EU TAXONOMY ON SUSTAINABLE ACTIVITIES:

JOINT WATERBORNE SECTOR ORGANISATIONS' STATEMENT

Brussels, 1 October 2021

The undersigned organisations, representing various segments of Europe's waterborne sector[1], call on the European Commission to ensure that this sector can contribute properly, fully and constructively to the development of a meaningful EU Taxonomy and thereby to contribute to making the European Green Deal and the "Fit for 55" package a success!

Europe is the most waterborne of all continents. It has more sea than landmass, one of the longest coastlines in the world, and almost half of its population living and working in coastal regions. Besides, it disposes over more than 40.000 km of navigable inland waterways. **The waterborne sector is strategic for Europe's** defence, security and strategic autonomy, for Europe's and its citizens' access to sea, trade, transportation, tourism and leisure, blue economy, including offshore renewables, and for enabling Europe to achieve its ambitious climate policies.

The signatories are determined to contribute to realising the EU's political ambitions, including on the European Green Deal and "Fit for 55 Package", and to help the EU safeguard this strategic (maritime) asset. While supporting and fully appreciating the importance of the Taxonomy approach to scale up sustainable investments and implement the European Green Deal, the signatories urge the EU to ensure that **the Taxonomy's technical criteria for the waterborne sector are properly designed and made fit for purpose, with the full involvement of the waterborne sector players**.

From the perspective of the present signatories, the following points are vital:

- **To be successful, the Taxonomy must be technological neutral and goal-based.** Climate neutral waterborne transport is a goal which needs a pathway open to various technological options and alternative fuels. Unfortunately, and to the contrary, the current Taxonomy climate criteria foresee a too narrow technological pathway, ignoring the most promising solutions currently under development.

[1]The waterborne sector in Europe is diversified, with a wide variety of subsectors, such as shipping, ports, shipyards, equipment manufacturers, inland waterway transport, ports, recreational boating and blue growth segments (e.g. offshore renewables). For the purpose of this note, "waterborne transport" means maritime and inland waterways transport, whilst the "waterborne sector" encompasses all stakeholders active in the waterborne industry, including ports and port stakeholders, marinas and waterborne transport. The waterborne sector is a major part of the EU Blue Economy which directly employed close to 5 million people and generated around €750 billion in turnover in 2018.

- **To stimulate the significant investments needed to eventually lead to zero-emission technologies and vessels, the Taxonomy should incentivise "transition" investments**. It should support, and not penalise, the scale-up of sustainable solutions in the waterborne sector that will contribute to significant GHG emission decreases, such as renewable, low carbon and e-fuels.
- **The Taxonomy criteria have to reflect the specific characteristics of the waterborne sector, compared to other transport modes (e.g. road), including its developing technical possibilities.** They must for instance consider that there are diverse vessel types and vessel sizes, operating in a variety of trades, with each of them having their own modus operandi and business model taking into account the fact that the cargo the vessel carries is dependent on market demand and supply of stakeholders from other industrial sectors. This variety must also be reflected by means of a **broad fuel portfolio** that serves short and long-distance voyages as well as recreational navigation.
- **The Taxonomy must ensure full consistency and be aligned with the goals and basic principles of other EU legislation and legislative initiatives.**
- **The Taxonomy must not create competitive disadvantages for European companies and investors** vis-à-vis non-European competitors, other financial markets and players including other modes of transport. The Taxonomy should attract investments to Europe. Access to competitive green finance in Europe is paramount for the capital-intensive waterborne sector, especially in times of global competition from Asia where domestic industries have access to state financing packages.

To achieve the goals of the European Green Deal, the EU waterborne sector's ability to raise and attract both public and private capital from EU based sources under favourable terms will be key, not only to progress towards a zero-emission mode of transport or sector but should equally be considered carefully in the light of the sector's global competitiveness.

The ongoing trends demonstrate that the Taxonomy will have an impact beyond private capital, i.e., taxonomy is already being "imported" into various financial instruments, such as the Recovery and Resilience Facility, InvestEU, EIB investments, and the ongoing revision of environmental and energy state aid rules. The present signatories hold the view that the current Taxonomy and its technical screening criteria must be fundamentally reviewed and improved as well as properly "tested" before being used as a reference in the wider policy making. It should be recalled that the Taxonomy has been made for a specific purpose. Using the Taxonomy screening criteria for other purposes without adjustments will result in unintended consequences, such as the risk of stopping new demonstration projects and the development and deployment of new ship technologies to meet the Sustainable and Smart Mobility Strategy as well as the Fit for 55 objectives.

The expertise and input from the affected EU industries is an essential pre-requisite to develop a meaningful Taxonomy and, ultimately, to ensure the achievement of the goals of the European Green Deal. The waterborne sector has been put at the core of the European Green Deal. But currently no waterborne sector's representative has been selected to participate in the EU Sustainable Finance Platform's Transport and Manufacturing Groups, nor invited so far to contribute to the Taxonomy criteria for the waterborne sector. Furthermore, paramount recommendations from the DG MOVE Study on the Maritime Taxonomy[2] have not been considered by the Platform. Additionally, we believe that the impacts of the currently adopted criteria on the waterborne sector should have been properly assessed. While appreciating that a public consultation was launched on the Sustainable Finance Platform's recommended criteria, it is questionable whether the consultation's timescale (3 August - 24 September), given the large amount of documentation to review and analyse its impact in practice, would genuinely enable several stakeholders to provide meaningful input to this work. This is especially

[2] https://op.europa.eu/en/publication-detail/-/publication/8aa9a115-aedd-11eb-9767-01aa75ed71a1

difficult due to the fact that the industry is facing a significant number of similarly important initiatives (e.g., the Fit for 55 package).

In conclusion, the signatories stand ready to contribute to making the Taxonomy a successful exercise to create a truly sustainable waterborne sector, and to this end call on the European Commission to:

1. ***Start as soon as possible a dialogue with the European Waterborne sector with a view to developing appropriate criteria for the waterborne sector, including the maritime shipping and manufacturing criteria applicable as of 2026 (as envisaged under Recital 34 of the Taxonomy Climate Delegated Act). It will be equally essential to ensure the necessary level of granularity for each sub-sector of the overall waterborne sector;***
2. ***Set up an ad-hoc Waterborne Expert group consisting of industry experts to advise the Sustainable Finance Platform in developing such criteria;***
3. ***Ensure consistency with other EU legislation and avoid unintended consequences, including a shift towards less sustainable transport options. The green transition of the sector requires a holistic climate protection strategy;***
4. ***Refraining from prematurely "importing" Taxonomy criteria into public policy and funding tools until such criteria are adequately refined, tested and adjusted to the right purpose;***
5. ***Confirm that the Taxonomy should be objective, be technology neutral, be goal based, not discriminatorily single out specific (maritime) sectors, ship-types or ships' cargos and be based on scientific, relevant, up-to-date information.***

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