

SEA EUROPE CALLS FOR IMMEDIATE REVISION OF EU TAXONOMY AND DRAFT ENVIRONMENTAL STATE AID CRITERIA IN FAVOUR OF A LIFE-CYCLE APPROACH TO SHIP EMISSIONS

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SEA Europe, representing European shipyards and maritime equipment manufacturers, urges the EU to urgently revise the misguided *"Tailpipe Emission"* based approach for the Waterborne Transport Sector in the EU Taxonomy initiative¹ and in the proposed revision of the Environmental State Aid Guidelines², in favor of a consistent application of a more holistic *"Lifecycle Approach"*.

Climate neutral shipping requires an approach that is open for all technological and alternative fuels options recognizing the holistic nature of the climate crisis. The approach of assessing ship emissions exclusively at the funnel (*"tailpipe"* approach), as in the current EU Green Finance Taxonomy criteria relating to Climate Change, and not the climate neutrality of a ship's propulsion holistically (based on a *"lifecycle"* approach), is wrong, does not solve the climate crisis and will hamper the innovation and competitiveness of the European maritime industry.

European shipbuilders and maritime equipment manufacturers offer innovative technology solutions that hold enormous potential to help the global shipping industry become greener and climate neutral, in line with the European Green Deal ambitions. As recognized in the *"New Industrial Strategy for Europe"*, 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 climate-neutral 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). Access to competitive green finance in Europe is and remains paramount for a capital-intensive industry like the maritime industry, especially in times of severe and unfair global competition from Asia.

It is against this background that SEA Europe wishes to reiterate its deep concerns on the *"Zero direct CO2 emission tailpipe"* criterion, embedded in the EU Taxonomy for Sustainable Investment and in the draft Environmental State Aid Guidelines, as already expressed jointly with other stakeholders in response to the public consultations. A *"tailpipe"* approach to ship emissions is inadequate and detrimental for the European maritime sector, and ultimately for the EU as a sustainable, future-proof and competitive maritime industrial base, for the following reasons:

- Such an approach falls short 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 at least for long distance ship-types;
- Such an approach will **exclude** technologies that can have a lower impact on the basis of a life cycle approach. It will 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.
- Focusing solely on *"zero direct (tailpipe) CO2 emissions"* leads to **misperceptions of the overall emissions of individual energy carriers** and thereby reduces the shipping fuel portfolio to hydrogen, ammonia, and battery power. Even if these energy sources do not emit GHG on

¹ Annexes I and II of the Delegated Act to the Taxonomy Regulation, sections 3.3 - Manufacture of ships and 6.7 to 6.12 - Operation of ships. C/2021/2800 final (link)

² COM draft "Guidelines on State aid for climate, environmental protection and energy 2022"

board, this does not mean that they are also the best solution for GHG mitigation from a holistic perspective for all ship types. Moreover, it is highly unlikely that sufficient quantities of green hydrogen and ammonia will become available as well as the associated logistics and supply infrastructure can be built by the end of 2025;

- In principle, **application of such disruptive maritime criteria already from January 1, 2026 is unrealistic** for several reasons: in addition to the availability of fuels, infrastructure, and safety regulations, long project development intervals of ships, 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.

Such a restrictive approach, in the context of green financing or state aid in Europe, will rather hinder than support maritime climate protection and is at odds with other climate initiatives taken by the EU:

- The new **FuelEU Maritime Regulation** correctly implements a technology-open assessment of life-cycle emissions and calls for a gradual reduction in GHG intensity for marine fuels, which could also be a benchmark for assessing more sustainable investments and financial products.
- The EU Taxonomy itself also contains **lifecycle-based criteria, e.g. for electricity generation**, which are more important for maritime applications than for power plants on land. This is because, as land-based infrastructure, these do not have to transport their energy supply, but could supply themselves directly on site with hydrogen or ammonia.

To conclude: the Maritime Energy Transition requires a holistic climate protection strategy based on uniform technical assessment criteria for the design, production, financing, start aid, certification and operation of ships. In order to progress towards climate protection, a *life cycle assessment (LCA)* is needed for maritime applications. By contrast, a narrow “tailpipe approach” is detrimental to the viability of the maritime manufacturing and transport operators as well as the climate neutral transition and also contradicts holistic approaches followed in other EU initiatives. SEA Europe hence urges the EU to immediately reconsider its approach in favor of a consistent application of a LCA approach, across all present and future initiatives relevant for the waterborne transport sector.

About SEA Europe

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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