

**PUBLIC CONSULTATION ON THE REVISED “CLIMATE, ENERGY AND ENVIRONMENTAL AID
GUIDELINES (CEEAG)”**

SEA Europe Response

16 July 2021

EXECUTIVE SUMMARY

- SEA Europe, representing the European shipyards and maritime equipment manufacturers (“European maritime technology sector”), welcomes the opportunity to comment on the [proposed revision of the Guidelines on State aid for environmental protection and energy](#). If well designed, such Guidelines can play a crucial role in the green transition of waterborne activities stimulating innovation and supporting Europe’s maritime technology sector as a strategic solution provider and global leader in complex maritime products.
- To this end, it is essential that the Commission firmly supports technological neutrality and a goal-based approach. This is key to avoid a curtailing of (innovative) clean technologies and stimulate a rapid development of alternative fuels for waterborne transport. SEA Europe equally urges the Commission to refrain from any “one-size-fits-all approach” which would be extremely challenging in a waterborne transport environment.
- In this regard, SEA Europe strongly opposes the “Zero direct CO2 (tailpipe) emissions” criterion as embedded in the proposed definition of “clean” vessel in the draft guidelines. The approach to assess ships emission exclusively at the funnel (“tailpipe”) and to disregard the overall climate neutrality of the propulsion concept including upstream emissions is utterly wrong, does not contribute to mitigate the climate crisis and will severely damage the innovation capabilities and competitiveness of the European maritime industry.
- SEA Europe, furthermore, urges the European Commission and Member States to ensure that any state aid for the acquisition of new vessels and retrofitting will benefit the entire European maritime value chain, including Europe’s maritime technology sector, by rewarding projects which foster added value and employment creating in Europe.
- SEA Europe, also, welcomes the clarification that the exclusion of direct aid for the manufacturing of green products from the scope of the Guidelines does not prejudice the possibility for Member States to grant state aid to manufacturers “to enhance the level of environmental protection of their manufacturing activities”. In SEA Europe’s views it is key that European shipyards and maritime equipment suppliers investing in greener production processes as well as in low-carbon and sustainable manufacturing solutions can benefit from state aids.

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Introduction

SEA Europe, representing the European shipyards and maritime equipment manufacturers (“European maritime technology sector”), welcomes the opportunity to comment on the [proposed revision of the Guidelines on State aid for environmental protection and energy](#) (“the Guidelines”).

By enabling Member States to support projects for environmental protection (including climate protection and green energy generation), the Guidelines are a key instrument to help Member States meet EU energy and climate targets without undue distortions of competition in the Single Market. Although the maritime technology sector is not a direct beneficiary of many state aid categories in the scope of the Guidelines, if properly designed the Guidelines can play a crucial role in the green transition of waterborne activities by stimulating innovation and supporting Europe’s maritime technology sector as a strategic solution provider and global leader in complex maritime products.

European maritime technology manufacturers offer innovative technology solutions with enormous potential to help the global shipping industry becoming greener and climate neutral, in line with the European Green Deal ambitions. As recognized in the *New Industrial Strategy for Europe*¹, European shipbuilding with its maritime supply chain “has the responsibility and the potential to drive” the green transition. Yet, to transform waterborne transport into a zero-emission mode of transport, the sector needs massive investments to scale up existing technologies into mature ones and to deploy and integrate them onboard ships in accordance with the ship’s specific operational profile and the customer’s needs and purposes (in addition to RDI investments). This requires ambitious goals, instruments appropriate for shipping, as well as investment aid for fleet renewal and retrofitting open to all technological and alternative fuels options.

Therefore, SEA Europe wishes to provide the following comments on the draft Guidelines:

a) Climate neutral shipping requires a technology neutral and open approach towards all alternative fuels

SEA Europe welcomes the European Commission’s effort in shaping new state aid rules to help bridge the huge investment gaps and market failures that currently exist to achieve a “clean mobility system”. However, to foster the climate transition and ensure global leadership and innovation, SEA Europe calls upon the Commission to firmly and consistently support **technological neutrality and a goal-based approach**. This is essential to avoid a curtailing of (innovative) clean technologies and to stimulate a rapid development of alternative fuels for waterborne transport. SEA Europe equally urges the Commission to **refrain from any “one-size-fits-all approach”** which would be extremely challenging in a waterborne transport environment due to the diversity of ship types/ship trades.

In this regard, **SEA Europe strongly opposes the very narrow approach based on the “Zero direct CO2 (tailpipe) emissions” criterion as embedded in the proposed definition of “clean vessel”** (pages 12-

¹ COM/2020/102 final

13 of the Guidelines). The approach to assess ships emission exclusively at the funnel (“tailpipe”) and to disregard the overall climate neutrality of the propulsion system including upstream emissions is inadequate, does not contribute to mitigate the climate crisis and will severely damage the innovation capabilities and competitiveness of the European maritime industry.

Such approach is totally inadequate for the sector because :

- The “*zero direct CO2 emission tailpipe approach*” fall shorts in recognizing the specificities of the waterborne transport sector compared to other transport modes (e.g. diversity of ship types/sizes/range of operations/ modi operandi), notably the **need for a broad fuel portfolio offering a sufficient energy density necessary for long distance ship-types**.
- Earmarking green subsidies only for zero emission vessels as from 2026, according to a “tailpipe” approach, will exclude technologies that can have a lower impact on the basis of a life cycle approach. It will indeed strongly penalize the scale-up of several sustainable and promising solutions in maritime transport such as use of renewable and low carbon fuels (e.g. biofuels and climate neutral e-fuels, such as synthetic methanol) which will provide a drastic decrease of GHG emissions during the transition. Such fuel systems have already been developed to high technology readiness levels with massive R&D investments of the industry and significant public support.
- The application of the “*Zero direct CO2 (tailpipe) emissions*” criterion as the only criterion applicable from 1 January 2026 (already) is unrealistic for several reasons: besides the limited availability of (e.g. green hydrogen and ammonia) fuel infrastructures and safety regulations, long project development intervals of ships and the incremental innovation process for the design of commercially utilized prototypes do not allow for revolutionary changes in ship propulsion technology in less than five years.

The climate transition of the waterborne sector requires a holistic strategy, which is based on consistent technical criteria for design, production, state support, certification and operation of seagoing ships and inland waterway vessels. Climate protection is a global and holistic task, which requires not only the assessment of direct GHG emissions, but need to be take into account the total upstream emission of the production and distribution processes. In order to progress towards climate protection **a life cycle assessment (LCA) approach would be clearly more appropriate for maritime applications (i.e. well-to-wake approach instead of tank-to-wake only)**. By contrast, a narrow “tailpipe approach” would be detrimental to the viability of the maritime manufacturing and transport operators as well as the climate neutral transition.

For this reasons, SEA Europe urges the European Commission to reconsider its approach and favor, across all policy/regulatory initiatives for the waterborne transport sector, an LCA approach. This would be in line with the approach of the *Fuel EU Maritime Regulation* which implements a technological flexible assessment of life cycle emissions with a stepwise reduction of the GHG intensity of ship fuels.

- b) State aid support for the acquisition of clean vessels and retrofitting must foster a return of investment in the EU/EEA and its Member States.**

SEA Europe urges the European Commission and Member States to ensure that any state aid for the acquisition of new vessels and retrofitting will benefit the entire European maritime value chain, including Europe’s maritime technology sector. This will only be possible with strong EU/EEA’s added value and socio-economic criteria, e.g. in terms of job creation in Europe. Any form of environmental state aid support for shipping fleet renewal and retrofitting projects must be designed with the aim of: (a) promoting a European decarbonized maritime sector (b) preserving the EU’s strategic maritime technological sovereignty and capabilities and c) fostering innovation, regional growth and employment, throughout the entire maritime value chain in Europe. Such approach would be consistent with the following recent EU initiatives:

- **EU “Smart and Sustainable Mobility Strategy”²** recommendation for fleet renewal support to *“preserve a thriving manufacturing ecosystem in areas where Europe has a strategic technological advantage such as the vessel manufacturing industries (...) increase the prospects of adequate production capacities and supply value chains being built up within the European manufacturing industry in line with the New Industrial Strategy for Europe, and of preserving the technological leadership of the EU’s manufacturing base”*;
- **EU Strategy on “Blue Economy”³**, notably the European Commission’s commitment to supporting the *“renovation of the EU’s maritime fleet”* and *“developing EU’s highly-advanced manufacturing and technological capabilities”*;
- **European Parliament’s** call for an *“EU fleet renewal and retrofit strategy to promote its green and digital transition and foster the competitiveness of the European maritime technology sector”⁴*.

c) Support for investment into greener production process

SEA Europe welcomes the clarification in the proposed new guidelines (Footnote 9), that the exclusion of direct aid for the manufacturing of green products from the scope does not prejudice the possibility for Member States to grant environmental aid to manufacturers *“to enhance the level of environmental protection of their manufacturing activities”*. In SEA Europe’s views it is fundamental that European shipyards and maritime equipment suppliers investing in greener production processes as well as in low-carbon and sustainable manufacturing solutions can benefit from state aids, in addition to the aid permitted under the EU RDI State Aid Guidelines tool.

SEA Europe trusts that all the above comments will be taken duly into account and remains available to provide any further clarification that may be required.

SEA Europe represents close to 100% of the maritime technology industry in 16 nations, including EU Member States, Norway and Turkey. The 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 material, technologies and services.

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² COM/2020/789 final

³ “A new approach for a sustainable blue economy in the EU - Transforming the EU's Blue Economy for a Sustainable Future” COM/2021/240 final

⁴ “More efficient and cleaner maritime transport” European Parliament resolution of 27 April 2021 on technical and operational measures for more efficient and cleaner maritime transport (2019/2193(INI))