



## **The European Sea Ports Organisation (ESPO) expresses its concerns about the maritime pillar in the compromise text on the revised Energy Taxation Directive**

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**The European Sea Ports Organisation (ESPO)** fully supports the European Green Deal ambition. For ports it is important that a reviewed energy taxation policy is based on the polluter pays principle, effectively reduces shipping emissions, and helps accelerating the energy transition of the shipping sector.

This objective can be reached if clear rules are developed in view of exempting clean fuels and technologies from taxation. If the shipping sector can however circumvent the taxation on fossil fuels by bunkering in ports outside Europe, emission reductions will not be achieved, and indirectly port business might move outside Europe.

Considering the Commission proposal and the proposals on the table in the Council, Europe's ports fear that the new Energy Taxation Directive (ETD) is not delivering on two major points:

- 1. A taxation of marine fuel, which is bunkered in the EU, will lead in the short term to an evasion of the bunkering business to ports outside the EU, without any impact on the use of this fuel, and hence on the emissions in the EU;**
- 2. The absence of a mandatory and permanent tax exemption for onshore power supply (OPS) is a missed opportunity to boost the use of OPS, which is identified as a major priority in the new Alternative Fuels Infrastructure Regulation (AFIR).**

### **1. Taxation of marine fuels bunkered in EU ports**

The proposed taxation of intra-EU bunkered fuels in the ETD proposal is poised to trigger in the short term a massive relocation of bunkering activities from EU ports to non-EU ports, especially given the prevailing dominance of conventional marine fuel within the shipping sector. This loss of business will happen without any positive impact on the emissions reductions in Europe. Unlike aircrafts, ships do not have to bunker at each port call, due to their large bunker capacities. A large container vessel can take in enough fuel at one port to sail from Asia to Europe and back without bunkering.

The Council compromise text maintains the principle that the tax for marine fuels will need to be paid when ships bunker in EU ports. Under the current compromise text, the tax should be levied on all fuel bunkered in a port in the EU if the vessel is heading to another port in the EU, before leaving the Union. The bunker tax would not be applied when the ship is sailing from an EU port directly to ports outside the EU.

The impact and risk become even bigger if the new tax on marine fuels introduced in the ETD is combined with the EU Emission Trading System (ETS). The new tax on marine fuels will give some shipping lines an extra reason, on top of the ETS regime and charges, to prefer calling at non-EU ports for their transshipment activities than at EU ports. Such an evasion of EU port calls would again happen without any gains in terms of emissions (carbon leakage).

Moreover, it is to be noted that the taxation of marine fuels in EU navigation implies an additional tax on EU short sea shipping which is then coming on top of the ETS charge, which will not help in boosting the role of short sea shipping in Europe. Safeguarding the competitiveness of the EU ports and maritime sector is key.

## 2. Tax exemption for use of OPS

The ETD Commission proposal gives Member States the option to give a total or partial tax exemption to electricity directly supplied to vessels berthed in ports. Currently, Member States have to ask the Commission to apply such an exemption and if authorisation is given it counts for six years. Even if the Commission proposal is making a modest step in the good direction by eliminating this burdensome procedure for the Member States, **it is a missed opportunity not to turn the option into an EU wide mandatory exemption for OPS.**

Given the strict requirements which have been agreed on the deployment and use of OPS in the framework of the Fit-for-55 package, ESPO believes that a stronger and clearer incentive in favour of OPS should be given through an EU-wide permanent and total tax exemption for OPS.

**For these reasons, ESPO:**

- **Asks 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 bunkering and rerouting on both delivering the Fit-for-55 ambitions and ensuring the competitiveness of EU markets and ports.
- Finds that depending on the outcome of the impact assessment, policymakers should review Article 15 in such a way that **only the share of marine fuels “used” for intra-EU voyages is subject to taxation**, with a view of limiting the risk of evasion.
- **Calls for a mandatory and permanent EU-wide tax exemption for onshore power supply** which would help deliver the priorities set in AFIR. By applying the tax exemption on the EU level, the ETD would ensure a level playing field in the maritime sector.

**European ports look forward to continuing working with the European Commission and the EU Member States to ensure an effective Energy Taxation policy that stimulates the decarbonisation of**

**the maritime sector without distorting the playing field level among Member States and between the EU and its neighbours. ESPO and its members remain fully available to discuss how the proposal can deliver this.**



*The European Sea Ports Organisation (ESPO) represents the port authorities, port associations and port administrations of the seaports of 21 Member States of the European Union and Norway at political level. ESPO has also observer members in Albania, Iceland, Israel, Montenegro, 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.*