equivalent in financial value for climate and energy-related purposes, which is a positive development; further earmarking for the maritime sector would however be welcome;
- broadening the scope of the Innovation Fund to support projects to deploy existing technologies that can significantly reduce emissions from shipping in navigation and at berth with high initial capital costs;
- using carbon contracts to bridge the cost gap for the deployment of alternative fuels infrastructure in ports, as well as the retrofitting of existing infrastructure;

European ports look forward to continue working with the European Commission, the European Parliament and EU Member States to ensure an effective maritime EU ETS that significantly reduces shipping emissions and funds the decarbonisation of the maritime sector without distorting the level playing field. ESPO and its members remain fully available to discuss possible solutions as regards the scope of the proposal on the basis of concrete data and impact assessments of different scenarios.



The European Sea Ports Organisation (ESPO) represents the port authorities, port associations and port administrations of the seaports of 22 Member States of the European Union and Norway at political level. ESPO also has observer members in Albania, Iceland, Israel, Ukraine and the United Kingdom. ESPO is the principal interface between the European seaport authorities and the European institutions. In addition to representing the interests of European ports, ESPO is a knowledge network which brings together professionals from the port sector and national port organisations. ESPO was created in 1993.

³ Amendments adopted by the European Parliament on 16 September 2020 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) 2015/757 in order to take appropriate account of the global data collection system for ship fuel oil consumption data (COM(2019)0038 – C8-0043/2019 – 2019/0017(COD))