

ECSA GENERAL FEEDBACK - PUBLIC CONSULTATION ON THE PROPOSED REVISION OF THE GENERAL BLOCK EXEMPTION REGULATION

ECSA would like to contribute to the European Commission's work on the review of the GBER.

ECSA welcomes the broadening of the scope of the Guidelines in support of clean and transitional technologies. However, ECSA is of the view that the proposed definition of 'clean vehicle' as applied to vessels is not fit for purpose and will hinder transitional initiatives that reduce greenhouse gas emissions significantly.

ECSA believes that supporting the transitioning of the entire shipping and maritime industry is key to reach the EU Green Goals. Definition of clean and environmentally efficient projects should be fit for purpose. To assist in setting such a definition, ECSA provides a list of guiding principles that should be taken into account.

The European shipping industry is dedicated to be at the heart of the green future

The shipping industry is committed to becoming climate neutral as soon as possible. Alternative ship propulsion technologies, such as wind-assisted propulsion, and low carbon or fossil free fuels available worldwide (for example methanol, ammonia and hydrogen) and

collaboration with partners in the maritime and logistics supply and value chain are the key to ultimately reach full decarbonisation. European shipowners cooperate with the shipbuilding sector, ports, equipment manufacturers and the research community in order to reach and implement as soon as possible even more innovative and sustainable solutions, which will drive the entire maritime industry towards a truly sustainable future, including in key areas such as air and GHG emissions, waste management, and do no harm to marine life. The European shipping industry embraces these challenges and is committed to taking the global lead for clean shipping.

Additionally, it is highlighted that in an unprecedented move, the international shipping community has recently announced plans to create the first collaborative shipping R&D fund, the International Maritime Research Fund, intended to eliminate CO2 emissions from international shipping. The proposal includes core funding for R&D activities necessary to develop innovative and sustainable solutions of USD 5 billion over a 10-year period.

The EU shipping industry's role in global competitiveness is a strategic asset of the EU and of the EU Green Deal

76% of the EU's external trade is shipped by sea and 40% of the world fleet is controlled by European shipowners. Shipping is at the very heart of global trade as 90% of all goods are transported by sea. The European shipping industry is a success story with global presence and a geostrategic asset for the EU.

With its diverse fleet of container ships, tankers, passenger ships, bulk carriers, offshore service vessels and many other

specialised ships, the EU shipping industry contributes a total of EUR 149 billion to the EU's annual GDP. The shipping sector contributes to strategic goals such as transport of essential goods, development and maintenance of offshore renewable energy, safe ports and coastal protection.

Supporting transition of the shipping sector towards a green future is key in order to reach the EU Green Deal ambitions whilst at the same time safeguarding the competitiveness of the EU Shipping Industry

Given the fact that clean technologies and fuels are not yet (fully) proven and competitively applicable at a large scale at this point in time, transition is key¹. Continuous efforts focus on lowering emissions, however, these efforts are capital intensive. In order to transition the entire shipping industry, available and affordable funding is necessary such as subsidies for R&D, upscaling and long term finance. ECSA considers it vital that conditions defined for the provision of state aid ensure that transition measures towards a green economy are acknowledged and accepted and, hence, the aid given will encourage and support the industry's initiatives towards sustainability. The objective of State Aid should be to close the transition gap, and as such it cannot have the same level of ambition of private financing. Its purpose should not be to select the "best in class", as those projects by definition do not need State Aid interventions.

¹ Even the European regulator recognises that transitional activities have a value in the greening process, for example in Regulation EU 852/2020 Article 10 point 2

The proposed definition of 'clean vehicle' is not fit for purpose

ECSA strongly opposes the proposed definitions of "clean vehicle" for sea and coastal vessels (Article 1.1(z) introducing point 102f paragraphs f, g and h). This approach is inadequate for the sector for the following reasons:

- The proposed definitions of clean vessels, especially the definition of zero direct (tailpipe) CO₂ emission vessels, are not technology nor future-fuel neutral definitions. Given that the shipping industry is in transition, which requires technologically open-minded R&D investments and state aid, these definitions disincentivise transition. Further explanations on the importance of a technology and future-fuel neutral approach can be found in the ECSA guiding principles (Annex I).
- The definition is based on the definition of green economic activities under the Climate Delegated Act of the Taxonomy Regulation. While ECSA supports consistency in approach when it comes to EU regulation, this definition was developed for an entirely different purpose. It is also important to highlight that the objective of the Taxonomy Regulation is to reward the best performing economic activities but not only in terms of climate mitigation and adaptation. In principle, the Taxonomy Regulation encourages that the economic activity in question contributes significantly to at least one of the environmental objectives defined by the regulation. Using the Taxonomy

ECSA represents 19 national shipowners' associations based in the EU and Norway. European shipowners control 39.5% of the global commercial fleet, contribute 149 billion euros per year to the EU GDP and provide 2 million Europeans with careers both on board and ashore. ECSA strives for a regulatory environment that fosters the international competitiveness of European shipping, to the benefit of the EU.

definition only with regard to climate mitigation and adaptation is restrictive and punishing towards innovative solutions. In addition, this definition, being based on the Taxonomy Technical Screening Criteria, does not address transition. The European Commission themselves state that *"the EU Taxonomy does not currently define how activities other than green are to be treated. It does not define or categorise any activities as 'improving the current levels of environmental performance' but not reaching the level of substantial contribution"*². Additionally, as the Taxonomy definition has not yet been put in practice, there is no evidence of its impact and usability.

- The definition fails to recognise the specificities of the waterborne transport sector and the diversity of the shipping industry. A "one-size-fits-all approach" is counterproductive at both levels. The power levels needed and trade distances sailed differ per type of vessel: a tugboat cannot be compared with an offshore vessel and that cannot be compared with a deep sea bulk vessel.
- This definition will hinder the scaling-up of potential sustainable and promising solutions in maritime transport such as use of renewable and low carbon fuels (e.g. climate neutral e-fuels) which will provide a significant decrease of GHG emissions during the transition.
- The proposed definition (paragraph g) in its current wording only sets the criteria under 31 December 2025, implying that after this deadline vessels complying with this criterion will be no longer covered by the GBER. It is important to

note that according to the Delegated Act recital 34 the criteria will be reviewed in 2025 and this should be reflected in the text.

- Due to all the concerns listed above, it is also crucial to avoid unintended consequences at national level. The EU General Block Exemption Regulation is an important tool for state aid measures, which can be adopted by EU Member State without a lengthy and often burdensome state aid notification process. If the currently proposed definitions, which are not fit for the transition, are carried through, Member States would only be able to implement measures under the GBER based on a narrow definition of "green shipping", which could in turn set a negative precedent for other state aid/transitional programmes and therefore further hinder the transition.

In this light, ECSA is of the view that the Commission should follow a technology neutral approach and fit the conditions and definitions for this purpose. This is essential to avoid disincentivising (innovative) clean technologies and to stimulate a rapid development of environmentally efficient solutions for waterborne transport.

When looking at general conditions for the access to state aid, ECSA encourages the use of definitions which support and properly set the parameters for the transition. ECSA would welcome the inclusion of the specific characteristics of the shipping industry when defining these parameters. This could include, but is

² European Commission Communication, COM (188) 21.04.2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52021DC0188&from=EN>

certainly not limited to the following characteristics:

- The shipping industry is characterised by a diversity of ship types representing different proportions of the world fleet: containers, bulk carriers, tankers, passenger ships, (offshore) service vessels. This diversity implies diversity in characteristics and technical solutions which should be taken into account;
- The shipping industry is characterised by a diversity of operations of its fleet : tramp shipping - liner shipping, deep sea - short sea shipping. The particularities of these modes of maritime transport should be taken into account;
- Asset life-time is long: facilitate the development of future technologies without downgrading the ones we assessed as transition technologies today and support vessels to be retrofitted throughout their lifetime;
- For most of the goods transported by the shipping industry today, there exists no alternative: shipping is the most efficient and lowest emission transport available and shipping has already undertaken significant steps towards decarbonisation. We acknowledge that there are more steps to take and we are ready to do so;
- Shipping has an impact on the entire supply chain, as almost 90% of the world's goods are transported by sea.

More in general, it is important to take into account that the energy transition for the maritime sector can succeed when investments in innovation increase and are a joint public and private effort. Cooperation across the maritime sector and the value chain – for example amongst shipowners, suppliers, shipbuilders,

knowledge institutes – is essential and the altered GBER needs to keep the possibilities of cooperation of maritime parties within projects and the opportunity to set criteria regarding cooperation.

Additionally, ECSA would like to support this process by providing a set of guiding principles attached in Annex I.

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