



BSPC
BALTIC SEA PARLIAMENTARY CONFERENCE

Report by the Rapporteurs of the Baltic Sea Parliamentary Conference (BSPC) on developments in Integrated Maritime Policy

Report 2017/2018



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Baltic Sea Parliamentary
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The BSPC Rapporteurs on
Integrated Maritime Policy

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The Baltic Sea Parliamentary Conference (BSPC) was established in 1991 as a forum for political dialogue between parliamentarians from the Baltic Sea Region. BSPC aims at raising awareness and opinion on issues of current political interest and relevance for the Baltic Sea Region. It promotes and drives various initiatives and efforts to support a sustainable environmental, social and economic development of the Baltic Sea Region. It strives at enhancing the visibility of the Baltic Sea Region and its issues in a wider European context.

BSPC gathers parliamentarians from 11 national parliaments, 11 regional parliaments and 5 parliamentary organisations around the Baltic Sea. The BSPC thus constitutes a unique parliamentary bridge between all the EU- and non-EU countries of the Baltic Sea Region.

BSPC external interfaces include parliamentary, governmental, sub-regional and other organizations in the Baltic Sea Region and the Northern Dimension area, among them CBSS, HELCOM, the Northern Dimension Partnership in Health and Social Well-Being (NDPHS), the Baltic Sea Labour Forum (BSLF), the Baltic Sea States Sub-regional Co-operation (BSSSC) and the Baltic Development Forum.

BSPC shall initiate and guide political activities in the region; support and strengthen democratic institutions in the participating states; improve dialogue between governments, parliaments and civil society; strengthen the common identity of the Baltic Sea Region by means of close co-operation between national and regional parliaments on the basis of equality; and initiate and guide political activities in the Baltic Sea Region, endowing them with additional democratic legitimacy and parliamentary authority.

The political recommendations of the annual Parliamentary Conferences are expressed in a Conference Resolution adopted by consensus by the Conference. The adopted Resolution shall be submitted to the governments of the Baltic Sea Region, the CBSS and the EU, and disseminated to other relevant national, regional and local stakeholders in the Baltic Sea Region and its neighbourhood.

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*Jochen Schulte**Jörgen Pettersson*

Preface

This report summarizes the developments in the Integrated Maritime Policy (IMP) field since the renewed appointment of MP Jochen Schulte (Mecklenburg-Vorpommern) and of MP Jörgen Pettersson (Åland Islands) as BSPC Maritime Rapporteurs by the Standing Committee at the conference in Hamburg, Germany. It reflects the great significance, which the Baltic Sea Parliamentary Conference attaches to maritime policy issues and to the common sea-related challenges and opportunities of our time, mainly addressing EU legislative developments in the field and selectively referring to important maritime events the BSPC Maritime Rapporteurs have attended.

A number of important conferences have taken place throughout the past year, such as the European Maritime Day in Burgas and the Maritime Day in Mariehamn. For further information on the conferences, please refer to the first part (Section A) of the report.

In the second part (Section B), legislative developments at the EU level with regard to Blue Growth and overarching aspects are presented. Section B also gives an overview on aspects of energy, infrastructural and environmental politics with regard to maritime policy.

For us as Baltic Sea Region Parliamentarians, it is of utmost importance to continue observing and formulating a core theme for our common future – the Maritime Policy.

21 August 2018
Rostock

Mariehamn

Jochen Schulte
Maritime Rapporteur

Jörgen Pettersson
Maritime Rapporteur

A – Activities of the Maritime Rapporteurs and other Important Events

1. Activities of Jörgen Pettersson and Jochen Schulte

Among the main maritime events, rapporteur Jörgen Pettersson participated in the HELCOM Ministerial Meeting in Brussels on 5-6 March 2018, the Baltic Sea Day in St. Petersburg on 22 March 2018, and the Åland Maritime Day in Mariehamn on 24 May 2018. Rapporteur Jochen Schulte presented the BSPC position at the first meeting of the Maritime Cluster “Maritime Safety and Security” in Rostock on 29th of January 2018.

There are two major areas, which in different ways will be shaping maritime policies in the Baltic Sea and will define shipping for the years to come: sustainability and digitalization. Regarding the modal shift after the Sulphur Directive of 2015, there are no clear signs in any direction.

The following aspects should be mentioned:

Sulphur Directive

There are clear and confirmed positive effects of environmental regulations - e.g. of the Sulphur Emission Control Area (SECA) regulations - on air quality and human health with a special focus on urban areas. This would also increase the possibilities for collaboration in the area of clean shipping around the Baltic Sea.

A workshop within the framework of the Baltic Sea Day was part of the “Environmental Impact of Low Emission Shipping: Measurements and Modelling Strategies (EnviSuM)” project.

Its main purpose is to learn how the SECA regulations have affected ship emissions, and what will happen when the global restrictions of the International Maritime Organization (IMO) on sulphur enter into force in 2020. An important aim of the project is to provide information for politicians and to facilitate fact-based decisions. One such fact is, for example, that in contrast to expectations, the modal shift away from shipping has not yet taken place in reaction to the SECA regulation.

Furthermore, environmental and economic analysis should be in good balance. The SECA-regulation has led to great improvements on human health in the Baltic Sea region (BSR). In the future, there will be a greater use of alternative fuels and more technological developments to follow. In some cases, the technology already exists, but the difficulties are found more in energy production and cost issues. The regulation is unfolding impacts, but it will be adapted. It is the opinion of some stakeholders, the economic impacts will reduce the competitiveness of shipping.

In terms of compliance with the SECA regulations and the Nitrogen Emission Control Area (NECA) rules, it was noted that beforehand, the SECA regulations had been considered more costly than they finally were. The NECA regulations could be even less costly, but the costs and benefits of implementation are unevenly distributed. Those, for instance, who are equipped with new technologies will benefit, while others will lose.

The NECA rules can be implemented quite easily, if appropriate devices are installed on board. Equipment, maintenance, and other necessities (urea) will be costly.

Profits that can be obtained are less related to the NECA regulations. Options for compliance are to switch to another fuel, or to a completely different type of fuel, for example liquefied natural gas (LNG), which is a realistic option only for newly built ships.

LNG is compliant fuel regarding the SECA and NECA regulations, but there are problems considering the climate; such as methane slip. LNG is said to be a bridge fuel on the way towards biofuels, namely biomethane. Yet new fuels do not always guarantee only positive impacts. New problems can arise, like new kinds of emissions or side effects, which can be more difficult to be solved than the original problem.

The economic factors related to greenhouse gases have to be taken into consideration when dealing with new fuels like LNG.

There is no clear picture of the effects of compliance. For example, the cargo shipping companies' business is not profitable due to compliance. In addition to the impacts of the regulations, the natural environment is having an impact on competition, e.g. ships operating in ice conditions where more engine power is needed, are more expensive to operate compared to those operating in warm water.

Maritime Spatial Planning

Most of the countries in the BSR have adopted legislation on maritime spatial planning (MSP) and launched elaborations of legally binding national maritime spatial plans.

Methodological documents on MSP that will form the basis for national legal frameworks in MSP are being developed by many countries. The Baltic Sea Days in St. Petersburg have become an international platform for regular exchange of views and latest achievements of the Baltic Sea Region (BSR). The state policy of the countries in the field of environmental protection and sustainable use of the Baltic Sea area is also often taken into account.

Furthermore, the active role of the Helsinki Convention (HELCOM) and Vision and Strategies around the Baltic Sea (VASAB), both international organizations, in strengthening the cooperation of the BSR countries deserves overarching support, as to improve environmental health and assure sustainable joint use of the Baltic Sea. MSP is a tool for balancing human activities and the ecological state of the marine area, which is possible only with a common vision of long-term perspective in the Baltic Sea Region and joint political commitment.

Autonomous ships

Change is driven by digitalization and a will to achieve better usage of vessels:

- About half of the bulk and general cargo vessels operating in the Baltic Sea spend at least 40 % of their time in ports;
- Ships in Baltic Sea spend 40 % of time in port and sail 40 % of time empty;
- Improving turnaround and filling rate would reduce emissions 20-30 % and freight costs 25-35 % per ton;
- Old-fashioned routines from early 20th century force ships to rush to port only to wait and waste fuel, causing unnecessary costs and emissions;
- Information flow by use of current technology reduces costs and emissions and requires further improvement.

Revolutionizing Short-Sea Shipping:

1. Dynamic production and logistics planning
2. Technological innovations in warehousing, shipping and loading systems
3. Alliance-based shipbuilding and –operating
4. New Public-Private Partnership (PPP) financing models

Our vision for the Baltic Sea is to create the highest-performing, environmentally friendliest short sea logistics system in the world.

Legal challenges in order to change the manning on board ships:

Excerpt from Article 94 (Duties of the flag State)

3. Every State shall take such measures for ships flying the state's flag, as this is necessary to ensure safety at sea with regard, inter alia, to: (b) the manning of ships, labour conditions and the training of crews, taking into account the applicable international instruments
4. Such measures shall include those necessary to ensure each ship is in the charge of a master and officers who possess appropriate qualifications, in particular in seamanship, navigation, communications and marine engineering, and that the crew is appropriate in qualification and numbers for the type, size, machinery and equipment of the ship
5. In taking the measures called for in paragraphs 3 and 4, each State is required to conform to generally accepted international regulations, procedures, and practices, as well as to take any steps which may be necessary to secure their observance.

Gender Equality according to ECSA and ETF

The European Transport Workers Federation (ETF) and the European Community Shipowners' Associations (ECSA) have discussed possible solutions to increase women's participation in the shipping industry in Europe. Currently only 2 % of the seafaring workforce available for the EU fleet consist of women, whilst gender equality is being put at the heart of the EU's fundamental values for sustainable and inclusive growth.

Discussions focused on maritime training and career development for women, as well as the recruitment and retention of women in the shipping industry, need expansion. Alongside representatives of both the ETF and the ECSA, participants came from a wide range of stakeholders, such as

- the European Commission (Platform for Change),
- the European Economic and Social Council,
- the UK Merchant Navy Training Board,
- national administrations from France and the UK, researchers from the Paris Descartes University, and the
- Community of European Railway and Infrastructure Companies (CER), who provided insights into good practices from other sectors.

“If we want strong, prosperous and socially sustainable maritime clusters in Europe, gender diversity should be a leading principle as a means to attract and retain new talent in the shipping industry,” said Martin Dorsman, Secretary General of the ECSA. “Women role models in senior positions can help to send a message across the industry that women do have a place in this traditionally male-dominated sector,” he concluded.

“To attract more women to the industry, we should improve the working conditions for everyone,” said Tonka Cupic, ETF Maritime Transport representative to the ETF Women’s Committee. “Reconciliation of work and family life and prevention of harassment are key to not only recruiting but also retaining more female seafarers and enabling them to develop a career in shipping,” she added.

The meeting has proven that social partners are willing to work together on this important issue and have taken a first step towards finding concrete proposals for joint action.

Maritime Cyber Security

What is reality and what is hype? Where should we focus? What are the realistic cyber threats in the maritime sector? Who is behind the threats, and what are they trying to accomplish? What is special about the maritime sector versus cyber risks in other industries? What can be done short-term versus long-term?

Cyber security remains at a low level in the maritime industry and awareness is increasing among information technology staff. However, steps should be taken regarding senior management, as attacks are still occurring. Patch and update procedures are slow on the land-side and extremely haphazard on the seaside. State-of-the-art fire-wall and anti-virus software is ineffective in keeping out dedicated attacks. Social engineering tactics work very well. When we talk to the information technology departments, they often give the impression they do not see the necessary support and understanding of the issue from senior management.

Threat actors – what is the purpose?

- Terrorism/Hacktivists Key actors: self-proclaimed “groups” or state-sponsored groups
- Denial-of-asset / destruction of asset
- Publicity / cause “spectacular” damage such as loss of life, environmental spills etc.
- No purpose Key actors: staff
- Malware overload due to negligence
- Disruptions due to incompetence

A few sobering pieces of statistics:

- 50 % of incidents caused by incorrect configuration of the networks
- 23 % of people open phishing mails
- 50 % of people reuse passwords across work and private applications
- 99 % of breaches come from known vulnerabilities

International Maritime Organization (IMO) guidelines on cyber security -

Awareness consists of six main conditions:

- Identify threats
- identify vulnerabilities
- Assess risk exposure
- Develop protection and detection measures
- Establish contingency plans
- Respond to cyber security incidents

HELCOM AGREEMENT REACHED ON NEXT STEPS FOR A HEALTHY BALTIC SEA

With three years remaining to reach the original deadline for a healthy Baltic Sea in 2021, the Ministers of the Environment and High-Level Representatives of the nine Baltic coastal countries and the European Union, meeting on the 6th of March 2018 in Brussels, Belgium, have agreed on new commitments for the Baltic marine environment. The ocean-related UN Sustainable Development Goals form a framework for the commitments.

After intensive discussions, the Baltic Sea community decided on renewed efforts for a healthy marine environment. Convening at the HELCOM Ministerial Meeting in Brussels, the responsible Ministers, the EU Commissioner Karmenu Vella, and other high-level representatives reached an agreement that includes an update of the Baltic Sea Action Plan, intensified efforts to reach the goals of the existing Plan, and a regional strategy for nutrient recycling.

UPDATED ROADMAP TO A RESTORED MARINE ENVIRONMENT

The Ministerial Meeting on 6 March 2018 agreed to update the Baltic Sea Action Plan (BSAP) – the concrete roadmap for restoring the ecological balance of the Baltic Sea – by 2021. The updated BSAP will include new measures to achieve the existing goals: a Baltic Sea unaffected by eutrophication, a Baltic Sea with life undisturbed by hazardous substances, maritime activities carried out in an

environmentally friendly way, and favourable conservation status of the Baltic Sea biodiversity.

Recognizing that some actions agreed upon in the original BSAP are yet to be completed, the Meeting also decided on renewed efforts to fulfil the existing BSAP by 2021. Particular focus will be put on addressing those pressures that the State of the Baltic Sea report identified as most widely-distributed and harmful, including excess nutrients, contamination, underwater noise, invasive alien species, excessive extraction of fish, and physical disturbance of the seabed. Among other things, the Meeting decided to elaborate regional and national actions to limit the impacts of underwater noise on sensitive marine species.

In a significant move towards curbing eutrophication, the participants of the meeting committed to developing a Baltic-wide nutrient recycling strategy by 2020, aiming for reduced nutrient inputs to the Baltic Sea and for more efficient use of nutrients. The regional policy will support countries in creating a sustainable and environmentally safe scheme for recycling nutrients in agriculture and from sewage sludge.

“HELCOM is a true example of successful regional ocean governance,” states Mr Karmenu Vella, European Commissioner for the Environment. “The Baltic Sea Region is leading the way with marine protected areas now covering more than 12 % of the Sea. It has been designated as Nitrogen Oxide (NO_x) Emissions Control Area. But we need to step up efforts to address other challenges such as eutrophication, marine litter and underwater noise. The declaration adopted under EU Presidency by the HELCOM Ministers confirms the commitment by its members to work together to achieve a healthy Baltic Sea.”

HELCOM TO COORDINATE THE WORK

A common thread to the decisions made at the Meeting were the Sustainable Development Goals (SDGs) of the United Nations Agenda 2030. The countries around the Baltic Sea have previously agreed to use HELCOM as the regional arena for coordinating work on those SDGs that relate to marine and water issues.

The Meeting agreed that the SDGs will be used as a framework when updating the BSAP. The participants of the meeting also highlighted the cooperation within HELCOM as a good example that has much to give to other regional seas in the world.

The outcome of the meeting – the Ministerial Declaration – forms the concrete framework for the following years' work for a healthier Baltic Sea. The work will take place within the long tradition of regional HELCOM cooperation, based on best available expertise, and involving all countries, the EU and various sector ministries within countries.

Baltic Sea Day 2018 and Research Activities concerning the digitalization of regional seaports and Clean Shipping

The Baltic Sea Day 2018 was held on 22–23 March 2018 in St. Petersburg, where ways to ensure compliance monitoring with regard to IMO-targets as of 2020 were discussed: One possibility consists of remote testing via satellites or drones which involve very expensive technology, another involves onboard techniques. Compliance regarding NOx is more difficult to measure than compliance with sulphur emission targets since the IMO took the decision to ban high-sulphur fuels. Selective Catalytic Reduction (SCR) systems on board which introduce urea to reduce NOx can be turned off quickly to save costs, so compliance monitoring regarding NOx remains an important issue.

Also research activities conducted at **Tallinn University and Hochschule Wismar**, University of Applied Sciences should be mentioned: Technology, Business and Design. The workshop “Digitalisation as a Driver for the Implementation of the Regional Innovation Policy of the European Union” during the 11th Business Informatics Days (WIWITA) on 7 June 2018 in Wismar presented ongoing research projects concerning regional seaports and their move towards digitalization in connection with smart growth of small and medium-size ports and the economic impact of clean shipping.

Regarding the research project on digitalization which is in the application process for Interreg South Baltic, it was emphasized that the Connecting Europe Facility (CEF) provides EUR 24 billion for core and comprehensive ports. Many smaller ports - 66 % of all Baltic seaports are small and medium-sized ports (SMPs) - do not form part of the nine corridors of the Trans-European Transport Networks (TEN-T). They are suffering from low freight volumes, lacking intelligent specialization and investment capital, out-dated infrastructure and the absence of new business models. For them, it is more difficult to integrate into global supply chains and to participate in the application of digital, data-based technologies like block chain or the internet of things which are also playing a role with regard to optimizing

energy consumption, economic performance, resource and waste management. This needs to be seen in the context of an expected increase of freight volume in Europe by 216 % in parallel to a 174 % rise of green house gas (GHG) emissions by 2050.

In the Southern Baltic Sea the above-mentioned technologies are rather not widespread, coherent and integrated across borders.

SECA regulations so far have resulted in high investment costs.

The research project is supposed to be continued in September 2018 and will focus on a digital auditing tool on the quality and sustainability of transport services as well as on an internet of things and block chain strategy design next to a big data strategy.

Research questions for dissertation proposals are, how small ports can contribute to blue growth and how a digital strategy for small ports could be designed.

Through a BSR wide survey carried out between May 2016 and May 2017 in context of the EnviSuM (**E**nvironmental impact of low emission **S**hipping measurements and **M**odelling strategies) project sponsored by the EU (BSR Interreg Programme), a study carried out by Eunice O. Olaniyi analyses the sulphur regulations' economic impacts on the BSR maritime sector. Furthermore, through a case study, it investigates the impact of the global sulphur and SECA regulations on the business model of a maritime fuel producing company - Viru Keemia, Grupp (VKG). VKG is strategic to Estonian economy, especially in the Eastern part. The research project aims at the integration of new knowledge that will improve clean shipping outcomes in the EU. Results were presented on the impact of SECA regulations on costs, foreign direct investment, prices, cargo flow and modal split. The impact on these variables is negligible.

Significant positive SECA impacts were attributed to innovation and the reputation of BSR. Sulphur emissions regulations have also lead to substantial health benefits as well.

The results show that, while the regulations seem not to have negatively affected the maritime stakeholders, there are still a few who are negatively impacted.

In addition, data was provided on country-specific views on the impact of the SECA regulations: Denmark's view is for example more positive than that of Estonia.

Ports view the modal split more negatively than ship owners.

There is pressure on fuel producers, e.g. shale oil producers, because shale oil, which is used for marine bunker fuel, consists of a 0.8 % w/w share of sulphur, which is above the EU's and global 2020 limits.

The Clean Shipping agenda is supposed to create green maritime transportation and it targets changed and new attitudes of all maritime stakeholders towards shipping activities. While from January 2015, sulphur emissions from ships cannot be more than 0.1 %, the non-SECA is currently regulated at 3.5 %, which will be lowered to 0.5 % from 2020 onwards.

Shipping is the largest single source of emissions on both land and water. Ships are major producers of not only Sulphur Oxides (SO_x) and Nitrogen Oxides (NO_x), but also of pollutants like Carbon Dioxide (CO₂), Ozone Depleting Substances (ODS), Volatile Organic Compounds (VOC) and Particulate Matters (PA). The Environmental impact of Low Emission Shipping: Measurements and Modelling Strategies Project (EnviSuM) addresses measurement and modelling strategies to assess present and future costs and the health and environmental effects of ship emissions in view of the IMO emission regulations. The project aims at enhancing clean shipping, securing a level playing field for the maritime actors and at connecting different maritime stakeholders of the region in cross sectoral collaboration and events.

Another research project, also part of EnviSuM, by Sina Atari focuses on a SECA economic investment decision tool for the evaluation of abatement projects, especially by taking into account uncertainty and high volatility in oil markets.

So far, the SECA regulation contributed to lower the emissions from shipping, but a closer look at the situation in BSR reveals that currently, the abatement strategies for SECA compliance are not completed in the maritime industry. Consequently, new business models for the BSR's shipping sector are required in order to maintain the competitiveness of maritime transportation. The research project describes a series of developmental steps of investment evaluation tools based on experience and research on capital budgeting in the shipping industry for compliance with the SECA regulation in the Baltic Sea region. Results showed that special training is necessary to maintain scrubbers, and there is optimism regarding LNG, although infrastructure is lacking so far in many countries. Investment costs can be reduced by providing ships with scrubbers during operation. Some enterprises are very innovative in this respect, e.g. firms from Finland.

In accordance with the project schedule, the final version of the web-based tool will be online and available for the public until January 2019 under the URL: <http://envisum.ttu.ee>

2. Eighth Strategy Forum of the European Union Strategy for the Baltic Sea Region (EUSBSR)

On 13-14 June 2017, the German *Federal Foreign Office* in partnership with the Conference of Peripheral and Maritime Regions (CPMR)-*Baltic Sea Commission* and in close cooperation with the European Commission organized and hosted the 8th Annual Forum of the European Union Strategy for the Baltic Sea Region (EUSBSR) in Berlin. In attendance, there were around 800 participants from governments, international organisations, NGOs, universities, local and regional administrations and businesses, who assembled to discuss a broad range of issues pertinent to the Baltic Sea Region and its future.

The motto of this year's forum was "connectivity," which highlighted the necessity to expand and deepen the contacts throughout the Baltic Sea Region as well as neighboring regions. This particular theme not only raises awareness for differing perspectives, but also creates an atmosphere of respect and understanding. This is important because cooperation in the form of mutually beneficial projects has the potential to generate positive, long-term effects and enhance confidence in politically turbulent times. Moreover, connectivity directly relates to efficient and comprehensive collaboration among all levels of government, from local to international. Whether it be through communication, cultural exchange, energy, research activities or transport - connectivity is key for modern, network-based, and outward-looking business.

3. 26th Baltic Sea Parliamentary Conference, Hamburg 2017

The participants from the Baltic Sea Regions assembled in Hamburg, Germany on 3–5 September 2017 to discuss many crucial maritime subjects. This included the appointment of an educated independent group of people to elaborate a report with recommendations for a vision for the Baltic Sea Region beyond 2020, welcoming the adoption of the CBSS (Council of Baltic Sea States) Action Plan - "Realizing the Vision. The Baltic 2030 Action Plan" as well as the decision by the CBSS to continue the operation of the Council's Project Support Facility for 2017-2019, and the promotion of

public-private practical interaction. The BSPC would also like to commit more to strengthening the involvement of youth in all areas of society, including, but not limited to, government, science, education and culture, and would like to do so by establishing a Baltic Sea Youth Forum, after a first successful Forum in 2017 had been organized by the parliament of Schleswig-Holstein.

Concerns which were discussed included:

- the growing number of terrorist attacks that have occurred since the last BSPC in Riga, namely in Stockholm, St. Petersburg and Berlin,
- the issues of migration and integration which pose a tremendous challenge to all countries in the Baltic Sea Region, and of course
- reactions to climate change and its impact on maritime industries and society.

The BSPC would therefore like to support the delivery of new comprehensive knowledge on true long-term effects of various human environmental pressures on all organizational levels, as well as provide a scientific foundation for innovative cross-border policy making and research to mitigate these effects.

Furthermore, the BSPC will work towards the vision that the Baltic Sea Region will become the first eco-region in the world, conceiving the Baltic Sea Region as the first region where ecology and economy work together in a balanced and integrated manner to sustain societies and culture. They will ensure that the consequences of tourism are sustainable by adopting models and methods to save and protect nature and orient work along the principle that sustainability is the guiding principle and standard practice in all types of tourism in the Baltic Sea region. And lastly, the BSPC will further examine the use of carbon footprints to improve the comparability and attractiveness of tourism products and their ecological and economical impacts, as well as improve the transparency of tourism products as to their quality in terms of sustainability, e.g. by using common labels and standards.

4. Political Bureau of the Baltic Sea Commission of the Conference of Peripheral Maritime Regions (CPMR) met in Patras

The Conference of Peripheral Maritime Regions is also a BSPC partner organisation. At the CPMR Political Bureau in March 2018 in Patras, the Member Regions adopted the CPMR vision for a post-2020 EU budget. The CPMR called for a post-2020 Financial Regime reflecting the ambition of the EU and its priorities, while providing Regional Authorities sufficient flexibility to realise the ambition of the European Union on the ground. The Estonian Municipality reform came into action in January 2018 and abolished the regional administrations. Instead, the country of Estonia will be represented in the Baltic Sea Commission (BSC), and politicians at sub-national level selected by the association of Estonian Cities will be the representatives. Swedish County Councils have merged into regions over the last 10 years, taking over responsibilities from the national regional authorities and enlarging the mandate of the BSC members. In Finland, negotiations are taking place on regional reform that will also change the mandate of the regions, and the regional politicians be directly elected in future.

In June 2017, CPMR adopted the position “TEN-T core network corridors: amendments proposed under the review of the CEF.” This integrates the proposals of the BSC Transport Working Group to extend the North Sea Baltic Corridor to northern Finland and the Scandinavian-Mediterranean Corridor to northern Sweden, and along the section Stockholm-Oslo. For 2017-2019, the Baltic Sea Commission is prioritising the need to enhance capacity and opportunities for member regions to increase their knowledge of the Sustainable Development Goals (SDGs) and relate them to their regional development strategies. It is also working on the development of pan Baltic partnerships for the implementation of the Baltic 2030 and SDG's at the regional level and throughout the Baltic Sea Region.

The BSC Task Force on Baltic 2030, led by Region Norrbotten, initiated a Stakeholder Conference on 7 March 2018, together with Euroregion Baltic, CBSS and Baltic Sea Future, to discuss the need for multilevel cooperation in the implementation of SDGs. The Baltic Sea Commission held its General Assembly on 12 June, hosted by the Federal State of Mecklenburg-Vorpommern, in its federal representation, in Berlin. Over 70 regional representatives gathered for the event which took place ahead of the 8th Annual Forum of the EUSBSR. Discussions focused on Transport and Accessibility, Maritime Affairs, Climate, Future of Europe. The General Assembly adopted the policy position «Connect the Arctic with the Baltic».

5. Meeting of BSPC authorities with CBSS representatives in Stockholm

On 20 March 2018 BSPC President Jörgen Pettersson and BSPC Secretary General Bodo Bahr had an insightful conversation with the Chairman of the Senior Officials of the Council of the Baltic Sea States, Ambassador Hans Olsson, the Deputy Director of the CBSS Secretariat, Bernd Hemingway and representatives of all units of the CBSS Secretariat in the premises of the CBSS Secretariat in Stockholm about possibilities to intensify the collaboration and to identify common activities.

During the meeting of the Standing Committee of the Baltic Sea Parliamentary Conference in Brussels, Ambassador Olsson made a series of concrete offers to deepen mutual cooperation and underlined that CBSS sees a great foundation for the development of the dialogue and collaboration between the CBSS and the BSPC.

With regard to “Baltic 2030” CBSS had invited the BSPC to participate in “ReGeneration 2030” – a joint initiative by the NCM and the CBSS, focusing on youth engagement in the Baltic Agenda 2030. The ReGeneration 2030 Summit will take place on 18-20 August 2018 in Mariehamn. BSPC President Pettersson informed that he was in contact with the organisers of ReGeneration 2030, that he would participate in the Summit and that two representatives of the Summit would be given the opportunity to present their manifesto and the results of their Summit at the 27th BSPC.

6. The EU Maritime Spatial Planning goes global

160 experts from all over the world have gathered in Brussels on 24-25 May 2018 for the first meeting of the International Forum on Maritime Spatial Planning. They have discussed ongoing projects both in the EU and abroad and shared views on the challenges of planning public sea space across borders.

The global character of the event stems from the recent alliance between the European Commission and the Intergovernmental Oceanographic Commission of UNESCO (IOC-UNESCO) – an international organization with a long-standing experience on the issue of maritime spatial planning.

The event is the first of a series, as the Forum is scheduled to meet twice a year between now and 2020. The conclusions drawn along the process will feed into the drafting of a new set of international

guidelines on cross-border maritime spatial planning, expected for 2021. Indeed, the Forum is one of the actions mentioned in the 2017 **Joint Roadmap to accelerate Marine/Maritime Spatial Planning processes worldwide**, in which the European Commission and IOC-UNESCO commit to a number of key initiatives in favour of good ocean governance.

Maritime Spatial Planning is the rational organization of sea and coastal areas so as to cater for the different – and sometimes competing – needs of various economic activities (such as fisheries, aquaculture, transport, energy, and so on) and to make sure they are carried out safely and sustainably. It needs to be negotiated across sectors and across borders.

The next Forum session will take place in autumn 2018 and will also be devoted to dialogue and exchanges between planners from different parts of the world.

7. Ferry Shipping Conference Norway

The annual Ferry Shipping Conference took place in Oslo, Norway, on 18-20 April 2018. Organized since 2003, it grows ever more popular with well over 400 delegates from 40-50 ferry companies from all over the world attending each year. To meet and discuss in combination with having a memorable and enjoyable time together with friends and colleagues in the industry is what the Shippax Ferry Conference is all about, while being onboard a ferry ensures a familiar and close connection between all delegates. Many see it as the annual family meeting for the ferry industry, and we agree. The conference is organized by the well renowned ferry publishing house Shippax and is held over two days onboard a ferry with professional speakers and experts, captivating debates and best possible networking and exhibitions.

8. European Maritime Day 2018, 31 May & 1 June, Burgas, Bulgaria

For the 11th European Maritime Day (EMD), Mayor of Burgas Dimitar Nikolov, together with the European Commissioner Karmenu Vella of Environment, Maritime Affairs and Fisheries welcomed 800 participants from the maritime sector across the Black Sea and the EU. Present at the conference over one and a half days were 130 speakers, 18 stakeholder workshops, 3 DG MARE info sessions, as well as 28 exhibitors. In addition to those events, 154

business-to-business (B2B) meetings were facilitated by the European Enterprise Network. Ministers and representatives from Bulgaria, Georgia, Moldova, Romania, Russia, Turkey and Ukraine reaffirmed their commitment to working more closely with the endorsement of the Declaration towards a Common Maritime Agenda for the Black Sea. Romania's State Secretary, Maria Magdalena Grigore noted that: "the Black Sea will be a place of stability, security and prosperity for all our people." This vision was reinforced by the Ambassador of Turkey to Bulgaria, Hasan Ulosoy: "the Black Sea is a sea of friendship and cooperation." Emphasising the EU's supporting role in facilitating cross-Black Sea dialogue, Commissioner Vella noted the significant opportunity of transforming the future "from a sea of differences to a sea of opportunities." A plenary debate also took place on what was termed '*Big Bang Black Sea*' with leaders from the European Union, national governments, international organizations and NGOs to discuss challenges and opportunities for sustainable blue growth in the Black Sea.

9. *World Maritime Day Parallel Event 2018*

This event took place on 13-15 June 2018 in Szczecin, Poland. The Ministry of Maritime Economy and Inland Navigation of Poland organized the event in cooperation with the International Maritime Organization (IMO). The theme of this year's celebrations is IMO 70: *Our Heritage – Better Shipping for a Better Future*. Main subjects, which were receiving attention, included green smart shipping, new transport routes, cyber security in shipping, and the labor market of maritime industries.

The Secretary General of the International Maritime Organization, Kitack Lim commented, "We are grateful to Poland for hosting this year's World Maritime Day Parallel Event, which provides an excellent opportunity to take the World Maritime Day theme „on the road“. The event will help to amplify the message among those close to the shipping industry, and to reach a wider audience. Our challenge for the years to come remains to work in collaboration with all stakeholders to create better shipping, for a better future. I am sure that this year's World Maritime Day Parallel Event will contribute to this goal and be as successful and enjoyable as its predecessors."

10. The 9th Annual Forum of the EUSBSR held in Tallinn on 4–5 June 2018

The Ministry of Foreign Affairs of Estonia together with the Baltic Development Forum in close cooperation with the European Commission, Ministry of Environment and other partners, hosted the Forum. About 800 participants from governments, international organisations, NGOs, universities, local and regional administrations, media and businesses came together to discuss developments and challenges in the Baltic Sea Region.

The 9th Annual Forum was co-financed by the European Union Interreg Baltic Sea Region Programme.

The main theme of the 9th Annual Forum was the “Baltic Sea Region after 2020”. The Forum discussed how to improve the implementation of the EUSBSR in the framework of the future EU Cohesion Policy. It discussed also the current state of the ecosystem in the Baltic Sea as well as how to advance the BSR as a global digital hub.

B – Legislative Developments at the EU level with regard to all BSPC members

I. Blue Growth and overarching aspects

1. *EU delivers on blue economy commitments made at Our Ocean Conference*

In a rapid follow-up to the EU-hosted 2017 “Our Ocean”-conference, and in the run-up to the COP23 Ocean Day in Bonn (11 November 2017), the European Commission launched a new EUR 14.5 million investment initiative to further promote sustainable blue growth across the EU.

Commissioner for Environment, Maritime Affairs and Fisheries Karmenu Vella said: *„At the Our Ocean conference in Malta, the European Union led by putting the blue economy on the agenda for the first time. Now we are leading in the follow up. Today we launch a EUR 14.5 million investment initiative for green projects to safeguard our marine ecosystems. On ocean energy, tackling marine litter, and along Mediterranean coastlines, I am delighted that we are so quickly following up on our Our Ocean pledges.“*

Funded under the European Maritime and Fisheries Fund, EUR 8 million from this initiative are set aside to help small and medium sized enterprises SMEs, including start-ups, testing novel products and services in high-potential emerging blue economy sectors, including **ocean renewable energy**. In order to better tackle the growing challenge of **marine litter**, a further EUR 2 million will target innovative technologies to prevent, monitor, remove and recycle marine litter from EU waters. Furthermore, EUR 3 million will support twinning projects in the Mediterranean Sea, including between **maritime training and education institutions, blue economy businesses and local fishing communities**. Finally, EUR 1.5 million is allocated to **restoring marine and coastal ecosystems in the Mediterranean**, including mitigation of climate change.

The “Our Ocean” conference (5-6 October 2017 in Malta) generated an unprecedented level of commitments: 437 were announced, including EUR 7.2 billion in financial pledges. The EU alone

announced 36 commitments amounted to over EUR 550 million. Moreover, the EU-hosted conference saw for the first time large-scale mobilisation of the private sector in ocean conservation.

2. Fisheries in Europe: where we are and where we are headed

On Tuesday, 26 September 2017, in a Seminar on the Status of European Fish Stocks and the Economic situation of European fishing fleets, the European Commission has been hearing the views of senior experts in fisheries biology from the Directorate General for Maritime Affairs and Fisheries, the International Council for the Exploration of the Sea, the Scientific, Technical and Economic Committee for Fisheries, NGOs, the industry, national administrations and members of the public.

Presentations covered the state of the fish stocks in the Mediterranean Sea, the Black Sea, the North-East Atlantic and the Baltic Sea, the economic performance of the EU fishing fleet, as well as a comparison between the EU and the US fisheries management systems.

Director General Joao Aguiar Machado opened the meeting. Mr Karmenu Vella, European Commissioner for Environment, Maritime Affairs and Fisheries delivered the closing speech. The sessions were chaired by Mrs Hélène Clark, Director for Fisheries Policy Atlantic, North Sea, Baltic and Outermost Regions.

3. New scientific report shows positive economic trends for EU fishing fleet

According to the latest (2017) Annual Economic Report, the overall economic performance of the EU fishing fleet improved again in 2015, and estimates for 2016 and 2017 point towards further profitability gains.

While still marginally profitable in 2009, the EU fleet registered record-high net profits of EUR 798 million in 2015. The report also demonstrates that economic performance stagnates where fleets depend on stocks which are still overfished or overexploited. More and more fleets that exploit stocks sustainably see clear improvements in their profitability and salaries. In 2015, the EU fleet's gross value added, i.e. the contribution of the fishing sector to the economy through wages and gross profit, amounted to EUR 3.9 billion. This represents a 16 % increase compared to

2013. Average salaries in the EU fleet have also increased while average fuel consumption has decreased. Fuel use efficiency has improved, with fuel costs amounting to 15 % of the total revenue in 2015, compared to 24 % in 2008. This is largely because fleets tend to operate more efficiently. Karmenu Vella, Commissioner for environment, maritime affairs and fisheries, said: *“It is encouraging to see that the positive trend of the last years has resulted in higher salaries for fishermen, bigger profits for the fishing sector and more value added for the EU’s fishing and coastal communities. This clearly shows that our joint commitment towards more sustainable fishing pays off. But more efforts are needed to allow also small scale coastal fleets, in particular in the Mediterranean and Black Sea, to fully benefit from this positive trend. Continued progress towards Maximum Sustainable Yield (MSY) in all sea basins will therefore be a precondition for achieving economic viability.”*

The 2017 Annual Economic Report on the EU Fishing Fleet is based on data provided by national authorities and the result of combined work by economic experts from the Scientific, Technical and Economic Committee of Fisheries and the Commission.

4. EU leads the way to sustainable fisheries

The oceans and their fish stocks are a shared responsibility for all. For years, the European Union has been leading international efforts to promote fisheries that are sustainable for both fish and fishermen, for the environment and for the economy. And the results are showing in both EU waters and throughout the world.

News, *By Joao Aguiar Machado, Director General of DG Fisheries and Maritime Affairs:*

“Only a decade ago, the dire state of stocks of bluefin tuna generated widespread concern. But thanks to sustained efforts by the fishing industry since 2007, scientists now register steady progress. In fact, the Atlantic bluefin tuna stock is approaching a historic high. The last time the stock was at this level, there were no rules in place. In some years, catches would reach as much as 60,000 tons, eventually leading to its collapse.

The recovery of bluefin tuna is a conservation success story, with industry, science and governments working hand in hand. When stocks were low we compelled fishermen to follow strict scientific advice. It is a legitimate expectation that they can now follow the advice when it allows for an increase.

This week's annual meeting of the International Commission for the Conservation of Atlantic Tunas (ICCAT) in Marrakesh agreed on an increase of the total allowed catches (TAC) for bluefin tuna. Reaching a maximum of 36,000 tons by 2020 is fully in line with scientific advice and more cautious than the agreed CFP objectives. And thanks to a precautionary approach defended by the EU, the increase will be phased in only gradually.

Given our objective of promoting sustainable fisheries, it goes without saying that the European Commission would not suddenly allow a riskier approach. In fact, this year's decision is probably more solid than ever before, thanks to improved scientific methods.

Finally, I regret that the EU's proposal to move towards a more long-term management plan, was not adopted, but postponed to next year's ICCAT meeting. We will continue our efforts for sustainable fisheries. There is lots of work ahead for us all."

5. Perspectives of the new European Maritime and Fisheries Fund (EMFF) 2021-2027

The EMFF is the Union fund that will support the objectives of the Common Fisheries Policy (CFP), the growth of a sustainable blue economy and the European Union's international commitments in the field of ocean governance.

As in the current period it will continue supporting the environmental, economic, social and employment objectives of the CFP to ensure that fishing and aquaculture activities are sustainable in the long term and contribute to the availability of food supplies. It will focus on the conservation of the marine biological resources and on growth and jobs in coastal communities across the European Union.

The EMFF is part of the Union multiannual financial framework for the 2021-2027 programming period with a total budget of EUR 6.14 billion. The EMFF will support the implementation of the CFP and of the Union's maritime policy along four priorities:

1. Fostering sustainable fisheries and the conservation of marine biological resources
2. Contributing to food security in the Union through competitive and sustainable aquaculture and markets

3. Enabling the growth of a sustainable blue economy and fostering prosperous coastal communities
4. Strengthening international ocean governance and enabling safe, secure, clean and sustainably managed seas and oceans.

In addition, the EMFF will support voluntary contributions to international organisations and technical assistance. As under the 2014-2020 period, the EMFF will support innovative investments from private stakeholders in the whole value chain of the fisheries sector and in aquaculture. It will also support projects that foster the growth of a sustainable blue economy and Member States' action in the maritime sector, such as fisheries control, the collection and processing of scientific data, and maritime security.

The maximum EMFF contribution to the projects implemented by Member States will be 75 % of the public expenditure in most cases, going up to 85 % in some cases. That support will be shared with other public contributors. The maximum public contribution will be between 50 % and 100 %, depending on the features of the project.

Fisheries are vital to the livelihood and cultural heritage of many communities in the Union, in particular where small-scale coastal fishing plays an important role. The EMFF will continue to support investments to increase the environmental sustainability, economic competitiveness and social welfare of the sector to contribute to the objectives of the CFP. In particular, it will aim to achieve and maintain sustainable fishing based on Maximum Sustainable Yield (MSY) and to minimise the negative impacts of fishing activities on the marine ecosystem. That support will include innovation and investments in low-impact fishing practices and techniques and investments on board fishing vessels in order to improve health, safety and working conditions, energy efficiency and the quality of catches.

The landing obligation is one of the main challenges of the CFP. It has implied significant changes in fishing practices for the sector, sometimes with an important financial cost. The EMFF will therefore support innovation and investments that contribute to the implementation of the landing obligation, like investments in selective fishing gears, in the improvement of port infrastructures and in the marketing of unwanted catches. Given the challenges to achieve a sustainable exploitation of marine biological resources in line with the conservation objectives of the CFP, the EMFF will continue to support the management and adaptation of fisheries and fishing fleets. Such support should be tightly targeted to the conservation

and sustainable exploitation of marine biological resources and aimed at achieving a balance between the fishing capacity and the available fishing opportunities.

Small-scale coastal fishing is carried out by fishing vessels below 12 metres and not using towed fishing gears. This sector represents nearly 75 % of all fishing vessels registered in the European Union and nearly half of all employment in the fishery sector. The EMFF will give small-scale coastal fishing improved preferential treatment compared to the 2014-2020 period through a higher intervention rate. In addition, certain types of support will be reserved for their vessels. Furthermore, Member States will be asked to develop an action plan for small-scale coastal fishing setting out a strategy for the sustainable development of the sector.

Fisheries and aquaculture contribute to food security and nutrition. However, the European Union currently imports more than 60 % of its supply of fishery products and is therefore highly dependent on third countries. An important challenge is to encourage the consumption of fish protein produced in the Union with high quality standards and available for consumers at affordable prices.

In this context, aquaculture has a role to play. The EMFF will therefore continue to support the promotion and the sustainable development of this sector, including freshwater aquaculture. Such support will include productive investments, compensatory measures which provide critical land and nature management services, and actions for animal health and welfare.

Food security also relies on efficient and well-organised markets, which improve the transparency, stability, quality and diversity of the supply chain, as well as consumer information. To this end, the EMFF will continue to support the marketing of fishery and aquaculture products, especially the promotion of new market outlets and the development and dissemination of market intelligence. Targeted support will also be available for the processing industry, under strict conditions justified by the good economic situation of that sector.

As the European Union's maritime fund, the EMFF will be ambitious in supporting the development of a sustainable blue economy. The output of the global ocean economy is estimated at EUR 1.3 trillion today[1] and could more than double by 2030. Public support is needed to foster private investment in new maritime markets, technologies and services. The blue economy relies on partnerships between local stakeholders that contribute to the vitality of coastal and inland communities and economies. The EMFF will

provide tools to foster such partnerships through community-led local development (CLLD). Their scope will be extended compared to the 2014-2020 period.

The EMFF will also focus on creating the enabling conditions for a sustainable blue economy by promoting an integrated governance and management of maritime policy, enhancing the transfer and uptake of research, innovation and technology, improving maritime skills, ocean literacy and sharing of socio-economic data, promoting a low-emission and climate resilient sustainable blue economy, and developing project pipelines and innovative financing instruments.

60 % of the oceans are beyond the borders of national jurisdiction. As a global actor, the European Union is strongly committed to promoting international ocean governance. This new policy will be fully supported by the EMFF. It is not only core to achieving the United Nations' 2030 Agenda for Sustainable Development, in particular Sustainable Development Goal 14 (Conserve and sustainably use the oceans, seas and marine resources for sustainable development'), but also to guaranteeing safe, secure, clean and sustainably managed seas and oceans for future generations.

The EMFF will support those international commitments for better international ocean governance at bilateral, regional and multi-lateral levels, including to prevent, deter and eliminate illegal, unreported and unregulated fishing, to improve the international ocean governance framework, to reduce pressures on oceans and seas, to create the conditions for a sustainable blue economy and to strengthen international ocean research and data.

Improved border protection and maritime surveillance provide an essential contribution to the European Union's security and defence. The EU maritime security strategy based on information sharing and cooperation between the European Fisheries Control Agency, the European Maritime Safety Agency and the European Border and Coast Guard Agency is key to delivering on those objectives. The EMFF will contribute to this policy by supporting maritime surveillance and coastguard cooperation.

The Commission's proposal aims to simplify the delivery of the EMFF compared to the complex architecture of the current period, and give greater flexibility to Member States to use the EMFF in a way that best meets their needs. Measures or eligibility rules will no longer be pre-defined at EU level. Instead of selecting measures from a menu of eligible actions as is currently the case, national programmes will focus on the strategic priorities chosen by each Member State.

This architecture will make it easier for beneficiaries to access EMFF support and allow them to focus on achieving results, without losing time and energy in burdensome administrative procedures.

The Commission proposes that Member States are granted greater flexibility in defining eligibility rules, depending on their national strategy for implementing the EMFF. However, as during the 2014-2020 period, the Commission's proposal does contain a list of operations that cannot be funded so as to avoid detrimental impacts on fish stocks and marine ecosystems. This includes, for example, a general ban of investments enhancing fishing capacity.

Moreover, investments and compensation for the fishing fleet (permanent cessation of fishing activities, extraordinary cessation of fishing activities, acquisition of a vessel, engine replacement) will be strictly conditional upon their consistency with the conservation objectives of the CFP. This is key to ensuring that financial support is used to achieve the CFP objectives and does not jeopardise the conservation of marine biological resources.

6. European Sea Funding: 14.5 million Euro for “Blue Economy” projects

In an informational meeting for the European Sea and Fishery Fund (EMFF) on 9 November 2017, the commission introduced a proposal for funding of over 14.5 million Euro for projects related to sustainable blue economy. The commission made a corresponding announcement at the “Our Oceans” conference in October in Malta.

The sources are divided among four areas:

1. Showpiece Projects: Support on the way to the market for new technologies and/or maritime services (EUR 8 million)
2. Strategies and technologies against spreading waste in the sea (EUR 2 million)
3. Blue networks in the Mediterranean region for employment, innovation, and entrepreneurship (EUR 3 million)
4. Communal measures for a sustainable blue economy in the Mediterranean region (EUR 1.5 million)

These calls for proposals were running from 8-28 February 2018.

7. Commission surveys fishing economy and society about catching quotas in 2019

On 11 June 2018 the EU Commission has made an announcement on its decision regarding a survey of the implementation of communal fishing policy within the EU and the start of a consultation process in regard to fishing opportunities in 2019. In the framework of a public consultation, the commission surveyed the member states, the fishing economy, non-governmental organizations, and interested citizens. The problem of overfishing in the northern and western waters has already significantly decreased, however a sustainable form of fishery in the Mediterranean and Black seas remains a challenge.

Commissioner Karmenu Vella, responsible for environment and maritime affairs as well as fishery said, “The restoration of the health of our seas and oceans is not an option, rather a necessity, and the EU must continue to be a role model in this field. The commendable efforts of our fishers in the last ten years are beginning to count: many of our fish stocks, although far from all of them, are achieving once again a sustainable level. 2019 will be a decisive year for the completion of our communal goals. We are working hand in hand – fishers, industry, civil society, and authorities – in order to pursue these efforts and hold our ambitions for our oceans high. I am excited for close cooperation with all of the parties.”

In the last years, significant steps have been taken to reduce the exploitation of fishery resources, in particularly in the northern and western waters (where overfishing has significantly decreased). During this process, the biomasses have risen and were in 2016 on average almost 39 percent over the standards of 2003.

In contrast to this, the development toward a sustainable use of the Mediterranean and Black seas remains a challenge. In the last years, the EU commercial fleet has dramatically improved its overall economic performance, with a record profit of 1.3 billion Euro in 2016.

8. Annual Report on the EU Blue Economy

On 27 June 2018 the EU Commission’s first report on the Blue Economy of the European Union was published.

The EU’s Blue Economy – all economic activities related to oceans, seas and coastal areas – is growing steadily, according to the EU’s first annual report on the blue economy. With a turnover of EUR 566

billion, the sector generates EUR 174 billion of value added and creates jobs for nearly 3.5 million people. The EU's blue economy is consistently growing over the last decade and the potential for the future is promising. With investments in innovation and through responsible ocean management, integrating environmental, economic and social aspects, the sector could according to EU Commissioner for Environment, Maritime Affairs and Fisheries, Karmenu Vella, be doubled in a sustainable way by 2030.

The blue economy represents all economic activities related to our oceans, seas or coastal areas. It covers established sectors such as fisheries, shipbuilding and tourism as well as emerging industries, including ocean energy and biotechnology. In several EU member states, the blue economy has grown faster than the national economy in the last decade. During the financial crisis, the blue economy proved more resilient in those member states, softening the effects of the downturn on coastal economies.

The report presents the current status and recent trends in the six established blue economy sectors in different EU Member States, to gain insight into where new opportunities and sustainable competitive advantage may be found.

The UK, Spain, Italy, France and Greece have Europe's biggest blue economies. Spain accounts for one fifth of total employment, followed by Italy, the United Kingdom and Greece. Combined, these four member states account for more than half of the total blue economy-related jobs.

Among the different sectors, that of the 'living resources' (i.e. fisheries, aquaculture and processing) has grown by 22 % between 2009-2016. Increased sustainability, thanks to the EU common fisheries policy, plays an important role in this positive development. Also the emerging sectors are booming. The biotechnology sector marks double-digit growth in member states such as Ireland, and employment in the offshore wind industry has jumped from 23.7 thousand in 2009 to 160 thousand in 2016, outnumbering employment of the EU fishing sector.

Key facts regarding the EU's blue economy consist of a turnover of EUR 566 billion, gross value added of EUR 174.2 billion, gross profit of EUR 95.1 billion and 3.48 million employees, which represent 1.6 % of EU's total employment. The net investment in the EU's blue economy amounts to EUR 22.2 billion. The blue economy represents 1.3 % of total EU GDP (2016).

By tracking the development of the blue economy subsectors, and examining the drivers behind, the Annual Report on the EU Blue Economy can help identify investment opportunities and provide direction for future policies, including ocean governance. The report is the latest in a series already covering the EU fishing fleet, the EU aquaculture sector and the EU fish processing sector.

9. EU-Budget: Fisheries and Maritime Economy will receive continued support

The proposed long-term EU budget combines new instruments with modernised programmes to deliver efficiently on the European Union's priorities and to rise to new challenges.

The EU Commission will continue to support the European fisheries sector on its way towards sustainable fishing methods. Therefore, it has proposed for the next long-term EU budget that enters into force on 1 January 2021 to install a new fund amounting to EUR 6,14 billion Euro for EU fisheries and maritime economy. In order to ensure the fund's efficiency and effectivity, it contains several new characteristics, especially a simplification and wider choice for the EU member states, which can now direct support more target-oriented towards their strategic priorities, as well as a better alignment with other EU funds in order to better support the Common Fisheries Policy.

The European Maritime and Fisheries Fund will co-finance projects alongside national funding streams, with each Member State receiving a share of the total budget. Member States draw up their national operational programmes, specifying how they intend to spend the money. Once approved by the Commission, national authorities decide which projects they wish to support.

EU Commissioner for Environment, Maritime Affairs and Fisheries, Karmenu Vella, sees healthy, well-managed oceans as a pre-condition for long-term investments and job creation in fisheries and the broader blue economy. He supports the view of the EU as a global ocean actor, and, being the world's fifth largest producer of seafood, emphasizes the EU's strong responsibility to protect, conserve and sustainably use the oceans and their resources. The Fund will allow Member States and the Commission to live up to that responsibility and invest into sustainable fisheries, food security, a thriving maritime economy, and healthy and productive seas and oceans.

The new fund exhibits a particular focus on supporting small-scale fishermen. It will also help unleash the growth potential of a

sustainable blue economy towards a more prosperous future for coastal communities. For the first time, it will contribute to strengthening international ocean governance for safer, cleaner, more secure, and sustainably managed seas and oceans. Finally, the Commission is reinforcing the environmental impact of the Fund with a focus on protecting marine ecosystems and an expected contribution of 30 % of its budget to climate change mitigation and adaptation, in line with the commitments agreed under the Paris Agreement.

Fisheries are vital to the livelihood and cultural heritage of many coastal communities in the EU. Together with aquaculture, they also contribute to food security and nutrition. A particular focus of the fund will be to support small-scale coastal fishermen, with vessels below 12 metres, which represent half of European employment in the fishing sector. Since the reform of the Common Fisheries Policy in 2014, progress has been made in bringing fish stocks back to healthy levels, in increasing the profitability of the EU's fishing industry, and in conserving marine ecosystems. The new Fund will continue to support these socio-economic and environmental objectives.

As regards the maritime economy, the Commission proposes to strengthen its support compared to the 2014-2020 period. This is a high-potential economic sector whose worldwide output is estimated at EUR 1.3 trillion today and could more than double by 2030. The maritime fund will enable investment in new maritime markets, technologies and services such as ocean energy and marine biotechnology. Coastal communities will receive more and broader support to set up local partnerships and technology transfers in all blue economy sectors, including aquaculture and coastal tourism.

In the context of the United Nations' 2030 Agenda for Sustainable Development, the Union has also committed at international level to make seas and oceans safer, more secure, cleaner and more sustainably managed. The new European Maritime and Fisheries Fund will support these commitments for better international ocean governance. It will, among others, also provide the necessary funding to improve maritime surveillance, security and coastguard cooperation.

A swift agreement on the overall long-term EU budget and its sectoral proposals is essential to ensure that EU funds start delivering results on the ground as soon as possible. Delays similar to the ones experienced at the beginning of the current 2014-2020 budgetary period would mean that the needs of fishermen, coastal

communities and the protection of the marine environment they depend on will not be addressed with the required urgency.

An agreement on the next long-term budget in 2019 would provide for a seamless transition between the current long-term budget (2014-2020) and the new one, and would ensure predictability and continuity of funding to the benefit of all.

10. Fighting trash on the sea: new rules for port reception facilities

On 16 January 2018, the Commission proposed new rules on port reception facilities. The aim is to combat marine litter from sources at sea and to ensure that waste generated on ships or collected at sea is not disposed of in the sea but properly disposed of ashore. It also includes measures to reduce the administrative burden on ports, ships and authorities. The proposal is part of the European strategy for dealing with plastic waste.

II. Energy aspects with regard to maritime policy

1. Further critics on Nordstream 2 in the European Parliament

On 14 October 2017, there was a debate in the European Parliament on the natural gas pipeline Nord Stream 2. As in preceding debates, all speakers were against the project. It seems to be in contradiction with the goal of diversifying the supplying countries. Because of shrinking demand in the medium term and because of geopolitical reasons it weakens transit countries. The parliamentarians supported the plan of the EU Commission to find an agreement with Russia on the legal framework of the pipeline. They demanded the member states of the council (especially Germany) to grant a corresponding mandate. At that time, there was a pending statement from the legal service of the council, if the EU got the competence for such an agreement. The commission announced a suggestion in the debate to change the regulation of safe gas supply.

2. Kick Off event on the project “Low Carbon Logistics”

Just over a year ago, the Competence Center Rural Mobility (KOMOB) began to develop a concept for the CO₂-free delivery of a small town with parcels, courier and express mail. It is a project funded under the Southern Baltic Interreg program. Now the first implementation step has been successfully completed: On March 1, 2018, UPS started its packages with an electric cargo bike. At the same time, the DPD will begin delivery with three parcel carriers with hand trucks. First, the city of Bad Doberan is supplied (Location: Bad Doberan, Drümpel parking at the intersection Rostocker Str./Bahnhofstraße). An extension to other districts of Bad Doberan and the connection of other suppliers are sought.

3. Topics on Nord Stream 2

Internal energy market to be extended

On November 8, 2017, the Commission proposed extending the rules on the internal gas market to gas pipelines that run or come from third countries to third countries, up to the border of the EU territory. Unless expressly stated, this initiative targeted the planned Nord Stream 2 pipeline between Viborg in Russia and Lubmin.

The amendment to the existing directive on the internal market in natural gas aimed at ensuring that the main principles of EU energy legislation (third party access, charging, ownership unbundling and transparency) apply to all gas pipelines. In line with the objectives of the EU gas market, competition between gas suppliers should be increased and energy security in the EU increased. A transparent regulatory framework should exclude conflicts of interest between infrastructure managers and gas suppliers as well as discriminatory charges.

However, the inclusion only applies to the part of the pipeline that lies in the EU territory. Since different rules then apply to the two ‘ends’ of a pipeline (as is the case with Nord Stream), the EU Commission considers it necessary to conclude an agreement with the third country, not just to have a clear legal framework but also to the pipeline (also in the EU area) to operate at all. Therefore, the Commission has proposed to the Member States a mandate for such negotiations with Russia on Nord Stream 2.

Member States should have the possibility to exempt existing cross-border lines (such as Nord Stream 1) from the application of

the Directive, provided this does not adversely affect competition or security.

Interregional Working Group in the European Committee of the Regions (CoR)

On 1 December 2017, the constituent meeting of an interregional working group on the Nord Stream 2 gas pipeline took place on the sidelines of the 126th plenary session of the Committee of the Regions (CoR) in Brussels. Set up on the initiative of CoR member Geblewicz (Marshal West Pomeranian), the group will investigate the impact of the project, especially on the environment. The 15 founding members are mainly from Poland and Lithuania. Member of Parliament Jochen Schulte participated from the German region Mecklenburg-Vorpommern.

Debate in the Energy Committee of the European Parliament

On 11 January 2018, the European Parliament's Committee on Industry, Research and Energy discussed the Commission's proposal for an amendment to the Gas Directive, presented in November 2017. The rapporteur (Committee Chairman Buzek, Poland) had already drafted a draft report on 7 December 2017 in which he supported the Commission proposal to extend the internal market rules to lines from third countries. The debate showed widespread support for this line. Requests to allow more time for advice and also to hold a hearing on legal and economic conditions did not find a majority. The committee was scheduled to vote on the report on 21 February 2018 and the plenary a week later.

III. Infrastructural aspects with regard to maritime policy

1. Better use of the structural funds for common projects in the Baltic Sea region

On 20 September 2017 the kick off meeting for the project AFM-BSR (Alignment of Funding Models in the Baltic Sea Region) took place in Potsdam. The project is financed with the start-up facility from the INTERREG program for the Baltic Sea. In this project should be examined how national and regional operational programmes from European structure and investment funds can be used for a more efficient financing of cross border projects. Furthermore, the arrangement of a macro-regional platform for smart specialization containing information about potential partners and financing possibilities should be examined. Regions from Sweden and Finland as well as the conference of the peripheral coast regions (CPMR) are involved next to the German regions Mecklenburg-Vorpommern and Brandenburg.

2. A recovering industry and a valuable source of healthy food – European Commission calls on regions to embrace aquaculture

After more than a decade of stagnation, EU aquaculture is finally showing signs of recovery. With 4 % growth in volume and 8 % in value between 2014 and 2015, and profits exceeding EUR 400 million, the sector is generating more value than ever before.

The success is in part due to strong cooperation over the last years between the European Commission and national authorities to remove barriers to growth. As a result, many governments have been taking steps to cut red tape, which clearly has been paying off.

At “*FARMED in the EU Regions*”, a conference organized by the European Commission and the Committee of the Regions showcasing some of the success stories of European aquaculture, European Commissioner for Environment, Maritime Affairs and Fisheries, Karmenu Vella, stressed the need for even greater buy-in from the EU regions.

“Aquaculture can deliver local food and local jobs in an environment-friendly way. The planning, authorisation, and ultimately the success of aquaculture in the EU lie in the hands of our regions and

Member States. We count on you to support investment in this promising industry“, Commissioner Vella said.

With global population expected to reach 10 billion people by 2050, Commissioner Vella sees aquaculture as a key pillar of global and European food security. „We need to plan ahead now to provide more fish, shellfish and algae in a sustainable, responsible way“, Commissioner Vella said. „Of course we must continue our work on sustainable wild fisheries, but if we are to get more seafood, it has to come from farming. Having many small, well-planned farming actions at regional scale, and helping consumers to make informed, responsible choices is the key to success.“

As a form of concrete support to regions, the Commission unveiled at the Conference a series of new *guidelines* on the accommodation of aquaculture within the EU environmental rules, as well as information on planning and business authorisation. These tools, which decision-makers in national, regional and local authorities should find very useful, are available in all EU languages.

The European Maritime and Fisheries Fund provides 1.2 billion euro exclusively for aquaculture. This money is there to help farms invest, grow, become more innovative and efficient, and also to help attract more private investment. If investments gather pace and the conditions continue to be supportive of the sector, we could see the 25 % growth by 2020 that Member States had aimed for when developing their aquaculture plans in 2014.

The European Commission is ready to collaborate with national and regional authorities to implement the „FARMED in the EU“ communication campaign, helping aquaculture professionals to explain their job to schools across Europe.

3. EU supports cross-border projects in the South Baltic region

At his meeting on 24-25 in April 2018 in Bornholm, the monitoring committee of the Interreg program „Southern Baltic Sea“ has delivered positive comments on a total of ten projects. Partners from the region Mecklenburg-Vorpommern are involved in seven projects. The tourism sector deals with offers for active holidays for disabled people, joint transnational marketing of mansions as well as innovative parking space management in tourist locations. Other projects include the extraction of biogas from waste, small ports as access gates for sustainable transport systems and qualification in

maritime and environmental occupations. Around EUR 11 million from the European Regional Development Fund (ERDF) is available for the promotion of projects with participation from the German region Mecklenburg-Vorpommern. The next call opens on 1 October 2018.

IV. Environmental aspects with regard to maritime policy including climate protection

1. Consultation on the handling of micro plastic in the marine environment

With a consultation running until the 16th October 2017, the EU Commission wanted to gain more knowledge on the causes of the pollution in the marine environment by micro plastic, as well as collect suggestions how to fight the problem.

2. Consultation on the monitoring of carbon dioxide from sea traffic

The EU Commission started a public consultation on 8 September 2017 with which experience with the regulation about the monitoring of carbon dioxide issues from sea traffic can be query. The regulation fixes an EU wide system for the coverage of examined data about CO₂ issues from the sea traffic (EU MRV). The International Maritime Orgnaization had issued guidelines in July 2017 to respective data tests and administration of data bases, so there is now a legal framework for a global survey system (IMO DCS). Therefore, the EU Commission examines whether the EU MVR regulation must be adapted to the IMO DCS. If necessary, it wants to submit a legislative proposal in 2018. The consultation should enable the stakeholders to participate in the forming of an opinion.

3. Carbon Dioxide Reduction: Council positions itself to share the burden through 2020

On 13 October 2017, the council (ministers for the environment) adopted a position on sectors that are not falling under the emission trade system (i.e. transport, buildings, agriculture and waste). Negotiations about the council position with the European Parliament have started, which itself had adopted its position in June 2017.

In the proposal for a regulation on the inclusion of greenhouse gas emissions and removals from land use, land use change and forestry into the 2030 climate and energy framework mandatory yearly emission goals for every single member state will be laid down for the time period of 2021 to 2030 (the current regulations last until the end of 2020). In this vein, the EU wants to come closer to its overall goal to decrease emissions (by at least 40 % in comparison to the standards from 1990) by 2030, as well as fulfil its duties to the Paris Convention for climate protection. For the sectors not falling under the European Union Emissions Trading System (EU ETS), emissions should be reduced by 30 % of the 2005 standards by the year 2030.

The annual emission reduction goals for individual member states range, dependent on the GDP per capita, from 0 to 40 percent. Every member state has to keep a path toward reduction. The starting point for the evaluation of the reduction path is the year 2020, and the calculations follow the average emissions from 2016 to 2018. The current flexibility possibilities will be maintained. Additionally, less wealthy member states will receive money from a safety reserve, which will be available in 2032 under strict conditions.

4. EU engages in Protection of the World's Oceans

On the occasion of the “Our Ocean” conference from 6-7 October 2017 in Malta, the commission announced that the EU will allocate over EUR 550 million to assist with measures towards the responsible management of the world's oceans. In total, the agreed-upon means in Malta from both public and private actors from 112 countries amount to over EUR 6 billion. According to the Paris Climate Convention and the SDGs in context of the 2030 agenda, those financial resources should be used to combat ocean pollution, expand nature reserves, and support sustainable fisheries.

With the initiative of the EU the safety of the world seas and “blue economy” is being taken care of. Additionally, the EU wants to

strengthen the efforts to fight climate change. The commitments of the EU serve the support of worldwide sustainable use of the oceans, whereby the emphasis lies on developing countries. The participants have announced they are arranging new oceanic sanctuaries with a total area of over 2.5 million square meters. The complete list contains more than 400 commitments (36 from the EU, over 200 from third countries, more than 100 from companies and some more from NGOs, research institutes, and international organizations) and is available online. The conference “Our Ocean” takes place in Indonesia in the end of October 2018.

5. HELCOM Ministerial Meeting in Brussels

On 6 March 2018, the annual Ministerial Meeting of the Baltic Marine Environment Protection Commission (Helsinki Commission, HELCOM) took place in Brussels, Belgium.

The environment ministers of the countries bordering the Baltic Sea and EU Commissioner for Environment, Maritime Affairs and Fisheries, Karmenu Vella assessed the environmental status of the Baltic Sea as well as the degree of progress made to restore the good environmental status of the Baltic marine environment by 2021. The results of the meeting were laid down in a common declaration, which aims at adapting the HELCOM Baltic Sea Action Plan based on new knowledge and challenges and at enhancing efforts to reach the goals of the existing plan next to elaborating a regional strategy on the recycling of nutrients. The parties welcomed the progress made in reducing their nutrient input to the Baltic Sea from land-based sources and in addressing inputs from ships by designating the Baltic Sea as a special area under MARPOL Annexes IV and as a NO_x Emission Control Area (NECA) under MARPOL Annex VI. The parties also appreciated the HELCOM commitment at the UN Ocean Conference on NECA and to promote green shipping technology and use of alternative fuels, including LNG, and the recent International Maritime Organization (IMO) decision on the date of enforcement of the Baltic Sea as a special area under MARPOL Annex IV.

6. New proposal tackles marine litter and “ghost fishing”

The European Commission has tabled an important legal proposal to tackle marine litter in the end of May 2018. By introducing new measures on single use plastics as well as derelict fishing gear, the proposal will contribute to Europe’s transition towards a Circular Economy.

Fishing gear (nets, lines, pots, traps) accounts for 27 % of all beach litter. With its proposal, the Commission will encourage all actors involved to get a maximum of derelict gear back to shore and include it in the waste and recycling streams. In particular, producers of plastic fishing gear will be required to cover the costs of waste collection from port reception facilities and its transport and treatment. They will also cover the costs of awareness-raising measures.

This new measure builds on existing rules such as the Marine Strategy Framework Directive and complements other actions taken against marine pollution, such as under the Port Reception Facilities Directive.

The proposal will now go to the European Parliament and Council for adoption.

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