



PRIORITIES OF EUROPEAN PORTS FOR 2019 – 2024

What ports do for Europe

What Europe can do for ports



Memorandum of the European Sea Ports
Organisation for the new Commission
and European Parliament



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EUROPEAN PORTS ARE A STRATEGIC PARTNER IN BUILDING A SUSTAINABLE, COMPETITIVE AND SMART EUROPE

European ports are at the crossroad of supply chains, they cluster transport, energy, industry and blue economy. European ports and their managing bodies are at the service of the European economy and society. They are a strategic partner in responding to today's main challenges of decarbonisation and digitalisation.

The European Sea Ports Organisation looks forward to continuing to work in a constructive way with the Commission, the European Parliament and the Member States on making and supporting European policy that allows ports to further develop and respond to today's challenges.

THE EUROPEAN SEA PORTS ORGANISATION AT A GLANCE

The European Sea Ports Organisation was founded in 1993. It represents the interests of the port authorities, port associations and port administrations of the seaports of the 23 maritime Member States of the European Union and Norway. ESPO has also observer members in Iceland, Israel and Ukraine.

ESPO ensures that European port managing bodies have a clear voice in the European Union. The organisation is *the principal interface between the European ports and the European institutions* and its policymakers. ESPO is also engaged in a dialogue with European stakeholders in the Port and Maritime sector.

In addition, *ESPO is a knowledge network* which brings together port professionals with a view of exchanging good practices and developing pro-active bottom-up initiatives in different fields: environmental management, port-city relations, reporting of key performance data and cruise as well as ferry passenger issues.

ESPO works through a permanent secretariat, which is based in Brussels, a General Assembly, an Executive Committee, six specialised Technical Committees and four Networks.

Since 2009, ESPO has had a joint office with the European Federation of Inland Ports (EFIP).

More information on ESPO's functioning, initiatives and achievements can be found on: www.espo.be

OVERVIEW OF ESPO MEMBERSHIP

The following national port associations and port administrations are members of ESPO: Bulgarian Ports Infrastructure Company, Croatian Ports Association, Cyprus Ports Authority, Danish Ports, Finnish Port Association, Union des Ports de France (UPF), Hellenic Ports Association (ELIME), Irish Ports Association, Associazione Porti Italiani (Assoporti), Transport Malta, Norwegian Ports, Associação dos Portos de Portugal (APP), Administrația Porturilor Maritime S.A. Constanța, Puertos del Estado, Ports of Sweden, British Ports Association / UK Major Ports Group. The following port associations and port administrations are observer at ESPO: Associated Icelandic Ports, Israel Ports Company (AIP) and State Enterprise "Ukrainian Sea Ports Authority".

The following member countries are represented by their ports directly: Belgium, Estonia, Germany, Latvia, Lithuania, Netherlands, Poland and Slovenia.

EUROPEAN PORT AUTHORITIES AT A GLANCE

The European Union counts more than 1200 seaports, including those located in the outermost regions. About 329 ports are part of the Trans European Transport Network.

European Ports are complex entities. They accommodate freight and passengers and link maritime transport with the hinterland through the different land transport modes. In addition, ports are often energy nodes, clusters of industry and of blue economy. More and more, ports are also developing into hubs of innovation and digitalisation.

The **management of European seaports** is in most cases assigned to a “port authority” or “port managing body”, an entity which, regardless of ownership and other institutional features, assumes public, commercial and economic responsibilities. This hybrid character makes port authorities ideally placed to meet the various challenges that both market forces and society impose upon seaports.

The **total volume of seaborne goods handled in EU28 ports** in 2016 was around **3.9 billion tonnes**. **About 400 million passengers** pass through Europe’s ports every year using ferry and cruise services. The number of cruise passengers is rising steeply and is now amounting to more than 12 million a year¹.

1. Eurostat, 2018

It is estimated that the European port system **supports at least 2.5 million jobs** (in Full Time Equivalent), both directly and indirectly².

Generally, as **landlords**, port authorities manage the port land and infrastructure and are responsible for port development.

Under **the regulator function**, port authorities ensure the application and enforcement of rules and regulations set by local, regional, national or other agencies. Cargo handling services are generally in the hands of private operators who are generally granted the use of port land through lease agreements or public domain concessions.

In a limited number of cases, port authorities act as **operators**. In such cases they provide services of general economic interest and/or commercial services (including cargo handling). Integrated ports where port authorities provide a full range of services themselves are however an exception.

Through the **community manager function**, the port authority may help to solve hinterland bottlenecks, address environmental concerns, provide training, education and digitised services and may attract new business for the ports as a whole.

Although **European ports are very diverse**, European port authorities share the same ambition to become dynamic, commercial port developers and community interfaces. Port managing bodies nowadays have to do more than just administer port land and regulate nautical safety. They have a broader range of tasks that adds value to the wider port community, the logistics chain, business and trade in general and the societal and environmental context in which ports operate.

More detailed information on European ports and their governance can be found through ESPO’s latest report on Trends in EU port governance (2016).

2. Portopia, European Port Industry Sustainability Report 2017

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WHILE EACH PORT HAS A DIFFERENT PROFILE ...

Gateways to the world. About 75 % of Europe's trade with the rest of the world and more than one third of intra-European trade is shipped through its seaports.

Hotspots for Europe's industrial activity. Many European seaports are home to vast industrial complexes, located in port areas with the aim to be at the crossroad of supply chains, and save transport costs and time.

Safe and secure shelters. Traditionally, a port was mainly seen as a safe haven. While ports continue to provide shelter, they are playing a more important role in maritime safety and in the prevention of pollution through sophisticated maritime traffic monitoring systems, technical-nautical assistance to ships and facilities to monitor and collect waste to avoid discharges at sea. Moreover, ports significantly invest in measures to prevent terrorism, human trafficking, illegal traffic of hazardous and noxious substances, counterfeit goods and other criminal activities.

Hubs of innovation and digitalisation. Ports are at the very centre of the logistic chain, linking maritime transport with the hinterland modes. Ports can therefore play a pivotal role in facilitating the cooperation and coordination between all stakeholders involved in the supply chain. The smart port can play a role in enhancing efficiency, safety, security and environmental performance of the supply chain.

Linking Europe's peripheral regions and islands to the mainland. Seaports contribute to territorial cohesion. For islands and remote areas, the port is vital to the development of the region and to bring those areas closer to Europe's mainland and its markets.

... AND HAS DIFFERENT ACTIVITIES AND RESPONSIBILITIES, ...

Key players in the transport of passengers. The number of passengers passing through EU ports is estimated at close to 400 million in 2016, most of them are ferry passengers while 3.2 % are cruise passengers.

Essential nodes in the multimodal transport chain. Ports do more than just handle ships. Being at the crossroad of supply chains, European ports are key in the operation of efficient logistics chains, linking maritime transport with all other transport modes and hosting value adding activities. They contribute to the sustainable development of their territories.

... IT CAN EASILY BE SAID THAT ...

Essential part of an emergency supply chain and facilitator of military mobility. Because of the geopolitical situation and given their location, some European ports are or can become at some point an essential part of an emergency supply chain, in view of ensuring the connectivity of the port region with the main markets. These ports should be considered as such in the context of the European transport and port policy. Moreover, ports have recently been identified by the EU policymakers as essential nodes for enhancing the mobility of troops and military equipment in the context of Common Security and Defence Policy missions and operations.

Nodes of energy. Ports traditionally play an important role in the import, export, storage and distribution of sources of energy. Apart from providing services to the offshore oil and gas industry, ports are also closely linked with the building and maintenance of on- and offshore renewable energy sites and increasingly play a role in the provision of alternative energy sources such as LNG, biomass and wind. Ports can therefore be a driver for the decarbonisation of the economy.

Clusters of blue growth. European ports play an essential role for the offshore, fishing and leisure industry in Europe. With more than 80 000 fishing vessels in operation around Europe (either in fisheries or aquaculture), the fishing industry is relying on Europe's ports. The same counts for the cruise industry, which is booming in Europe. It can only flourish if the cruise ships can be well accommodated in Europe's ports.

... MOST EUROPEAN PORTS ARE MULTITASKERS.

EUROPEAN PORT AUTHORITIES AS FACILITATORS OF THE PORT ECOSYSTEM

As European ports have a more diversified role, they have turned into **facilitators of a real port ecosystem** at the service of their customers involving much wider interests, a much larger port community and a much wider range of stakeholders.

During the legislative period 2014–2019, essential policy steps have been made in providing the European port sector with a robust and stable legal framework, that succeeds in taking into account the complex and evolving role of port managing bodies. The two major pillars of the framework are:

- On 24 March 2017, the **Port Service Regulation¹** (PSR) was adopted after more than 15 years of negotiations between the legislators. European ports consider this Regulation as a workable compromise, which reflects the diversity of ports in Europe. The Port Service Regulation, which entered into force on 24 March 2019, sets out important principles in terms of financial transparency when ports receive public funding. It creates a flexible framework for the organisation of port services respecting the diversity of ports in Europe. It foresees some basic provisions on how to involve stakeholders and port users and provides for an independent complaint mechanism. It recognises the right of port authorities to determine the level and structure of port infrastructure charges and to enter into individual negotiations with their customers.

1. Regulation (EU)2017/352

- On 17 May 2017, the **General Block Exemption for Ports (GBER)**² was adopted. The GBER lays down conditions under which public funding for ports is compatible with the European internal market rules and aims at exempting these public support measures for ports from prior Commission scrutiny. It contributes to providing a fair, pragmatic, predictable and stable environment for port authorities allowing them to develop together with all parties involved — including public authorities and private investors — a long-term strategy for port investments and thus limiting the legal uncertainty that might result from a case-by-case approach of the Commission³.

2. Commission Regulation (EU) 2017/1084 of 14 June 2017

3. It is important to read the GBER together with the Commission' analytical grid for port infrastructure which explains that the funding of infrastructure not meant to be commercially exploited is in principle excluded from the application of State aid rules. ec.europa.eu/competition/state_aid/modernisation/grid_ports_en.pdf

4. The Commission is currently assessing whether to renew (or not) or amend the current "Consortia Regulation", a sector specific exemption, which expires in April 2020. Read the ESPO position on the consultation: www.espo.be/views

European ports believe that the recently adopted **Port Service Regulation (PSR) provides ports and their stakeholders with a solid but flexible legislative framework to work with**. Port authorities believe that the PSR is a good basis to ensure that European port managing bodies and their stakeholders respect the rules of financial transparency, competition and consultation without hampering the development of the port towards a future-proof and sustainable port ecosystem that adapts to an increasingly changing and unpredictable world.

The time has now come to implement these new rules and reap the benefits. In its implementation, Member States should keep the rationale of the PSR as a toolbox and must act on their best interpretation of the Regulation. The current framework of the PSR combined with the General Block Exemption for Ports (GBER) should give the port industry the legal stability it needs to develop their ports and enhance their agility to adapt to a rapidly changing world.

Respect of competition and state aid rules are the cornerstones of the PSR and the GBER. In addition, European ports believe that **the respect of EU competition and antitrust policy should also be safeguarded through a closer monitoring and assessment of cooperation agreements in the shipping sector**. On top of the continuous consolidation in the shipping sector, shipping companies are grouping themselves in different alliances. The Commission should investigate whether the negotiating power of the alliances towards ports has become excessive. This can be the case when the port charges and/or services in the ports are negotiated, or when port investment needs are being discussed.⁴

PORT MANAGING BODIES CONTINUE TO BE HYBRID: THEY COMBINE GREATER FINANCIAL AUTONOMY WITH INCREASING GENERAL INTEREST OBJECTIVES

The income of a port authority in Europe is mainly composed of the general port dues charged on ships calling at the port and on the cargo handled and land lease fees charged to cargo handling operators or other port land users (mainly industries or logistic companies). Some ports also generate income from operating services.

While port dues may represent half of the port managing bodies' revenues, they only represent 5 to 10% of the total cost of a ship calling at a port and are very limited compared to the total cost of a ship journey.

Whilst a small number of ports are wholly private entities, the majority of Europe's ports are owned by various levels of government. In recent decades, almost all ports have however **developed their governance model towards being more commercially driven with increased financial autonomy**. The sources of port income did however not radically change.

At the same time, as ports become more autonomous and commercially focussed, port managing bodies are **fulfilling public tasks and also taking up —or being asked to take up— wider societal responsibilities**. Driven by legislation or to serve the wider community, ports regularly **invest** in projects that meet wider societal imperatives. This is particularly the case in the areas of environmental and energy policy, even when there is no return on investment for the port itself and the port itself is not creating the environmental problem. Recent European policy measures (such as the review of the Port Reception Facilities Directive) even require port managing bodies to **contribute to the direct costs of the pollution** generated by their customers, even if the port managing body is not at the source of the pollution.

This all highlights a **conundrum** at the very heart of port development and management plans: being a competitive commercially driven entity and to be used as a tool for the delivery of wider public policy objectives.

European policy must recognise and embrace the development of ports towards becoming financially more autonomous. Their revenues allow them to develop as engines of economic growth and development and fulfil their essential functions in an efficient way.

Port dues represent up to half of port incomes and should thus be considered as essential revenues for the port managing bodies. **The (green) rebates that are given by port authorities on port dues for certain categories of ships must be seen as a voluntary, individual decision of port managing bodies in line with their port strategy**, regional priorities (e.g. environmental challenges) and within their financial capacity. Green rebates often reflect the non-economic objectives pursued by the port, its owners or local community and should be encouraged.

Port dues should however not be used by governments as an instrument to reward or punish port users or stakeholders, turning port managing bodies into convenient tax collectors and intruding into their financial autonomy. Port dues cannot be used as a tool for internalising the external costs (environmental, accidents, congestion) of maritime shipping.

INVESTING IN EUROPE'S PORTS IS INVESTING IN EUROPE'S COMPETITIVENESS

In 2017, ESPO commissioned a study⁵ which identifies the drivers and investment needs of European ports. The study analyses the ports' abilities to make use of EU funding and financing instruments and recommends how the Connecting Europe Facility (CEF), the main financial EU funding instrument for transport, can be further improved.

The study concludes that **European ports' investment needs amount to 48 billion EUR for the coming ten years**. The needs are very diverse (see graph p.24 top) and mirror the complex and diverse role of ports in Europe. Investments in basic infrastructure, including maritime access infrastructure and hinterland connections remain however very important: they take up 65% of all port projects submitted by port managing bodies.

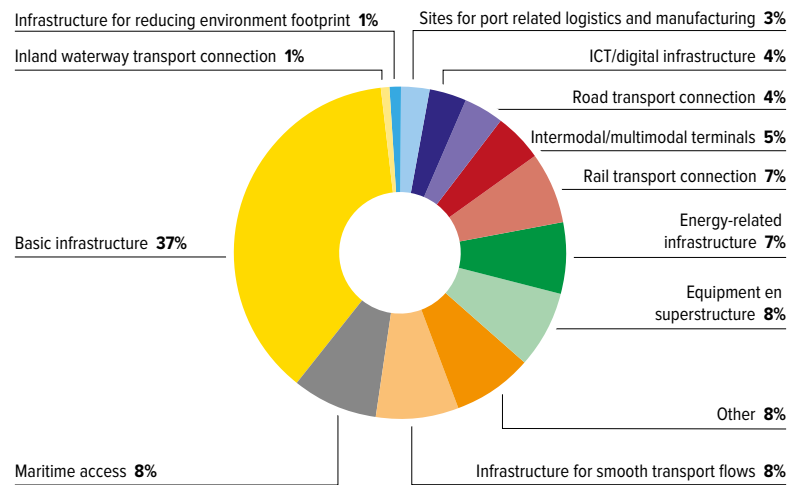
The study further reveals that the important role of ports does not seem to be well reflected in the share of the CEF budget allocated to ports during the current financial period 2014–2020, as **port managing bodies have only been able to obtain 4% of the CEF transport budget over the past three years**.

5. The Study (published in 2018) "The infrastructure investment needs and financing challenge of European ports": www.espo.be/publications

Many port investments create **high societal value**, but the **limited and slow return on investment** for the investor, in this case the port authority, makes external funding necessary.

PERCENTAGE OF PROJECTS SUBMITTED PER PORT INFRASTRUCTURE CATEGORY IN 2014 – 2017

Source: Port investments survey, ESPO, 2018



THE CEF TRANSPORT BUDGET: OVERVIEW OF THE FIGURES UNDER DISCUSSION

CEF	TRANSPORT BUDGET	GENERAL ENVELOPE	COHESION FUND	MILITARY MOBILITY
CEF I 2014 – 2020	€ 24.05 bn	€ 12.8 bn	€ 11.3 bn	
CEF II 2021 – 2027 Commission proposal	€ 30.6 bn	€ 12.83 bn	€ 11.29 bn	€ 6.5 bn
European Parliament position	€ 37.79 bn* (* € 37.51 bn in 2018 prices)	€ 20 bn* (* € 17.75 bn in 2018 prices)	€ 11.29 bn* (* € 10 bn in 2018 prices)	€ 6.5 bn* (* € 5.77 bn in 2018 prices)

The current TEN-T policy (2013) has two pillars, **the TEN-T guidelines**, defining the core and comprehensive network, the requirements and priorities for the different parts of the network (modes and nodes) and **the Connecting Europe Facility (CEF)**, the financial pillar. The **TEN-T network** as defined in 2013⁶ comprises 104 core maritime ports and 225 comprehensive maritime ports. The nine TEN-T corridors are also starting and ending in European core ports. The 2013 TEN-T regulation setting the guidelines will be reviewed in 2023. The **Connecting Europe Facility** is the financial pillar of Europe’s Transport Infrastructure policy and covers the period 2014 – 2020. It is the main source of EU financing for European ports. On 6 June 2018, the European Commission adopted its proposal for the **Connecting Europe Facility 2021 – 2027 (CEF II)**. The European Parliament and Council found an agreement on the text of the proposal. The decision on the budget is to be taken in the framework of the negotiations on the Multi Annual financial Framework (second half of 2019).

6. Regulation (EU)1315/2013 on Union guidelines for the development of the trans-European transport network

ESPO asks the new Commission, the new Parliament and the Member States **to continue showing the same level of ambition in calling for an increased budget in view of completing Europe's Transport Infrastructure Network integrating fully the decarbonisation and digitalisation goals**. ESPO urges the new Parliament to continue to use all its influence to call for an increased budget for the General Envelope of the CEF transport budget and to support the proposed earmarking for CEF within the Cohesion envelope. (see graph p. 24)

The **share of the CEF budget to be allocated to ports should better reflect the role European ports are playing today** as main nodes of transport, energy, industry, digitalisation and blue economy. They deserve more than the 4% share of the CEF budget received over the past years. ESPO asks European policymakers to strongly consider European ports as strategic assets.

Even if ports are situated in one Member State, they **should be considered cross-border actors and international in nature**, as they are Europe's gateways for trade with other EU Member States and third countries and serve a hinterland and a catchment area which goes beyond their local and national borders. They should thus be prioritised on an equal basis with cross-border land transport infrastructure and projects.

Motorways of the Sea (MoS) projects must be considered as cross-border maritime projects and must be seen as an important tool to enhance maritime transport between the Member States.

The EU's investment policy should recognise that most **European ports are hybrids and continue to combine commercial and public interests**. Many investments serve not only the investing port authority's needs, but in the first place the wider economy. In addition, certain port investments meet wider societal imperatives, particularly in the areas of environmental and energy policy. Furthermore, many ports play a pioneering role in innovation and are investing in areas for which there is no market yet. These investments are essential, even if the return on investment for the investing port authority is low and slow. The Connecting Europe Facility is an essential instrument to help to finance these investments.

The **synergy between the transport, energy and digital sectors as foreseen in the Connecting Europe Facility II can boost ports' investments in carbon free energy solutions**.

The forthcoming **review of the TEN-T policy guidelines in 2023 must be used as an opportunity to update the TEN-T network** taking into account new market developments and new needs **without putting into question the basic aims of the TEN-T policy**, which is to achieve an efficient, sustainable and multimodal Transport Infrastructure Network.

Investments into essential and/or critical European port infrastructure of general interest, which enable effective participation in the management or control (direct or indirect) of a port, should be assessed carefully. **The recently adopted framework for screening of foreign direct investments⁷ into the European Union is to be welcomed** in that respect.

The port sector is capital intensive. **Over the last decades, ports in Europe have benefitted from substantial investment from in and outside the European Union**, both directly into assets and in some cases, into significant equity stakes in port owners. An open investment environment should remain one of the basic principles of Europe's trade policy, as long as these **investments** are made **in full respect of EU competition and state aid rules**. ESPO therefore asks the new Commission and Parliament to make sure that foreign companies will be subject to the EU legal framework and assessed in the same way as European companies. Particular attention should be given in that respect to the market investor principle. EU competition policy should develop the tools to assess investments and undertakings against the level playing pitch in the shipping and port sector and have a **proper assessment of the dominant market position** in that respect.

7. Regulation of the European Parliament and of the Council establishing a framework for screening of foreign direct investments into the European Union

MULTIMODAL PORT HINTERLAND CONNECTIONS ARE KEY

To a large extent, the success of a seaport depends on its multimodal hinterland connectivity. **Many port authorities are encouraging the multimodal connectivity by establishing own targets or imposing modal shift targets on the users of the port.**

Based on the TEN-T guidelines⁸, **core sea ports have to be connected with the railway, road and, where possible, inland waterway transport infrastructure of the Trans-European Transport Network by 31 December 2030.** While all seaports of the Core and Comprehensive Network are already connected to the TEN-T rail network⁹, major improvements remain necessary to ensure efficient and sustainable multimodal hinterland links which are competitive with road freight.

The importance of increasing the multimodal connectivity to the main TEN-T network, is also clearly shown in the ESPO study (see graph p.24 top). **18% of investment projects planned by port managing bodies in the coming ten years are projects of transport connectivity to the hinterland (road, rail, inland waterway transport (IWT)) and infrastructure for smooth multimodal transport connections in the port.** A further 5% of the projects relate to investments in intermodal/multimodal terminals in and outside the port area.

8. Regulation (EU) 1315/2013, Article 41(2)

9. Delivering TEN-T: Facts & Figures September 2017

ESPO'S VIEWS

European policy should continue to strengthen the role of ports as multimodal nodes in the transport chain.

Since the major part of inland waterway and rail freight traffic is port related, and ports are, as multimodal nodes, at the crossroads of rail, road, inland waterways and maritime, **European ports should be closely involved in the development of the relevant policies.**

As far as European rail policy is concerned, policymakers should recognise that the **railway network in the port** often serves other needs than the national rail network and **can** as a consequence **not always be addressed in the same way.**

Special attention should be given to investments and operations in the last mile rail connections, between the national rail network, the port rail network and the transshipment terminals within the port. The seamless connection between the national and the port network is often hampered, by old infrastructure and outdated equipment. Lack of competition on this last mile connection, in many cases because of market failure, often also leads to higher prices. **A better cooperation between the port and its rail network and the national rail network is needed.**

DIGITALISATION ENHANCES THE ROLE OF PORTS AS FACILITATORS OF THE SUPPLY CHAIN

Digitalisation is one of the biggest game changers for the transport and logistics industry. The use of digital tools can facilitate a smooth supply chain in the interest of shippers. Being at the crossroads between supply chains, **port authorities can have a pivotal role in the digitalisation processes.** As they are often the matchmaker between all parties involved in port operations, sea-shore and port-hinterland connectivity, port authorities can develop into **real digital hubs and neutral data managers at the service of the transport and logistic chain.**

By gathering and exchanging real-time information among different parties in the process, logistics processes can be optimised and transport infrastructure can be used in a **more efficient way.** Increased and optimised data collection can also generate interesting patterns of historical data, which can better steer operations and prevent delays. The scale increase in the transport sector, and in particular in the maritime sector, challenges more than ever the smooth operation of the supply chain. Delays in the maritime or hinterland leg and late departure/arrival or cancellation of ship calls challenge the flexibility of all port stakeholders. Better communication and coordination between all stakeholders in the supply chain is more than ever necessary to guarantee the optimal use of infrastructure, the seamless connection between transport modes and to avoid delays.

Digitalisation can also play an **important role in port asset management**. By monitoring the real use of infrastructure and the real needs for maintenance, ports can rationalise infrastructure investments and their maintenance.

Digitalisation will also **enhance the safety and security of the supply chain** through early warnings, real-time alerts and optimised checks.

Apps and other digital services also **improve the service to the passengers in the port**.

Finally, digitalisation **will enhance environmental performance** throughout the supply chain **through a better use of transport infrastructure and transport means (trucks, trains and ships)**. Additionally, digitalisation will increase the **transparency in the supply chain** and can thus be an interesting tool in **creating awareness of the carbon and environmental footprint of a given supply chain**. Companies can use it in the development of their supply chain sustainability strategies.

As coordinators of the different stakeholders that provide services in the port ranging from pilots to waste collectors, **ports are by definition operators of a “platform”**.

Digitalising data submission as laid down by the recently adopted **European Maritime Single Window Environment Regulation**, will facilitate the flow of reporting formalities among port stakeholders and must be welcomed.

To exploit the full potential of innovative technologies, **many European ports are turning their traditional Port Community Systems (PCS) into real data sharing platforms** which are able to send valuable information to the parties who need it. This new generation of PCS's is more than just a portal. The PCS's now facilitate data exchange between port stakeholders (including shipowners, authorities, companies) and make use of state of the art technology (such as blockchain, artificial intelligence, IoT).

Digitalisation implies an **adequate level of digital connectivity to the port** and requires a high capacity broadband, WIFI and 5G for the users and the people active in the port as well as for the passengers and crew of ships.

Digitalisation will require ports to address **the human element**. It is crucial to adapt the curricula of education and training programmes to the changing job reality and to develop strategies to address the transition.

The automation and semi-automation processes and developments in the different modes of transport will also imply the rethinking of port operations (such as safety, security, infrastructural changes, insurance).

The digital transition in ports has to be seen together with the overall development of **the platform economy and society**. The digital platforms are becoming the main gateways for economy, society and connectivity. Digitalisation is drastically changing production and distribution patterns. The role of the different maritime professions and traditional stakeholders might drastically change through the further development of platforms and e-commerce giants, taking over (parts of) the logistics processes.

Finally, the growing dependence on digital solutions and data increases **the risk of cyber incidents** (deliberate or not). The Directive on security of network and information systems (“NIS Directive”)¹⁰, the first piece of EU-wide cybersecurity legislation, has been in force in the Member States since May 2018. As operators of essential services, ports fall under the scope of this Directive.

10. Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union

Digitalisation of the transport, logistics and supply chain will **enhance efficiency, safety, security and environmental performance.**

European policy should recognise that **port authorities can play a pivotal role** in enhancing the digitalisation of the transport and supply chain. Port communities in the Union can become real hubs of digitalisation where all stakeholders bring together data into digital platforms, allowing a far more efficient and secure logistics chain and connecting industry.

One of the **big challenges is to keep the smaller ports on board** of this digital transition.

Developing a policy that protects against abuse and **the risks of cyber-attacks, without curtailing the rapid pace of digital innovation,** must be seen as one of the major political objectives. It is important to assess if the Directive on security of network and information systems (“NIS Directive”)¹¹ and the European Union Agency for Network and Information Security (ENISA) are delivering in that respect.

Digitalisation can only deliver if all stakeholders, public and private, cooperate and **dare to share** information. Ports can be the neutral matchmaker, the environment that gives all stakeholders the trust needed.


The recently adopted Regulation establishing a **European Maritime Single Window Environment** must be welcomed and **implemented in close cooperation with the ports.** The harmonisation and simplification of reporting formalities (harmonisation of data definitions and data sets), must be considered as a priority in that respect. Through better **cooperation between maritime and customs authorities at both national and EU level, more harmonisation of the reporting requirements will be achieved.**

¹¹. Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union


DECARBONISATION: ALL HANDS ON DECK

Climate change is a major threat to the world's environment, well-being and economy. The prosperity of the future generations is at risk.


INDICATORS SHOWING THE IMPORTANCE OF CLIMATE CHANGE FOR PORTS



78 % of ports consider climate change adaptation as part of new infrastructure development projects



59 % of ports take steps to strengthen the resilience of its existing infrastructure in order to adapt to climate change



41 % of ports experience operational challenges that could be related to climate change (e.g. more frequent storms, flooding, changes in wind or wave conditions)

Source ESPO environmental report – 2018

Climate change is high on the ports' agenda. Why?

- Ports are literally on the first row, when sea levels are rising. Extreme weather conditions are directly impacting maritime transport and port infrastructure and operations. Ports therefore need to work on both mitigation and adaptation.
- Ports are at the crossroads of transport, supply chains, industry and energy and are thus often seen as major sources of CO₂ emissions at national level.

- With around 40% of commodities being sources of energy, European ports are the main entry points of energy commodities, supplying a much wider geographical area. It is self-evident that the energy transition is a real game changer for many ports. At the same time, the energy transition agenda can offer new business opportunities to certain ports (renewable energy, off shore related industry, bio-industry, carbon capture).
- 91% of European ports are located in or very close to an urban area¹². Many European cities have set their own, more ambitious goals towards becoming carbon-free or carbon neutral. Port authorities are feeling the pressure from local governments. But also here, the port can help the city in achieving its goals by generating the sustainable energy needed for the urban agglomeration and/or by shortening the distance between the production and the consumption area.
- Port managing bodies are mission driven. They need to ensure that port activity is sustainable in the long run.

Port authorities themselves have small carbon footprints, but are the locus where major greenhouse gas emitters come together. **Decarbonising the “port”** means that, next to the decarbonisation of the activities and operations under the direct responsibility of the port managing body, all stakeholders and all activities have their decarbonisation agenda, goals and plans. European port authorities can facilitate —and are encouraging and facilitating— to a certain extent the decarbonisation of their stakeholders, but the main responsibility lies with each stakeholder.

The transport sector is one of the main stakeholders of port authorities and is responsible for a large part of the CO₂ emissions allocated to a port. As the main transport stakeholder in the port, the **maritime shipping sector** is responsible for the biggest share of the supply chain CO₂ emissions.

In March 2018, the Members States in the International Maritime Organisation (IMO) agreed to reduce the GHG emissions from ships by at least 50% by 2050 compared to 2008 whilst pursuing efforts towards phasing them out. IMO must now roll out the strategy and measures to achieve this target.

12. Trends in EU governance 2016, ESPO, www.espo.be/publications

Europe must **support investments** that implement the **decarbonisation strategy of the port** as well as investments that aim to **enhance resilience to climate change**.

European policymakers should recognise the role European ports are playing and can play as nodes of energy, industry, supply chains and blue economy and to acknowledge how ports can be **a spider in the web for guiding Europe's economy through the energy transition**. Investments in ports that enhance the role and the uptake of alternative fuels and energy in the economy and society should be enhanced. ESPO believes the Connecting Europe Facility II is the right instrument to support these investments.

European policymakers must closely monitor **the implementation of the IMO target for shipping**. The first priority for the sector in that respect is to **roll out the measures to reduce emissions** and to define the pathways to be pursued in terms of future fuels. 2023 should be seen as a milestone for breakthrough in that respect¹³.

13. The Emission Trading Directive of 2017 puts the pressure on the IMO to adopt an ambitious emission reduction objective and accompanying measures as part of this initial strategy. The target-setting was done in April 2018 by the IMO. The 2017 Directive obliges the Commission to “report to the European Parliament and the Council on the progress achieved in the IMO towards an ambitious emission reduction objective and accompanying measures to ensure that the sector duly contributes to the efforts needed to achieve the objectives agreed under the Paris Agreement. Action from the IMO or the EU should start from 2023, including preparatory work on adoption and implementation and due consideration by all stakeholders.”

Planning and developing investments in clean fuel infrastructure on the port side are time and cost intensive. It is therefore important to make well thought-out and stable decisions and avoid investments that are underused or useless. EU policy requiring ports to invest in certain facilities must come with corresponding obligations for the users to make use of the intended infrastructure. **Stimulating new technologies should however not lead to strict legislation which prevent the sector to adapt to the ongoing continuous technological innovation.**

ESPO recognises that the decarbonisation targets for the different industry stakeholders will have to be assessed in the light of the outcome of the discussions on **the EU 2050 long-term Strategy for a climate neutral Economy**¹⁴.

14. COM(2018) 773 final

AIR QUALITY AT THE HEART OF THE PORT-CITY RELATIONS

For the last four years, **air quality** has been considered as **the first environmental priority** by Europe's port managing bodies. Air pollution is of high concern for European citizens and thus for European port authorities. **Air pollution is the single largest environmental health risk in Europe causing around 400 000 premature deaths per year¹⁵**. European ports cannot ignore the call for cleaner air, regardless of who is responsible. Air quality has become a key determinant of public "acceptance" of port activity in the years to come.

The impact of the implementation of the SECA 0.1 SOx limit for ships shows that measures to reduce air emissions deliver: since the limit has been introduced, the quality of the air has improved by 70% in the Baltic¹⁶.

15. European Environment Agency, Air quality in Europe — 2018 report

16. Helcom Policy Brief, October 2017

In view of lowering the emissions of SO_x, NO_x and CO₂, **a gradual but mandatory transition plan to cleaner fuels** must be developed which delivers both in terms of air quality and decarbonisation.

ESPO asks European policymakers to **start the discussion on the implementation of an EU Emission Control Area (ECA)**, in close cooperation with all relevant stakeholders.

In line with the provisions of the Alternative Fuels Infrastructure Directive¹⁷, ports are increasingly investing in on shore power supply (OPS) and LNG refuelling facilities. This implies costly investments on the port side and sometimes on the landside (such as connecting OPS to green power generation). Since more and more options and pathways for greening are being explored (hydrogen, ammonia, synthetic fuels, biofuels), it becomes more and more difficult for a port to accommodate these different solutions or to make the right choice for certain investments. The risk is that there is no market yet for certain investments or certain investments are outdated before the pay-back period of the investment has passed. **To avoid the chicken/egg situation, policy measures on the port side should be accompanied by corresponding measures for the users.** In case there is no clear earnings model yet, infrastructure on the port side should be co-financed by the user and/or supported with funding.

17. Directive 2014/94/EU of the European Parliament and of the Council of 22 October 2014 on the deployment of alternative fuels infrastructure Text with EEA relevance

The Energy Taxation Directive should be reviewed to provide for a tax exemption for onshore power supply (OPS) for vessels. That would take away the disadvantage compared to electricity generated on-board of the vessel which enjoys a tax exemption.

To protect the water quality and to respect the EU standards imposed by the Water Framework Directive, some Member States have taken initiatives to limit liquid discharges from scrubbers in port areas. **European ports would like to see prompt and harmonised action on the basis of scientific evidence available with regard to the impact of liquid discharges from scrubbers on water quality.** Ports therefore support the EU proposal to bring the issue to the IMO.



Source, ESPO environmental report 2018¹⁸

18. Building on a long tradition that goes back to 1996, ESPO and EcoPorts regularly monitor the top environmental priorities of European port authorities. This data is important as it identifies the high priority environmental issues on which ports are working and it sets the framework for guidance and initiatives to be taken by ESPO.

EUROPE'S PORTS AT THEIR BEST IN AN OPEN TRADE ENVIRONMENT

About 75 % of Europe's trade with the rest of the world and more than one third of intra-European trade is shipped through its seaports. For European ports, an open trade environment is a priority. Any barriers to trade should therefore be considered as an additional burden or loss of business for European ports. Any geopolitical event may immediately affect a ports' business.

Over the last years, **world trade has been increasingly under pressure by protectionism and geopolitical struggles**. Global powers are more and more competing with each other, implementing protectionist policies in order to both preserve industries at home as well as to disadvantage growth in the economies of competing states. European ports believe that protectionist policies and flourishing global trade are incompatible. **ESPO underlines the importance of an open trade environment for Europe's prosperity.**

At the same time, European ports realise that **an open trade environment can only be sustainable if there is a global level playing field** in which companies can operate, with respect for international regulations and standards and market access reciprocity. Unlike before, the main global trade partners are not functioning on the basis of the same economic system. The World Trade Organisation (WTO) rules are not fully covering this new trade reality. To give an example, support given to state owned companies is regulated. Support by state owned companies is not.

The **Chinese Belt and Road Initiative**, an ambitious Chinese programme to improve cooperation and connectivity on a trans-continental scale, aims to strengthen infrastructure, trade and investment links between China and some 65 other countries that account collectively for over 30 percent of global GDP, 62 percent of population, and 75 percent of known energy reserves. Its realisation will create a new context for the Europe-Asia relationship, which can have a deep impact on European ports and the European transport policy, particularly on the TEN-T network.

The maritime trade environment is also expected to change due to climate change, as reduced levels of sea ice around the North Pole are expected to provide for **new shipping routes**. Those new arctic shipping routes could potentially provide for more favourable links between Europe, North America and Asia. Even if these routes are not an economically viable alternative at the moment, this could change in the coming years and consequently bring some new opportunities for certain European ports and challenges for others. Whereas climate change will ease the routes to the Arctic, it is expected to disrupt other traditional shipping transport and trade routes.

The **withdrawal of the United Kingdom** from the European Union, without appropriate agreement, will install new barriers to trade that can seriously impact ports. **The process highlights, as never before, the importance of the EU Single Market and the customs Union.**

Ports very much support the initiatives Europe is taking to preserve an open trade environment. For instance, the EU-Japan trade agreement, which removes barriers to trade in goods and services, helps shape global trade rules and sends a strong signal to the world's biggest economies to reject protectionism.

European ports are very concerned about the recent crisis in the WTO and believe Europe should continue to take the lead in the WTO in view of adapting and updating the current rules to continue to ensure a level playing field between trade partners.

Ports need a strong and united Europe that is able to cope with the trade and geopolitical challenges of today and tomorrow.

An open trade environment can only be sustainable if there is a global level playing field in which companies can operate, with respect for international regulations and standards and market access reciprocity.

ESPO welcomes the recently published EU-China Strategic Outlook¹⁹, the joint communication from the High Representative of the Union for Foreign Affairs and Security Policy, which sets out the principles and conditions and proposes ten concrete actions to further engage with China in a fair, balanced and mutually beneficial way. ESPO considers the document as a concrete strategy to be implemented.

ESPO recognises that **the TEN-T network must be ensured for the trade within the EU 27, in case of a Brexit.**

19. JOIN(2019)2 final of 12 March 2019

PORTS AND CITIZENS: SAFEGUARDING THE LICENCE TO OPERATE

The increased capability of citizens to voice their concerns greatly influences the economic, societal and political landscape. The 2019 citizen is stronger, better informed and more engaged. The 2019 citizen is the new influencer and this is also for ports an important reality.

Social media has opened the door to a massive information flow, allowing citizens, with a minimal effort, wherever they are, work or live, to keep their finger firmly on the pulse of what is going on in their neighbourhood, with the products they buy, the brands they like, the services they use.

This information empowers the citizen. More and more he or she will question what is going on, will set the trend, will drive the change, will steer production and consumption patterns to address climate change, a better quality of living or improve social welfare.

91% of European ports are located in or very close to an urban area. European ports are very often situated next to or in big urban agglomerations and are considered by the local population as the representative of the maritime sector in the city. Port authorities understand more than ever that citizens are closely following their activities, when things are going well but even more when things are going wrong. Port authorities respond by showing transparency, by reaching out to schools and young citizens, by involving the local community in their initiatives to lower negative externalities, and improve the environmental performance. But the communication should not only be a defensive one: ports need to explain their role and, more particularly, their contribution to addressing today's challenges.

Port authorities need to explain that a port is not only about loading and unloading goods. As nodes of transport and industry, ports have to show that they cluster different parts of the production and distribution chain and avoid 'unnecessary additional transport'. As logistics nodes, ports are service provider to the internet shopper. As nodes of energy they must show to what extent they have a role to play in the transition to a world without carbon, by facilitating the production, supply and trade of new sources of energy.

European ports recognise that they can only function and grow if they get the licence to operate from the port citizen.

To get this licence, ports must be transparent about their externalities, their environment performance, but also about their role and contribution to meeting today's challenges.

Increasingly, **European ports are openly showing their environmental track record and transparency** through independent, third-party review and audit. ESPO is supporting this development by producing an annual environmental report, including environmental performance benchmark indicators as well as the Top 10 Environmental Priorities of the European ports²⁰.

THE MAKING OF EU POLICY

The European Sea Ports Organisation very much welcomes the open and constructive dialogue and possibility to exchange information, facts and views with EU policymakers at a very early stage of policy making.

ESPO looks forward to continuing to work in a constructive way with the Commission, the European Parliament and the Member States on making and supporting European policy that allows ports to further develop and respond to today's challenges.

ESPO'S VIEWS

ESPO stresses the need for **coherence and coordination** between transport policy and other policies at EU level (Environment, Customs, Competition, Energy, Maritime Affairs, Research). Better coordination at a very early stage of policy making will avoid the development of conflicting policy goals and measures and will result in a more coherent and efficient policy.

ESPO pleads for **strong EU competition authorities** in view of safeguarding the role of European ports as strategic assets in an open trade environment.

ESPO recognises the benefit of **stakeholder platforms** bringing together all stakeholders to exchange best practices and assist with the application of EU policy and legislation. At these platform meetings, ESPO considers it important to be accompanied by individual ports who can directly participate and enter into dialogue with the Commission and other stakeholders. While being a good platform for discussion and exchange of good practices, the deliverables of such forums cannot replace a proper consultation in the legislative process.

ESPO stresses **the importance of better regulation and highlights the need for proper impact assessments.**

WANT TO READ MORE?

- ESPO Environmental Report 2018 (October 2018)
- The Infrastructure Investment Needs And Financing Challenge Of European Ports (March 2018)
- Trends in EU Ports Governance 2016 (June 2016)
- Code of Good Practices for Cruise and Ferry Ports (June 2016)
- About ESPO and European Ports Work (June 2015)

These publications can be downloaded from:
www.espo.be/publications

Hard copies are available at the ESPO Secretariat.

HOW TO FOLLOW US?

The ESPO website is ESPO's library, newsroom and notice board. It gathers all our position papers, publications, press and updates you about our upcoming events. You can also consult ESPO's annual report which features amongst others the annual throughput of Europe's main ports.

Do you want to get our news directly in your mailbox, just drop a line to: mail@espo.be.

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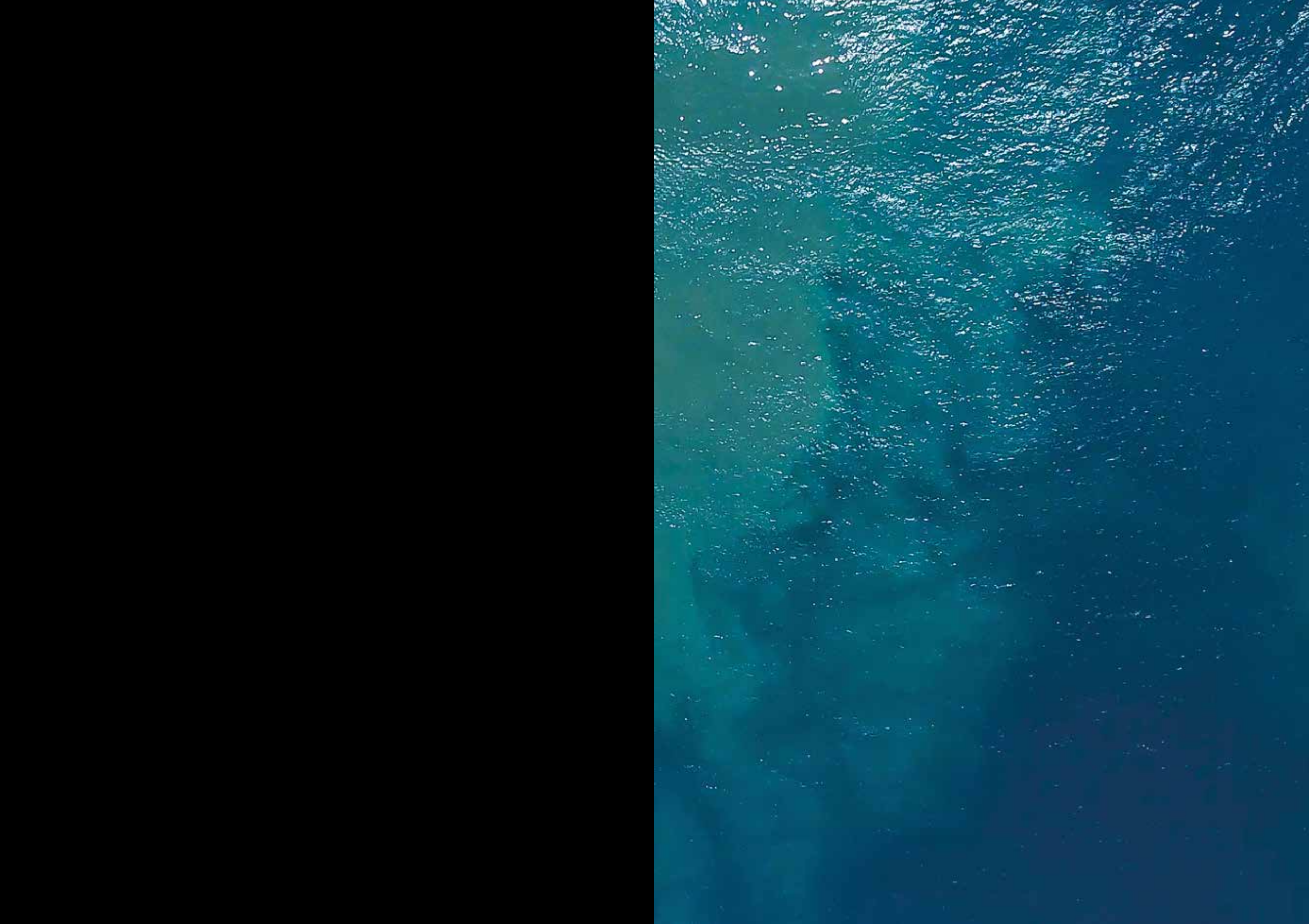
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