



FEPORT Position Paper on Alternative Fuel Infrastructure Regulation (AFIR)

Introduction

FEPORT represents the interests of 1225 port companies and terminals performing cargo handling and logistics related activities in European ports. FEPORT Members employ over 390.000 workers.

We welcome the possibility to provide comments regarding the EU Commission proposal for an Alternative Fuels Infrastructure Regulation.

FEPORT members are committed to decarbonize emissions stemming from cargo handling operations, but underline the importance for other modes of transport arriving and departing from EU ports to reduce their emissions as well. This is the only efficient way to substantially reduce emissions in ports.

FEPORT members are impacted by EU clean infrastructure policies as the deployment, construction and use of infrastructure for alternative fuels and power supplies will likely require a serious adaptation of terminal lay-out and operations. This is true when clean fuels or energy sources are being provided to seagoing vessels, but also in the case of refuelling and recharging infrastructure dedicated to other modes of transport such as rail, road and inland waterway transport.

FEPORT believes that it is crucial that the EU alternative fuels infrastructure policy is goal-based, i.e. aimed at promoting those fuels and energy sources that have the highest potential when it comes to reducing CO₂ and other GHG emissions.

At the same time, in view of rapid technological developments – in particular in the waterborne sector – it is important that port stakeholders are ensured adequate return on investment. It is indeed essential to have visibility on the status of demand from the shipping side to be able to invest where it is actually suitable and financially sustainable.

Finally, it is key that the AFI Regulation does not only incorporate fully renewable infrastructure, but also allows for the provision of low carbon or transitional fuels.

To ensure that the above principles are abided by, FEPORT would like to submit few recommendations.

1. Consider the interests of port stakeholders when designing policies related to shore power, be it on the user or infrastructure side

In its response to the public consultations regarding the revision of the Alternative Fuels Infrastructure Directive and FuelEU Maritime, FEPORT has underlined the importance of adhering to a technology neutral – or agnostic – approach in order to stimulate research and innovation into clean technologies.

This point is relevant for each transport sector but especially for the maritime one as many details regarding this sector's pathway to decarbonization still remain unknown. It can be expected that the transport sector will reach climate neutrality by means of various fuel and energy solutions (energy mix).

FEPORT understands the rationale behind article 5(1) and 5(3.b) of the FuelEU Maritime Regulation proposal as it requires ships to connect to shore power as of 1 January 2030 onwards, while exempting those ships that already use another zero-emission technology. In this way, a technology agnostic and goal-based approach is privileged, while ensuring that ships actually make steps towards zero-emissions at berth.

However, allowing for the use of different zero-emission technologies, might also discourage private investments in ports. For instance, very few private port stakeholders will be tempted to invest in onshore power supply, if they are not sure whether in 2030 shipping companies will be using OPS or another zero-emission technology. Therefore, investments into OPS should in principle be public. Private port stakeholders could play some supporting role, but this will depend on the existence of a business case that establishes the existence of a real demand.

In order to stimulate public and private investments, sufficient demand must be confirmed in order to prevent stranded assets. FEPORT therefore supports that article 5(1) of the FuelEU Maritime Regulation makes connecting to shore power mandatory as of 1 January 2030, although some exceptions are provided for. In the same vein, it is crucial that the AFIR sets a high target for the deployment of OPS infrastructure, requiring those maritime core and comprehensive ports covered by article 9(1) of the AFI Regulation proposal to have sufficient shore-side power output available to cover at least 90% of existing demand.

It is essential that in the framework of the interinstitutional negotiations, these targets are not watered down. High targets for both the deployment and uptake of OPS, will play a significant role in motivating port and shipping stakeholders to take measures to ensure an increased usage of shore power by ships at berth.

To achieve these high targets, sufficient funding is a prerequisite. FEPORT therefore suggests to include an explicit reference in article 13 of the AFIR proposal that requires Member States to not only develop deployment plans for different types of alternative fuels infrastructure in maritime ports - such as for electricity, hydrogen, LNG or ammonia – but also to draft funding plans that lay down how they will finance alternative infrastructure development policies.

However, in order to stimulate shipping lines to also use OPS before it becomes mandatory in 2030, EU policies should guarantee that the price of OPS is at least not higher than the price paid for more polluting alternatives such as Heavy Fuel Oil. Tax measures can help in this regard. Therefore, in the framework of the Energy Taxation Directive revision, FEPORT called for a total tax exemption for electricity provided to vessels at berth. Infrastructure standardization will also be a factor that can contribute to the accelerated uptake of shore power.

Finally, a number of constraining factors must be taken into account when implementing OPS targets in the EU. For example, possible adverse effects on the Level Playing Field must be considered. As electricity prices differ per Member State, obligations to connect could favour some ports to the detriment of others. In addition, it should be considered whether the electricity provided to vessels at berth actually makes a net contribution to climate change mitigation, given that the contribution depends on the actual method of electricity production. It should be ascertained that obliging vessels to plug in to electric charging points will actually contribute to climate change mitigation.

2. Recognize the role of LNG as a transitional fuel

As LNG was assigned an important role in the 2014 AFI Directive, port stakeholders have made significant investments in order to be able to offer this solution. FEPORT therefore supports that the inclusion of LNG is maintained in the AFI Regulation (AFIR) proposal, requiring Member States to ensure that sufficient LNG refuelling points are put in place in view of enabling *“seagoing ships to circulate throughout the TEN-T core network by 1 January 2025”* (see article 11.1 of the AFIR proposal). This is important as it reflects the current demand on the shipping side and will provide a stimulus to research and innovation into cleaner forms of LNG such as bio- or synthetic LNG.

However, in order to ensure that LNG is only provided in those ports where it is actually needed, FEPORT suggests to amend article 11(2) so that it explicitly mentions demand on part of shipping and the existence of a business case on the port side as a condition that Member States should take into account when deciding which TEN-T core maritime ports should provide refuelling points for LNG.

To provide a further impetus to R&I activities as well as to the much-needed underlying investments, it is also key that policy makers provide legal certainty as regards to how long LNG will be regarded as a transitional fuel.

Although FEPORT supports that LNG is assigned an important role in the AFI Regulation proposal, some questions remain regarding the proposed timeline. As the AFI Regulation is not likely to enter into force in 2021 already, the time to prepare to have enough LNG infrastructure available by 1 January 2025 might be too little. FEPORT therefore proposes to stick with the deadline of 31 December 2025 that was mentioned in article 6(1) of the Alternative Fuels Infrastructure Directive of 2014.

In addition, in order to promote LNG, consistency between the various pieces of EU environmental and climate legislation is key. It should in particular be ensured that the targets laid down in the AFIR proposal are backed by a taxation policy that stimulates the usage of those fuels and energy

sources of which the AFI Regulation seeks to increase the uptake. FEPORT therefore proposes to allow for a tax exemption or preferential tariff for LNG for maritime transport beyond 2025.

When it comes to the OPS topic, FEPORT praises the ETD proposal's consistency with the AFIR one as it allows for an exemption over a transitional period of 10 years for electricity provided to vessels conducting intra-EU voyages (see article 15.1 of the ETD proposal). It should be considered to also apply this zero-rate for vessels carrying out extra-EU voyages.

3. Concluding remarks

FEPORT supports the AFI Regulation proposal as the availability of refuelling and recharging infrastructure is a key factor which is necessary for the decarbonization of all transport modes.

However, in case infrastructure is being provided by private parties, EU funding should be employed to ensure adequate return on investment.

Finally, the ETD should be aligned with the targets spelled out in AFIR, as preferential taxation is likely to increase demand and guarantee a return on investment.