FEPORT

The Federation of European Private Port Companies and Terminals

“Fit for 55”: Opportunities and challenges for the terminal industry

Rotterdam, 13th of June

Fit for 55 Package – General

On the 14th of July 2021, the EU Commission presented a package of 12 legislative proposals that together should ensure that the EU meets its climate targets for 2030, which require a 55% emissions' reduction as compared to 1990. Four of these proposals are of direct relevance to the terminal industry.

- A proposal for an **Alternative Fuels Infrastructure Regulation (AFIR)**
- A revised **EU ETS Directive** which includes maritime transport and the road sector
- A **Fuel EU Maritime Regulation** proposal
- A revision of the **Energy Taxation Directive (ETD)**

Fit for 55 Package – Each proposal in a nutshell

The relevance of each proposal to our industry can be summarized as follows:

The **Alternative Fuels Infrastructure Regulation** lays down requirements for ports regarding the provision of alternative fuels infrastructure such as for Onshore Power Supply and LNG.

FuelEU Maritime requires shipping companies to use a zero-emission technology at berth and lays down a reduction pathway for the GHG intensity of the energy used on board vessels.

EU ETS Maritime requires shipping companies to purchase allowances to cover their GHG emissions: 100% of emissions on voyages between EU ports and in the port, and 50% of emissions on voyages between a port in the EU and a port outside the EU (both directions).

The **Energy Taxation Directive** lays down minimum tax rates for energy products, including electricity and fuel used for terminal equipment

Fit for 55 Package – FEPORT views on preconditions for a successful implementation

FuelEU Maritime and **EU ETS** apply to voyages involving a port in the EU and a port outside the EU and shipping companies can therefore avoid their assocaiated costs by reconfiguring their routes or changing the order of their calls. It is therefore key that both pieces of legislation are implemented in such a way that a **reduction of business activity in EU ports is prevented.**

The **Energy Taxation Directive** lays down minimum taxation rates. It is key that the ETD provides an impetus for port users to green their operations.

AFIR lays down requires ports to provide onshore power supply (OPS) to vessels and **FuelEU Maritime** contains OPS user requirements. AFIR should be implemented in a uniform way across EU Member States to **maintain a Level Playing Field between ports.**

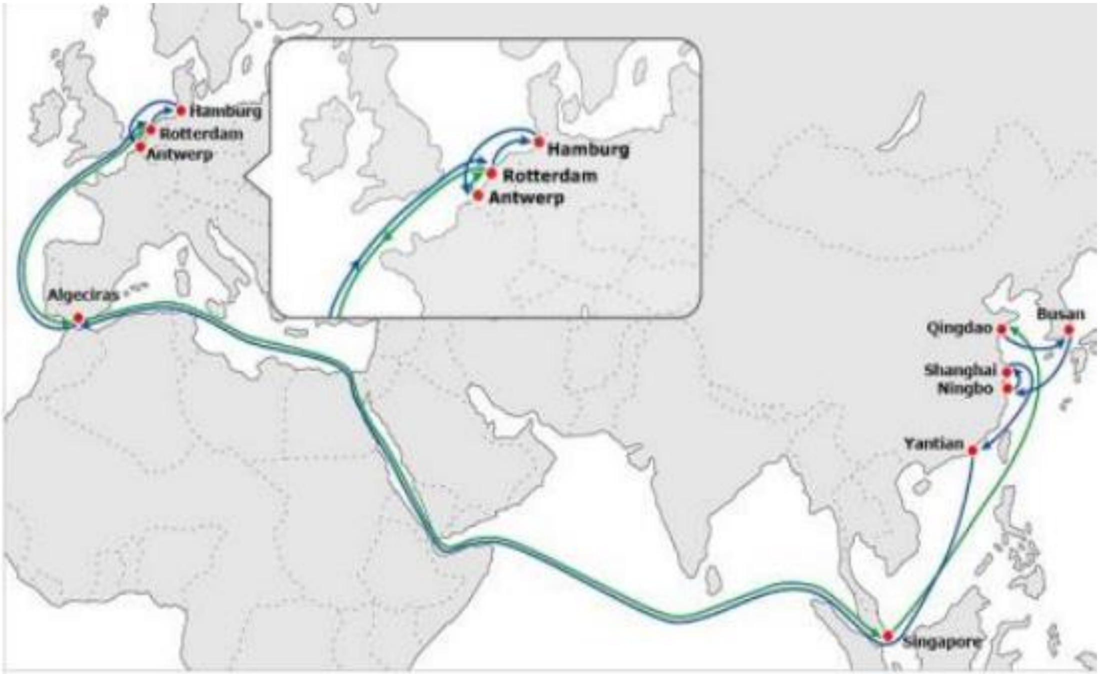
EU ETS and FuelEU: risks to business activity in EU ports and "Cargo diversion"

Following the above map which shows the sailing schedule of the MSC Santa Rosa (Source: CE Delft), the ETS Maritime and FuelEU in practice will mean that:

- No costs are incurred for voyages between US ports;
- FuelEU/ETS apply to 50% emissions/energy used on voyages between US and EU ports;
- No costs are incurred for voyages between UK and US ports;
- Voyages between ports in the EU are covered 100%, but FuelEU/ETS apply to half of emissions/energy on EU-UK voyages.

Risk: shipping companies reconfigure routes at the expense of EU ports to avoid the costs of FuelEU and EU ETS

EU ETS and FuelEU: how can costs be avoided?



Cargo diversion can happen in two ways:

1. Ships add an additional call to a non-EU port to their schedule in order to avoid the obligation to buy allowances. For example, Tanger Med (Morocco) is added to the above schedule.
2. Cargo is dropped off in a non-EU transhipment port and then distributed via smaller (feeder) vessels to EU ports.

EU ETS and FuelEU: how are the risks of cargo diversion addressed?

The EU ETS will be **phased in** between 2024-2026, with emissions trading gradually applying to an increasing share of emissions. This will help detecting any negative impact on EU port activity at an early stage. Also FuelEU Maritime requirements will be phased in.

The Commission is required to **monitor** effects on port traffic and is obliged to **propose measures** if any reduction is found.

ETS and FuelEU Maritime contain a definition of **port of call** meaning that calls that are only done for the purpose of fuelling/refuelling as well as calls where no passengers or cargo are discharged are taken out of consideration. Also calls to **non-EU container transhipment ports,** ports where the share of transhipment containers exceeds 65%, are not taken into account as far as EU ETS and FuelEU are concerned.

EU ETS and FuelEU: how are the risks of cargo diversion addressed? – FEPORT assessment

The definition of **"Port of Call"** and **"non-EU container transhipment port"** are welcome, but it is a missed opportunity that only transhipment evasion via ports with 65% of transhipment traffic or above is addressed. **Transhipment evasion can also happen via ports with a lower share of transhipment traffic.**

Also transhipment evasion via the **feeder option** is not addressed, even though the Commission is required to monitor the impact of ETS and FuelEU and propose measures if needed.

AFIR and FuelEU: the deployment of Onshore Power Supply

AFIR will require ports to provide OPS to vessels of 5,000 GT and above by 2030. Ports will be required to meet 90% of demand. These requirements apply to ports which:

- Receive on average (3 years) more than **100 calls** of **seagoing container vessels**
- Receive on average (3 years) more than 40 calls of **seagoing ro-ro passenger ships** and **high-speed passenger craft**
- Receive on average (3 years) more than 25 calls of other seagoing passenger ships

FuelEU lays down **OPS user requirements** for ships by 2030, but also allows the **use of other zero-emission technologies.**

AFIR requires Member States to ensure that ports are equipped with OPS, but does not specify which actor is responsible from an operational or financial perspective.

AFIR and FuelEU: Benefits and risks

Benefits

As AFIR and FuelEU will require the provision and use of Onshore Power Supply, we can expect shipping emissions in ports to drastically reduce by 2030, which will have **positive impacts on the health** and wellbeing of port neighbouring populations.

FEPORT recommends supporting **renewable energy production in ports** to alleviate OPS-induced pressures on local energy grids and to ensure that the OPS is really net-zero.

Risks

AFIR requires Member States to ensure that ports are equipped with OPS, but does not mention anything about financial responsibility for the provision of the infrastructure.

If AFIR is implemented differently across Member States, the **Level Playing Field** between ports in the EU will be at risk.

Energy Taxation Directive – tax policy based on environmental impact

With its proposed revision of the Energy Taxation Directive, the EU Commission seeks to ensure that the **polluter pays** principal applies to EU Member States' energy taxation policy.

The Commission proposal abolishes the tax exemptions for diesel used by terminal equipment which apply in a number (but not all) EU Member States.

Opportunities

The abolishment of the exemptions and an introduction of a minimum tax rate for diesel-propelled equipment, will provide an impetus to terminal operators to green their activities, allowing a further reduction of emissions in ports.

Challenges

In the current energy crisis, terminal operators using electrically propelled equipment have faced higher cost increases than those using fuel.

→ It is key that the ETD incorporates low rates or exemptions for electricity to stimulate first movers and help terminal operators cope with the consequences of the energy crisis.

“Fit for 55” and EU Climate legislation – FEPORT recommendations

In order to prevent negative impacts on the **Level Playing Field** within the EU, it is key that the FF55 legislation is implemented in a **uniform** way across the EU.

The **competitive position of EU Terminal Operators** should be considered as non-EU neighbouring countries might have less ambitious legislation.

When needed, **financial support** should be provided to stimulate terminal operators to make green choices and support the reduction of shipping emissions in ports. A good example in this respect is the **US Inflation Reduction Act** which includes alternative fuels infrastructure for ships and the greening of terminal equipment.

Thank you for your attention