



EU ETS Maritime: Managing bodies of Europe's ports and Private Port Operators welcome Commission monitoring of carbon and business leakage, but call for early and robust action against evasion.

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On the 13th of March 2023, the European Parliament is expected to vote on the political agreement for the revised EU Emissions Trading System (ETS).

ESPO and FEPORT welcome the inclusion of maritime in the EU ETS as part of decarbonising shipping.

The revised ETS system will apply to maritime shipping and, after a phase-in period between 2024-2026, will require shipping companies to submit allowances covering 100% of emissions on intra-EU voyages (between two ports in the EU) and in ports, and 50% of emissions on extra-EU voyages (between a port in the EU and a port outside the EU).

Managing bodies of Europe's ports (ESPO) and private port companies and terminal operators (FEPORT) support financial incentives to speed up the greening of shipping. Nonetheless, the geographical scope of the EU ETS Maritime agreement could still lead to evasive port calls where shipping companies can avoid paying into the ETS by adding a call to a port outside the EU, or by reconfiguring their routes.

Evasion will threaten the integrity of the ETS, leading to higher emissions from longer voyages whilst failing to push shipping companies to green their operations. Fewer allowances being auctioned will mean less revenues available for the decarbonization of the sector. Finally, evasive port calls will negatively affect employment and business activity in certain ports in the EU, and undermine their strategic role as hubs of transport, renewable energy, and connectivity.

More is needed to ensure monitoring and effective prevention of carbon and business leakage from EU ETS Maritime

It is a positive signal that the political agreement takes the risks of evasion into account, and ESPO and FEPORT appreciate that the Commission will monitor and report on the impacts of EU ETS Maritime on port traffic, port evasion and traffic shift of transshipment hubs. Port managing bodies and terminal operators strongly support that the Commission acts as soon as evasion is identified.

FEPORT and ESPO also value the co-legislators' efforts to introduce a definition of "port of call" which excludes stops in container transshipment ports neighbouring the EU, to be defined via Implementing Acts.

However, in order to ensure successful monitoring of carbon and business leakage and take timely restorative measures, additional factors should be considered:

- **Early Warning:** Once evasion is established, and trading routes have changed, it will be very difficult to reverse the negative development. The Commission's intention to use AIS data and data from customs (to assess whether there are changes in maritime traffic) and the value of the goods imported and exported via EU ports, as indicators of potential evasion. However, these indicators only identify evasion after it has already taken place. The EU Commission should therefore use additional parameters that allow the early detection of evasive port calls and reconfigurations of shipping routes before they become irreversibly entrenched.
- **Consider possible distortions and evasion from *all* non-EU competitors:** The EU Commission should monitor cargo diversion via all relevant non-EU ports, not only those ports where the total share of container transshipment traffic exceeds 65%. If cargo diversion also takes place via ports or terminals below this threshold, this latter should be lowered or abandoned immediately.
- **Stakeholder involvement:** Port authorities, terminal operators and trade unions should be involved in the monitoring of the impact of EU ETS Maritime, and be continuously consulted on possible evasive trends. Both the European Port Forum and European Sustainable Shipping Forum should be consultative for the EU Commission in this respect.
- **Holistic approach:** When monitoring the impacts of EU ETS Maritime, the focus should be on the cumulative impacts of the Fit for 55 package. This is especially true in the case of FuelEU Maritime. The impact of the current spike in energy prices on the competitive position of ports in the EU should be considered, as well as the trade and state aid policies of the EU's competitors.
- **Use the revenues from EU ETS strategically:** The decarbonization of the sector will require significant investments in green refuelling and recharging infrastructure in ports as well as adaptations of port superstructure. ESPO and FEPOR very much welcome that revenues from the maritime ETS will support maritime decarbonization through dedicated calls under the Innovation Fund. A significant part of the ETS revenues should be invested in ports in the EU via dedicated EU and national calls. The revenues should be allocated to EU Member States based on port calls to ensure that investments in decarbonisation can be made in locations where the emissions take place.

Evasion from the maritime EU ETS is a serious concern that continues to pose a threat to the credibility and robustness of the EU ETS. Early action is crucial as changes in port traffic and the reconfiguration of shipping routes are almost impossible to reverse once they occur.

ESPO and FEPOR are committed to supporting the EU Commission in its efforts to monitor carbon and business leakage and in swiftly adopting preventive and restorative measures.

***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, 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.*

***The Federation of European Private Port Companies and Terminals (FEPORT)** represents the interests of 1225 private port companies and terminals performing cargo handling and logistics related activities in the seaports of the European Union, which employ over 390.000 port workers. The organization was founded in 1993 to promote the interests of its members, and to maintain continuous dialogue with all EU institutional and non-institutional stakeholders. FEPORT is based in Brussels, Belgium.*