# BPO statement on the "Fit for 55"package

**Earlier this year the European Commission (EC) introduced the "Fit for 55" package. It consists of a set of proposals aimed at helping to achieve the European Climate Law target of reducing greenhouse gas (GHG) emissions in the European Union (EU). The targets foresee a reduction of 55% by the year 2030 and allowing for climate neutrality by 2050. The package is set to greatly influence the shape and future of the transport industry, including the port and shipping sectors.**

While the Baltic Ports Organization (BPO) welcomes this step by the EC, one coming on the heels of the 2019's European Green Deal, a set of regulations with the overarching aim of making Europe climate neutral by 2050, there are a number of points that need to be addressed in order to make the "Fit for 55" package fit for purpose and assure the continuous competitiveness of the European port sector.

The following presents the statement of BPO regarding "Fit for 55" proposal as well as comments and opinions provided by the Organization's Members during our internal consultation process.

**FuelEU Maritime and Alternative Fuels Infrastructure Directive (AFID)**

The package foresees ports to be obligated to provide on-shore power (OPS) facilities to ships (passenger and container vessels) at any berth starting 2030, as part of the FuelEU Maritime (new initiative included in the package) and revision of the Alternative Fuels Infrastructure Directive (AFID; proposed to be converted into a regulation). It needs to be understood that an exhaustive development of such will put a major strain on many ports, particularly smaller ones, since the implementation costs, especially in context of facilities able to accommodate cruise vessels, are very high.

OPS can't be seen as a blanket solution, it needs to take into account the high diversity of ports in order to allow for the technology to be implemented where it makes sense most. Without proper prioritisation, ports are running a high risk of sinking significant funds into a technology that may remain un- or underused for a long period of time.

Allowing for basic technological opennes is another key point in the context of OPS implementation. Baltic ports are well known for their strides in utilizing innovative technology in order to reduce emissions. While the package allows some flexibility in the choice of technology to be used (e.g. fuel cells, on-board electricity storage, on-board electricity production from wind and solar energy), other options should be added to the list in order to assure technological neutrality of the proposal, helping to tailor the approach to the needs of ports, based on their aforementioned diversity.

Last but not least, the need for further standardization must be recognized. It will help to avoid worst-case scenarios in which an expensive OPS system is constructed, without vessels that can actually make use of it (especially older vessels). Further standardization of OPS use by container and passenger vessels will also allow ports to design a broader investment strategy. Additionally, it will lower the risk of possible technical issues. Therefore, OPS regulations should become mandatory only with efficient standards in place.

**Coordination issues**

It is absolutely vital that the legislatory work on the various parts of the “Fit for 55” package and other EU policies resolves in a coordinated manner. Especially the FuelEU Maritime proposal and the Alternative Fuel Infrastructure Regulation (AFIR) need to reflect each other in order to assure that the costly investments in OPS technology won't become a case of stranded assets. Without viewing and discussing both proposals in tandem it will become impossible to resolve the long-time discussion on “who pays for what?”.

Furthermore, the "Fit for 55" package introduced the obligation to invest in and implement OPS starting 2030 despite a proper consideration of the energy mix which is used to generate energy in a given country.

The lack of coordination between the FuelEU Maritime, AFIR and EU energy policy's goals may lead to a situation, in which ports are forced to invest in OPS technology, subsequently utilized by vessels, despite the fact that the energy remains generated to a large extend by fossil fuels. In the end, nothing will be gained and emissions might reach even higher levels.

Finally, OPS installations for cruise vessels require a very high supply of power, which in turn requires additional planning and investments in the development of energy grids around the ports. Should a port receive multiple calls from cruise vessels simultaneously, the energy demand for its OPS installations will become huge. This aspect needs to be kept in mind and necessitates proper coordination with the energy policy.

**EU port competitiveness – Emissions Trading System (ETS)**

Under the EU plan, shipping is set to be added to EU's ETS gradually from 2023 and phased in over a three-year period. Ship owners will have to buy permits under the ETS when their ships pollute or otherwise face possible bans from EU ports. In addition to ships sailing only within the EU, the proposals will also cover 50% of emissions from international voyages starting or ending in the port of EU Member State.

Seaports can be indirectly affected by this new proposed regulation if extending the EU ETS to maritime transport will actually cause change in trading patterns. Shipping patterns can be changed by: a) adding a new port call outside the EEA in a journey to minimise the amount of emissions in the ETS scope (Evasive port calls); b) unloading goods in a non-EEA port and loading it into another ship to reach the final destination (transhipment); c) shifting demand to other transport modes, although there would be no leakage if these other modes are covered by the ETS.

These possible consequences, if not carefully considered and properly mitigated, may lead to a significant decrease in the overall competitenvess of the European port sector. The close proximity of non-EU ports, which are not subject to European regulations, can directly affect the Baltic ports if the costs resulting from including shipping in the ETS are not carefully calculated.

To put the above into perspective, a vessel from the Far East calling a non-EU port located near a port located in the EU will not be subject to the ETS. In comparison, a vessel from the Far East calling a port located within the EU will be subject to the ETS, which covers 50% of the emissions from international voyages starting or ending in a port belonging to a EU Member State. This might encourage the shipping line in question to choose a non-EU port of call. Ports most affected by this possible change in trading patterns would be the ones with transshipment functionality. Delocalisation of transshipment activities could particularly impact voyages from container vessels. For other types of vessels, transshipment is uncommon and setting up a transhipment for the sole purpose of evasion is unlikely.

Under the „Fit for 55" package the other modes of transport (i.e. road, rail) are also planned to be included in ETS. It is very important to point out that EU policy promoting short sea shipping (SSS) in Europe has not led to a shift in cargo movement from land to sea. The cargo volumes transported by road have been growing rapidly over last years in the EU, the same can't be said about the cargo volumes moved by sea. Considering the ambitious goals of the EU mobility strategy, the new ETS should take this into account.

**EU port competitiveness - Energy Taxation Directive**

A revision of the Energy Taxation Directive proposes to remove tax exemption on bunker fuels sold within and for use in European Economic Area (EEA). Marine fuels are typically exempt from duty when sold to ships for international use; while fuels for domestic use are subject to duties set by individual countries.

The proposal put forward by the Commission intends to remove tax exemptions on aviation and marine fuels in 2023. That price difference would make bunker prices in European Economic Area ports less competitive, potentially eliminating current price advantages of taking bunkers in EEA ports and cause a shift in bunker demand away from EEA ports, which could also lead to operators moving their services outside the EU.

Similarly to the uncertainties surrounding the inclusion of maritime transport in the ETS, this is another point that requires careful consideration and further analysis. The consequences need to be properly weighed against possible benefits, as this move may siginificantly impact the long-term competitiveness of not only the European ports but the whole European maritime sector versus their non-EU counterparts.

**Conclusion and next steps**

In conclusion, the BPO and its Members recognize and support the overall goals included in the “Fit for 55” package. That said, the policymakers must take into account high scale and costs of the investments necessary to fulfill these obligations. It is absolutely crucial that adequate public funding should be secured in order to allow for their full implementation. Funding instruments, such as CEF II, must be accessible to ports of all sizes. The need for additional funding is very clear in the case of OPS technology**,** since every OPS facility installed so far has been supported by 50% or more public financing.

Furthermore, should the ETS also cover CO2 emissions at berth, mitigated in turn by investments in new and innovative technologies made by the ports, then these investments should be subject to additional funding. Energy can be produced from sustainable sources, with many projects of such nature already being considered or developed by ports, including wind and solar energy or green hydrogen. Tools like the Innovation Fund (set to be increased as part of the "Fit for 55" package) or Horizon Europe should be used to fund innovative technologies and the development of related infrastructure in ports.

Considering the high costs that go in hand with the implementation of many items included in the “Fit for 55” package, especially those related to OPS development, the BPO believes that the deadlines should be extended by 5-10 years.

Many of the issues described in this document are a consequence of the lack of sufficient consultations between the policymakers and the European ports and maritime sector. We expect this to change during the next steps of the legislative process involving the European Council and Parliament and for the voice of the sector’s representatives to be called upon.

There is no ideal solution to the goal of greening the maritime industry, just as the whole process can't be considered a sprint. It is a marathon, which will require not only policies to be put forward, but also extensive planning on part of the affected industries. In order to achieve this goal, open and transparent dialogue between the industry representatives and the policymakers will be absolutely crucial.

The Baltic Ports Organization is ready to engage in this dialogue and work together with its Members, other bodies making up the maritime transport ecosystem in Europe, as well as the European Commission, Council and Parliament and other EU representatives. Combating climate change is and always will be a team effort.

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