



FEPORT Position Paper on EU ETS for shipping

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.

Our membership strongly supports the rationale behind the “Fit for 55” package, i.e., to turn the EU’s ambitious climate goals into action.

Being at the junction of seaside and land-based activities, FEPORT members closely monitor relevant developments which concern shipping as well as hinterland transport modes. All maritime and port stakeholders will have a role to play with respect to the decarbonization of the sector by providing clean refueling and recharging infrastructure as well as by improving ship-shore communication thus facilitating energy savings on both the sea- and the shore-side.

It will be important to take into account the interests of port stakeholders when designing legislation applicable to shipping. For instance, in the case of the EU ETS, it is crucial to analyze whether the introduction of a carbon price in shipping will not lead to a diversion of cargo away from EU ports or to less climate friendly modes of transport

FEPORT welcomes the EU Commission proposal for a revised EU ETS Directive as a necessary step to ensure that all sectors of the EU economy contribute equally to the European Union’s ambitious climate targets for 2030 and 2050, but would like to underline the importance of the below principles.

- 1. Encourage using the most climate-friendly transport option by ensuring that the carbon price is on equal footing across the different transport modes**

According to the Commission proposal, Emissions Trading will apply to maritime and road transport and aviation, but not to rail and inland waterway transport. At the same time, cargo and passengers can be delivered to their final destination by various combinations of land-based and water-based transport.

However, in order to ascertain that the most climate-friendly combination of transport modes is chosen, it should be ensured that the carbon price is on equal footing across transport modes. This is a prerequisite for bringing down emissions in all parts of the transport sector, but also crucial for ensuring fair competition as competition does not only take place within, but also across modes of transport. Therefore, when designing the EU ETS Directive, very careful attention should be paid as regards to how this affects differences in carbon prices across the various transport modes. Also possible effects of changes to the Energy Taxation Directive affecting the energy price paid by the various transport modes should be taken into account in this regard.

2. Prevent that cargo flows are diverted away from EU ports

FEPOR agrees, in principle, with the inclusion of shipping into the EU ETS system as this is a necessary precondition for meeting the EU's climate targets for 2030 through an equal contribution of all sectors.

Ports and terminals, however, do not only compete amongst themselves but also with non-EU ports in the Mediterranean and other neighboring regions.

There is also a real risk of a loss of competitiveness vis-à-vis UK ports in the context of Brexit, with the UK having announced a "freeport initiative" which could entail tax breaks and subsidies for the companies operating and established in these freeports.

In order to preserve the competitiveness of EU ports, policy makers should be careful when applying the EU ETS system to extra-EU voyages as well. Special care should be taken towards the possibility of the emergence of alternative trade routes in which first a neighboring non-EU port is visited after or before the long haul to other continents thus avoiding higher costs. The neighboring non-EU port could be a less costly option to offload or transship cargo, as calling there would allow for paying a lower carbon price.

The implementation of EU ETS should be closely monitored in case of possible diversions of cargo flows. It will be crucial that EU policymakers develop the right tools that address risks of cargo diversion and carbon leakage without this leading to disputes with EU trading partners. Port and maritime stakeholders are indeed strongly dependent on international trade.

Caution should also prevail when setting up the FuelEU Maritime Regulation, as that proposal also partially applies to extra-EU voyages.

It is furthermore key that the EU Commission creates a policy framework that rewards shipping companies that reduce their emission while calling at EU ports.

3. Make sure that ETS funds aimed at greening the shipping sector also benefit port investments dedicated to the decarbonization of shipping

FEPOR supports that part of the revenues for EU ETS will flow into the Innovation Fund to help the maritime and other industries reduce their emissions through innovation. It is also to be welcomed that the proposal's text explicitly evokes that the Innovation Fund can include investments in sustainable fuels and zero-emission propulsion technologies as evoked by recital 33.

According to the FuelEU Maritime Regulation proposal, part of the penalties raised in the context of shipping companies' non-compliance will flow into the Innovation Fund and the proposal mentions that the Commission should ensure that these resources are also used to support the distribution and use of renewable and low carbon fuels in the maritime sector (see article 21.2 and recital 37 of the Commission proposal)

The proposed provisions could be interpreted as also allowing for investments into infrastructure projects in the port sector. FEPORT is of the opinion that the EU ETS Directive and the FuelEU Maritime Regulation should explicitly specify that refuelling and recharging infrastructure in ports can also be funded via the Innovation Fund.

Having the right infrastructure in ports is an essential prerequisite to enable the decarbonization of shipping. At the same time, port stakeholders will only provide this under the condition that there is a viable business case and a long-term guarantee regarding return on investment. It is therefore crucial that a Maritime Envelope under the Innovation Fund does not only focus on research into disruptive technologies in the maritime and ports sectors, but also on the deployment of clean refuelling and recharging solutions that allow for emission reductions right now.

As the shipping sector's sector pathway to climate neutrality remains unclear, port stakeholders are also uncertain about their return on investment when they invest in refuelling and recharging infrastructure. It is therefore important that EU funding is used to support port stakeholders' investments in green infrastructure, in particular to compensate them for stranded assets when the infrastructure they invested in becomes obsolete due to technological developments on the shipping or maritime technology side (use of new alternative fuels).

4. Concluding remarks

FEPORT supports the EU ETS proposal and the inclusion of new sectors as a means to involve all industries in decarbonizing the EU's economy. However, it should be prevented that the inclusion of only part of the transport sector leads to a discrepancy of carbon prices paid across the various water- and land-based transport modes as such a situation would hamper the reduction of transport emissions and could lead to distortions of competition.

Furthermore, when incorporating maritime transport into the EU ETS, the interests of port stakeholders should not be overlooked. It should be prevented that the ETS revision will lead to a reduction of volumes in EU ports. Moreover, in view of their key enabling role, ports should be able to draw upon the funds that are made available to reduce the emissions of maritime transport.