

## COMMISSION COMMUNICATION “EUROPEAN GREEN DEAL”

(COM(2019) 640 final) 11.12.2019

### SEA Europe position paper

#### EXECUTIVE SUMMARY

- SEA Europe fully supports the ambitions of the “*European Green Deal*” (EUGD) and firmly believes that the EUGD will offer stimulating opportunities for Europe’s maritime technology sector, including the potential to regain certain lost markets:
- To transform waterborne transport into a zero-emission mode of transport, significant investments from the entire waterborne sector in Europe will be necessary, including in research, development and innovation (RDI), on top of those already carried out so far.
- SEA Europe proposes to set-up a *dedicated EU Maritime Fund* – as an alternative to extending the EU Emission Trading Scheme (ETS) to shipping – to incentivize the development of green technologies, to mature sustainable alternative fuels and to integrate them onboard ships as well as to deploy green infrastructure and to financially stimulate first movers.
- SEA Europe welcomes the EUGD’s acknowledgment of the role of new technologies, sustainable solutions and proactive innovation as critical to achieve its objectives.
- SEA Europe calls upon the European Commission to support technological neutrality and a goal-based approach, including for dual-use technologies, to avoid a curtailing of (innovative) clean technologies and to stimulate a rapid development of alternative fuels for waterborne transport.
- Due to the large variety of ship types and ship trades, there is not a “one-size-fits-all” solution to transform waterborne transport into a zero-emission mode of transport. Hence, all options for clean technologies, alternative fuels and their optimal integration need to be researched, developed, supported and facilitated and any legislation and policy actions should stimulate flexibility and thus refrain from imposing or prescribing specific technological solutions or specific alternative fuels
- Significant investments in making waterborne transport zero-emission need to be underpinned by a legal framework that offers legal certainty to the waterborne sector, including the maritime technology sector. Without any legal certainty, companies will refrain from making investments. This legal certainty is also key with regard to an EU taxonomy of green technologies and alternative fuels.
- SEA Europe notes with great interest the European Commission’s intention to use trade policy as a means to support the EU’s ecological transition. Equally, SEA Europe welcomes the EUGD’s recognition of the need to ensure fair and undistorted trade policy, to promote EU standards, and to enforce full compliance with EU regulations and standards of products placed on the European market.
- Appropriate measures and policy actions to achieve the EUGD’ ambitions need to be developed in close dialogue/cooperation with the stakeholders from the waterborne sector, including SEA Europe and its members.

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## **INTRODUCTION**

**SEA Europe<sup>1</sup> fully supports the ambitions of the European Commission’s “European Green Deal” (EUGD), which are in line with those of the European “Waterborne” Technology Platform (<https://www.waterborne.eu/>), whose Strategic Research Agenda aims at providing solutions for all main ship types and ship services by 2030 and at making waterborne transport a zero-emission mode of transport by 2050.**

### **1. MARITIME TECHNOLOGY SECTOR: A KEY ENABLER FOR CLIMATE-NEUTRAL WATERBORNE TRANSPORT**

**SEA Europe firmly believes that the EUGD will offer stimulating opportunities for Europe’s shipyards and maritime equipment industry (known as “maritime technology sector”), including the potential to regain certain lost markets:**

- The EUGD will support the ongoing efforts of Europe’s shipyards to build and retrofit innovative climate-neutral ships as well as Europe’s maritime equipment companies to manufacture and supply climate-neutral maritime technologies and maritime applications of clean fuels. All these products will be key in transforming waterborne transport into a climate-neutral mode of transport.
- The EUGD will enable Europe’s maritime technology industry to continue to build structures and ships for offshore and marine renewable energies and to produce related technologies. SEA Europe therefore welcomes the EUGD’s objective to increase offshore wind production and encourages the European Commission to foster the deployment of innovative maritime technologies and infrastructure (such as smart grids and hydrogen networks), including green installation and maintenance of these offshore structures. Equally, Europe’s maritime technology sector plays a key role in the sustainability of the entire Blue economy and in keeping oceans healthy and clean. The sector is fully committed to reinforce its efforts to ensure safe, clean and smart maritime and marine operations.
- Europe’s maritime technology sector is fully involved in the digital and green transformation of its factories as well as in the pioneering of best practices on smart factories (“*Shipyard 4.0*”). For this reason, SEA Europe welcomes the European Commission’s measures to support companies in this process.
- Leading-edge technologies for naval applications, developed by European maritime technology companies active in the defense sector, may find their way to commercial applications (*dual-use technologies*) and thus be relevant in the context of the EUGD too (e.g. applications for energy generation, management and use).

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<sup>1</sup> SEA Europe – the Shipyards’ and Maritime Equipment Association of Europe – represents close to 100% of the maritime technology sector in 16 nations, including EU Member States, Norway and Turkey. SEA Europe is a recognised social partner for the employers in the European Sectoral Social Dialogue for Shipbuilding and Ship Repair and a core stakeholder of the European “Waterborne” Technology Platform. Europe’s maritime technology sector encompasses the building, maintenance, repair, retrofitting and conversion of all types of ships and floating structures – commercial as well as naval – including the full supply chain with the various producers of maritime systems, equipment, technologies and services. With a production value of €120 billion, more than 22.000 large and SME companies and more than 1 million jobs, this sector is key for Europe’s economic growth, employment and welfare creation. It is also one of the core pillars of Europe’s maritime cluster and Blue Economy and is strategic for Europe’s defense and security, Europe’s access to seas, trade and blue economy activities and the implementation of Europe’s long-term ambitions.

## 2. RESEARCH, DEVELOPMENT AND INNOVATION: FUNDAMENTAL TO ACHIEVE THE EUGD TARGETS

To make waterborne transport zero-emission, the entire waterborne sector in Europe will need to invest significantly, including in research, development and innovation (RDI). These investments will come on top of the RDI investments already carried out by sector so far. Significant investments will be necessary for RDI in advanced technologies, in alternative fuels and in integrating optimally advanced technologies and alternative fuels onboard ships, in accordance with the ship's specific operational profile and the customer's needs and purposes. They will also be necessary to make existing (green) technologies mature and scalable for waterborne transport applications and/or to facilitate their market uptake. For these reasons, **SEA Europe very much welcomes the co-Programmed Partnership on Zero-emission Waterborne Transport in the framework of Horizon Europe**, as it is an important instrument to accelerate R&D into zero-emission waterborne transport.

## 3. A DEDICATED EU FUND TO ACHIEVE CLIMATE-NEUTRAL WATERBORNE TRANSPORT

Besides significant RDI investments, additional (EU) funds will be necessary to incentivize the development of green technologies, to mature sustainable alternative fuels and to integrate them onboard ships, as well as to deploy green infrastructure and to financially stimulate first movers. **For these reasons, SEA Europe proposes to set-up a dedicated EU Maritime Fund, as an alternative to extending the EU Emission Trading Scheme (ETS) to shipping.** This Fund can be financed by companies from the waterborne sector – throughout the entire supply chain – either based on the “polluter-pays-principle” or on “exceeding the defined GHG quota”. Any money collected under this EU fund should be reinvested in *European projects* and support *European companies*, which create an EU return on investment, and also be used to incentivize innovative enterprises developing and producing green technologies that secure the technological leadership and competitiveness of Europe's waterborne transport sector<sup>2</sup>. This approach has a major advantage over ETS that a fund generated by the sector itself can precisely be allocated for the greening of waterborne transport. The waterborne sector is also fully aware that cross-cutting cooperation and innovation will be key to cope with the many technical challenges of climate change, in particular on the introduction of climate neutral fuels.

SEA Europe's proposal for a dedicated EU Fund is neither an attempt from the sector to be isolated nor an alternative to other proposed initiatives, such as the set-up of world-wide market-based measures (MBM) by the International Maritime Organization (IMO), which are indispensable to incentivize climate-friendly energy converters/fuels and to discourage the use of carbon intense energy options. SEA Europe believes that a dedicated EU fund will provide better opportunities to control the appropriate utilization of the funds available for the maritime greening.

In the light of the impact of COVID-19, SEA Europe supports the recent plea from France, Germany, Italy and Spain to Transport Commissioner Valia to consider **“these exceptional circumstances as an opportunity to invest massively in the ecological transition and to support businesses so they engage in the decarbonisation of their activities”<sup>3</sup>.**

## 4. TECHNOLOGY NEUTRALITY: A KEY FACTOR TO ENSURE INNOVATION AND GREENING OF WATERBORNE TRANSPORT TECHNOLOGIES

**SEA Europe welcomes the EUGD's acknowledgment of the role of new technologies, sustainable solutions and proactive innovation as critical to achieve its objectives. SEA Europe also supports the need for the EU to increase significantly the large-scale deployment and demonstration of new technologies as well as the building of new innovative value chains, in order to keep the EU's**

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<sup>2</sup> The inspiration for such dedicated EU Fund can be taken from the Norwegian NOx Fund and/or the European Commission's proposal for a fund for the compensation of oil pollution damage in European waters (COM(2000) 802 final, 6.12.2000).

<sup>3</sup> Joint letter to Transport Commissioner Valean, d.d. 2 April 2020, entitled “*Call for Re-establishing a Stable Connectivity for Transport Sector*”.

**competitive advantage in clean technologies. SEA Europe, furthermore, calls upon the European Commission to support technological neutrality and a goal-based approach, including for dual-use technologies, to avoid a curtailing of (innovative) clean technologies and to stimulate a rapid development of alternative fuels for waterborne transport.**

**Due to the large variety of ship types and ship trades, there is not a “one-size-fits-all” solution for the transformation of waterborne transport.** The optimal pathways to rapid emission reduction and towards the zero-emissions’ ship and climate neutrality are by no means straightforward. Therefore, all options for clean technologies, alternative fuels and their optimal integration need to be researched, developed, supported and facilitated and any legislation and policy actions should stimulate flexibility and thus refrain from imposing or prescribing specific technological solutions or specific alternative fuels.

Furthermore, during the transitional period, well-established fossil fuels with significant emission reduction potential will be needed and should therefore receive continued financial support (as recently acknowledged in the EU Ministerial Declaration “*EU Waterborne Transport Sector – Future outlook*”). Existing energy converters with high efficiency should not be discredited because they have been used with fossil fuels in the past. To sum up, internal combustion engines and LNG technology, amongst others, will still play a significant role in the decarbonization of waterborne transport if utilized with climate neutral synthetic fuels in the future.

## **5. LEGAL CERTAINTY IS A PREREQUISITE TO ACHIEVE THE EUGD TARGETS**

To encourage the entire waterborne sector to invest significantly in the transformation of waterborne transport into a zero-emission mode of transport, investments need to be underpinned by a legal framework that offers legal certainty to the entire sector, including to the maritime technology sector. Without any legal certainty, companies will refrain from making investments. To that end, e.g. application dates for green technologies, enforced by public international law (such as IMO instruments), have to be maintained, to avoid stranded innovation. Furthermore, due to the longevity of maritime technology, first movers investing in innovative technologies deserve protection as well, even if the rapidly changing state-of-the-art offers new superior pathways towards zero emission shipping. Some technologies and/or fuels might turn out to be only intermediate solutions or transitional steps, but they are needed to rapidly achieve initial milestones of interim strategies for GHG and harmful emissions reduction and can therefore not be phased-out on short notice. **For these reasons, SEA Europe calls upon the European Commission to offer the waterborne sector in Europe the necessary legal certainty that is a prerequisite to achieve the EUGD targets.**

Legal certainty will also be key in discussing an EU taxonomy of green technologies and alternative fuels. These discussions should be based on (scientific) facts, as opposed to (political) emotions. In addition, once decisions are taken, they should remain stable so that companies have a legal framework that gives them the necessary legal certainty to invest in the production of green technologies and clean fuels, to implement these technologies and fuels on vessels and to deploy the necessary infrastructure. **For this reason, SEA Europe calls upon the European Commission to invite the maritime technology sector to be part of the taxonomy discussions, in order to secure the right decision-making on clean technologies and alternative fuels.**

Equally, SEA Europe calls upon the European Commission to give the concept “green ship” “an appropriate place in the context of Chapter 5 (“*Sustainable and Smart Mobility*”) of the EUGD calls that will be issued in September 2020.

## 6. PROPER ENFORCEMENT TO ENSURE A TRUE GLOBAL LEVEL PLAYING FIELD

The EUGD is also a *Strategy for Sustainable Growth*, aiming at transforming the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy. For Europe's maritime technology sector, this part of the EUGD is very important too, particularly since shipyards continue to suffer from aggressive, state-led distortions of competition and unfair trade practices (such as massive state aid, cheap ship financing or below-production cost pricing), particularly from Asia.

These distortions and practices have already resulted in a complete loss of standard ship types (i.e. bulkers, tankers and containerships) and part of offshore building in Europe. They are now affecting Europe's remaining global leadership in complex shipbuilding and in advanced maritime equipment manufacturing (e.g. almost all recent orders for newbuilt ferries – a typical European product – have been placed in Chinese shipyards, also by European shipowners). **If this development cannot be stopped, Europe's shipyards and maritime equipment manufacturers will completely lose their technological basis and Europe will then become entirely dependent on Asia** to build, retrofit and equip ships that are calling at EU ports, transporting EU goods and EU passengers, operating in the EU's offshore sector, defending the EU borders or securing EU citizens. Under such scenario, the EU would also completely lose its ability to influence regulatory developments in international organizations governing the environmental legislation.

SEA Europe therefore notes – with great interest – the European Commission's intention to use trade policy as a means to support the EU's ecological transition and to step up efforts in implementing and enforcing sustainable development commitments in EU trade agreements. Equally, **SEA Europe welcomes the EUGD's recognition of the need to ensure fair and undistorted trade policy, to promote EU standards, and to enforce full compliance with EU regulations and standards of products placed on the European market.** This is particularly relevant for Europe's maritime technology sector, particularly since a lack of proper enforcement of the EU's own rules and standards– including environmental rules and climate standards – the EU's environmental policy will lose credibility and fail to protect the industrial basis for green innovation and practical innovation.

## 7. A CLOSE COOPERATION WITH MARITIME STAKEHOLDERS: KEY FOR A SUCCESSFUL EUGD

Without a close cooperation with maritime stakeholders, including SEA Europe and its member-companies, the EU runs a serious risk that unhelpful decisions are taken, inefficient measures are adopted and/or inadequate actions are imposed that may harm the sector, without reaching the EUGD's targets. **For this reason, SEA Europe calls upon the European Commission to develop appropriate measures and policy actions in close dialogue and cooperation with the stakeholders from the waterborne sector.** Such dialogue and cooperation are needed on all fronts, for instance on an EU taxonomy on green technologies and alternative fuels, on regulating access of the most polluting ships to EU ports, or on obliging docked ships to use shore-side electricity. **SEA Europe and its members are willing to cooperate with the European Commission to define the most appropriate actions, measures, regulations and standards in support of the EUGD targets, whilst enabling the maritime technology sector to take the full benefit of the opportunities that it may bring to the European economy.**