

# The Rapporteurs on Integrated Maritime Policy

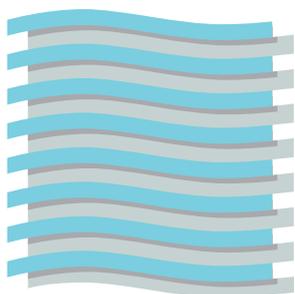
Report 2014/2015



**Baltic Sea Parliamentary Conference**

**The Rapporteurs on Integrated  
Maritime Policy**

**Report 2014/2015**



The BSPC Rapporteurs on  
Integrated Maritime Policy

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Schwerin 2015

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**Layout:** produktionsbüro TINUS

**Photos:** BSPC Secretariat

**Print:** produktionsbüro TINUS

**Copies:** 250

Printed on environmentally-friendly paper

Printed in Germany

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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 Cooperation (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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## 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 Olsztyn.

A number of interesting conferences have taken place throughout the past year, such as the Ferry Shipping Conference in Rotterdam, the Åland Maritime Day, or the European Maritime Day in Piraeus. For further information on the conferences please refer to the first part of the report. We have also held talks with a number of shipping companies in the Baltic Sea regarding an issue that played a role at all the conferences attended last year: the first experiences with the new sulphur regulations, which went into effect 1 January 2015.

Aside from the stricter sulphur regulations we have included a number of other important legislative developments at the international level in the second part of our report, which are going to affect our own industries and those of third countries operating in the Baltic Sea. Among others, HELCOM contracting states will have to inform HELCOM when adequate facilities for the reception of waste water in the ports of the Baltic Sea become available. We call for the implementation of an EU-wide concept for the set-up of port reception facilities. We also inform about the Directive on the deployment of alternative fuels infrastructure, which demands that shore-side electricity supply is to be installed as a priority in the TEN-T ports. However, the directive heeds criticism also voiced by the BSPC Maritime Rapporteurs regarding the costs not outweighing the benefits of this measure. Further, we update on a number of other legislative acts that were the subject of previous report.

In the third part of this report we included an article by MP Jörgen Pettersson published in Shippax. The article begins by detailing how the use of energy on a global scale is rising, which also comes with consequences for shipping. The article goes on to stress that today's shipping is very dependent of fuel price development, highlighting the difficulty of operating shipping, setting prices and making predictions about the future. Lastly, the article summarizes a number of alternatives to fossil fuels, among them Liquefied Natural Gas (LNG) / Liquefied Petroleum Gas (LPG), biofuel, alcohol, and other options.



*Jochen Schulte*



*Jörgen Pettersson*

Finally, based on our activities and talks with stakeholders, we would like to suggest action on the new, stricter sulphur regulations as of 1 January 2015. On 1 October 2014 Eurostat published figures regarding the modal split in Europe. A comparison of the 2007 and 2012 numbers shows that the share of transport via land remains at 75% of total transport. The politically desirable modal shift to rail and water thus did not take place. Numbers for the time period after 1 January 2015 have not yet been published. Worse, our activities and talks with maritime companies all around the Baltic Sea Region throughout 2014/2015 have shown signs of a modal shift taking place from sea to land. Therefore, we find it prudent to investigate, if and how a modal shift from sea to land has taken place since the introduction of the stricter SECA regulations on 1 January 2015. Should such a modal shift have indeed taken place it would then be in order to evaluate how counter-measures could be initiated and how the affected sector can be supported, bearing in mind EU state aid rules.

Rostock, August 2015

Jochen Schulte  
*Maritime Rapporteur*

Jörgen Pettersson  
*Maritime Rapporteur*

## A – Activities of the Maritime Rapporteurs

### *Baltic Transport Forum*

On 28 October 2014 MP Jochen Schulte participated in the 11<sup>th</sup> Baltic Transport Forum in Rostock. One of the main issues was the deepening of the seaside access to the Port of Rostock, which is part of the Scandinavian-Mediterranean Core Network Corridor. The deepening of the seaside access of the port depends on its consideration in the German federal transport infrastructure plan, which is coordinated throughout 2015.

An important precondition for an agreement on a new transport infrastructure plan is a realistic prediction about the future development of transport in Germany. To this end, the Germany Ministry of Transport and Infrastructure commissioned a transport prognosis with 2030 as its target year. The participants in the forum disagreed on whether this prognosis assumes a correct development of transport numbers, especially in comparison to other German sea ports. For the Port of Rostock the prognosis merely assumes an annual growth rate of 1.5%. An alternative study by the Institute for Sea Traffic and Logistics in Bremen instead predicts an annual growth rate of 2.5%, under good economic conditions even 3.5%. The authors do note, however, that the latter scenario would require enough industrial areas for new companies and lower transport costs. These issues were further developed in other sessions of the conference.

The European Commission regards the development of the European ports as an urgent need, given that transport via the European ports is estimated to increase by 50% by 2030 in a low-growth scenario (see also chapter on European Maritime Day 2015 in this section of the report).

In a Round Table attended by the CEOs of various shipping companies active in the Baltic Sea Region it was also discussed how they respond to the new, stricter sulphur regulations that went into effect 1 January 2015, as well as to other environmental regulations.

For a more detailed evaluation of the new sulphur regulations, please also consult the chapter below on the European Maritime Day 2015 in Piraeus as well as Jörgen Pettersson's article in section C of this report.

### *Future Ships Conference*

On 30 October 2014 MP Jörgen Pettersson took part in the conference Future Ships. The conference was held in Mariehamn. At the conference the effects of the Sulphur Directive were discussed. It was concluded that today's shipping is very dependent on fuel price development. Margins are small and easily influenced by world market whims. So it has always been, but this time it is the combination of general decline and crisis during the past seven years and Sulphur Directive making the situation more difficult. New types of energy sources were discussed such as LNG / LPG, biofuel, alcohol and new innovative sources such as for instance hydrocarbon. For further reading see MP Pettersson's article in the appendix.

### *Ferry shipping conference on the M/S Pride of Rotterdam*

On 21-23 April 2015 MP Jörgen Pettersson took part in the ferry shipping conference on the M/S Pride of Rotterdam. At the conference it was concluded that the Sulphur Directive will possibly result in more partnerships, alliances and mergers. However, low bunker prices put a consolidation on hold. The Sulphur Directive will change the logistic map. There will probably be more transport on short ferry lines between Finland and Sweden. However, it is too early to say if it is due to the Sulphur Directive or otherwise new transport patterns. There are many reasons for more optimism in shipping. Lower interest rates, better results for companies and scrapping of old tonnage will stimulate new builds and investments. Moreover, there are plans for substantial investments in digital media over the coming years, both for passenger, cruising and general cargo ships. The trend is that LNG soon will be available everywhere in Europe. Environment becomes more important by the day.

It was clear at the conference that there are threats in the pipeline. Both the Ballast Water Convention and the nitrogen regulations can be difficult to manage. Moreover, the different operating rules in different parts of the EU create difficulties for the shipping sector. These rules should be harmonized and the same all over. There will also be a review of safety regulations. The shipping industry has to be able to tell the future in order to adapt. How will we travel in five years' time? There is probably room for growth. What will be the impact of low cost airlines and new shopping on shore centers

in the harbors? Since the customers are onboard the ferries pretty long time there however will be possibilities to make sales onboard.

The ferry lines are the motorways of the seas. Maybe the EU could be working even harder to get rid of the trailers on the motorways on land. There are, according to the business sector, larger possibilities today than before the crisis in 2008. The year 2015 and the coming years can be very good for shipping.

### *Åland Maritime Day in Mariehamn*

On 21 May 2015 MP Jörgen Pettersson took part in the conference Åland Maritime Day in Mariehamn.

MP Jörgen Pettersson acted as moderator in two blocks at the conference. The first was about RoRo and RoPax shipping industry. The second block was a shipping policy seminar organized by the Åland government.

At the conference it was discussed how general cargo will be transported in the future. The containerization of global general cargo will continue to reach more than 90 percent in 2018. The container fleet is very young. (Total: 5.094 ships worldwide.) The RoRo fleet is very old. (Total: 679 ships worldwide.) The general cargo fleet is very old too. (Total: 15.236 ships.) In northern Europe there are 1.664 container ships, 208 RoRo ships and 3.000 general cargo ships. It was concluded that the ten biggest cargo ports in Baltic Sea are Ust-Luuga, St Petersburg, Primorsk, Riga, Gothenburg, Klaipeda, Gdansk, Tallinn, Ventspils, Lübeck, Rostock and Sköldvik.

The conference discussed how general cargo will be transported in the future. It was concluded that there will be a demand for more cost-efficient, environmentally friendly, frequent and careful transport. There will be more sent in containers and energy prices will be increasingly more important. New RoRo ship investment will be made by owners who are financially strong and have innovative ideas.

At the conference an interesting shipping management tool was discussed. It was the EU funded Zero Vision Tool. It stands for a more safe, environmentally and energy efficient as well as profitable transport by sea. It might be that this tool will be a key for the future shipping management.

### *European Maritime Day (EMD) in Piraeus and follow-up*

On 28-29 May 2015, MP Jochen Schulte took part in the European Maritime Day in Piraeus, which focused on “Ports and Coasts, gateways to maritime growth”. The European Maritime Day focused on the role of ports and coasts as gateways to maritime growth. The maritime community addressed jobs creation, sustainability and competitiveness in these regions. The conference hosted high-level sessions and stakeholder workshops attracting delegates and experts from across Europe and beyond. Speakers, including Ministers, Commissioners, CEOs and experts, discussed the spectrum of opportunities and great challenges that our coasts and seas present, shared best practices, and developed new synergies.

Two events at the EMD were of particular interest for our work: the plenary session “Ports and coasts, engines for Blue Growth” and the stakeholder workshop “LNG for Shipping – Risks and Opportunities”.

At the plenary session, the participants made it very clear that beyond the major ports in Europe also the smaller and medium-sized ports constitute centers for growth, and therefore do not merely function as end or change nodes within a transport chain. One of the main reasons for this is that 20% of the goods coming to Europe by sea pass through just three ports. High-performing ports cannot optimally develop their maritime connections with other EU ports, increasing the risk of congestion in their hinterland, in particular road congestion, to the disadvantage of citizens living there. This structural gap threatens the development of short-sea shipping as an alternative to saturated land routes. Further, in 2011 EU ports handled 3.7 billion tons. According to the latest projections in a low-growth scenario, it is estimated that volume will increase by 50% by 2030. All ports across the trans-European network will therefore be needed to help accommodate growth.

In addition to these challenges the sector is continually evolving and has the potential to make existing port infrastructure obsolete or require significant upgrade. Changes include the increased size and complexity of the fleet, stricter requirements on environmental performance and alternative fuels, an increased need for value-added services within the areas of the ports, and significant developments in the energy trades.

Against this background, one important element in strengthening the growth potential of the European ports is to set up an adequate

LNG infrastructure. In the stakeholder workshop “LNG for Shipping – Risks and Opportunities”, two pilot actions for the eastern and western Mediterranean Sea were presented to detail the infrastructure development requirements to widely adopt LNG as marine fuel for shipping operations in the region. The COSTA Action aims at developing framework conditions for the use of LNG for ships in the Mediterranean, Atlantic Ocean and Black Sea areas. It will result in preparing an LNG Masterplan for short-sea shipping between the Mediterranean Sea and North Atlantic Ocean as well as the Deep Sea cruising in the North Atlantic Ocean towards the Azores and the Madeira Island. To this end, regional feasibility studies for the eastern and western Mediterranean will depict the transport connections between the harbors in the Mediterranean and the Atlantic, laying the ground for the aforementioned LNG Masterplan. The projects are an answer to the implementation of the requirements of Annex VI of the MARPOL Convention. Against this background, it has to be evaluated, which bunker volume for ships running on LNG has to be made available, also in smaller ports.

For the Mediterranean there are hence feasibility studies for the implementation of a cross-border LNG infrastructure. The countries surrounding the Mediterranean have thus learned from past mistakes, partly also from experiences in the Baltic Sea Region prior to the designation of the Baltic Sea as Emission Control Area (ECA) for sulphur, where adequate feasibility studies had not been undertaken beforehand. The Baltic Sea Region should bear this in mind when setting up its own LNG infrastructure. With the EU Directive on the deployment of alternative fuels infrastructure, all maritime ports of the TEN-T Core network are required to be equipped with LNG refueling points according to common technical standards by 2020 (see also section B of this report). A Baltic Sea-wide feasibility study – similar to the ones carried out in the Mediterranean – will therefore have to analyze how much transport takes place between the Baltic Sea ports. A LNG infrastructure will have to be set up in a needs- and target-oriented fashion. To our knowledge, no such Baltic Sea-wide feasibility study exists. The Baltic Ports Organization has announced the development of the “LNG in Baltic Sea Ports II” initiative, but only within five ports of the Baltic Sea Region. The sequel project involves ports from Sweden, Germany and Lithuania. Three of them are TEN-T Core Network seaports and two are comprehensive ports. LNG small scale bunkering infrastructure studies are scheduled in the ports of Helsingborg, Trelleborg, and Sundsvall, Rostock and Klaipėda.

If the Baltic Sea Region already has to deal with stricter sulphur regulations we should ask how to support the maritime industry in the

region, for retrofitting existing ships to meet the new requirements is more expensive than deploying them outside of SECA areas where they can run on Heavy Fuel Oil.

Against this background we have held talks with major shipping companies in the northern and southern Baltic Sea Region, among others Ab Eckerö, Scandlines and TT Line. Since Scandlines only runs ferries on short routes, i.e. between Rødby-Puttgarden and Gedser-Rostock, the stricter sulphur regulations do not significantly impact their business. TT Line, on the other hand, is active on longer routes and has confirmed that the new regulations adversely impact their business. Ab Eckerö has reported first signs of a modal shift from sea to land. We will continue to discuss with affected shipping companies their experiences with these new rules.

Our activities and talks with maritime companies all around the Baltic Sea Region throughout 2014/2015 have shown signs of a modal shift taking place from sea to land. Therefore, we find it prudent to investigate, if and how a modal shift from sea to land has taken place since the introduction of the stricter SECA regulations on 1 January 2015. Should such a modal shift have indeed taken place it would then be in order to evaluate how counter-measures could be initiated and how the affected sector can be supported, bearing in mind EU state aid rules.

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

### *Stricter SECA regulations as of 1 January 2015*

One ongoing theme of our work has been the challenge of vessels being subject to stricter regulations both at global or regional level for 10 years since the creation of the first Emission.

Control Area in the Baltic Sea. Since, ECAs have been enlarged to The Channel and North Sea, as well as North America and the maximum sulphur content has been reduced gradually from 4.5% to 1.5% and 1% up to this date, while the regulations set new limits in 2015 at 0.1% sulphur, which presents significant challenges for the industry including oil majors, shipping lines and shippers.

Please refer to Parts A and C of this report for our evaluation of the consequences of the stricter sulphur regulations, which went into effect 1 January 2015.

### *Port Reception facilities*

Last year, we asked the governments in the Baltic Sea Region with the resolution from our 23<sup>rd</sup> annual conference in Olsztyn to:

*“proceed with strong efforts and dedicated resources for the continued improvement and modernization of the waste water treatment capacity throughout the entire Baltic Sea Region, in compliance with the stricter threshold values agreed by HELCOM, and to ensure continuous work to upgrade reception facilities for sewage in passenger ports in line with the Special Area Status of the Baltic Sea under MARPOL Annex IV of the International Maritime Organization.”*

The BSPC Standing Committee dealt extensively with the implementation of this demand at its January meeting in Brussels. The reason is that the obligations for special areas – ensuing from MARPOL Annex IV regarding the set-up of reception facilities for sewage in the ports of the special area „Baltic Sea“ – only become

effective once all contracting parties have informed HELCOM when adequate facilities in the respective countries are actually available. This requires an estimation of how shipping in the Baltic Sea will develop.

A major current challenge for cruise tourism in the Baltic Sea is that the set-up of such reception facilities in the ports of the Baltic Sea Region is by no means certain, even though all HELCOM contracting parties in 2011 agreed to this. For instance, some states had great difficulties to even estimate how passenger shipping in the Baltic Sea will develop. And estimation of the further development is very difficult. Further uncertainties come from the fact that many ships currently mix black with grey water, which then has to be treated as black water. Since the discharge of grey water will also be allowed after the entry-into-force of the special area provisions under MARPOL Annex IV, both types of waste water could be separated even more in the future, which would in turn impact the amount of water to be released at the ports. Moreover, municipal treatment plants in some countries partly have problems to receive waste water in larger quantities, as those treatment plants are only allowed to receive waste water that meets certain limits, due to technical and legal reasons. Finally – and with a view to the pricing of port fees – there is evidence to show that price-sensitive ship operators release exactly the amount at the ports that they are allowed according to the port fees. If money for the reception of waste water is charged additionally, the offer is often declined.

The Baltic Sea parliamentarians have always supported the notion of bringing economic and ecological aspects together, as much as possible. Especially for the tourism sector, the good ecological state is an indispensable pre-condition in the competition with other regions. And for this reason, we also have to bear in mind economic aspects when devising strategies for the protection of the Baltic Sea. Against the background of these challenges we call for the implementation of an EU-wide concept for the set-up of port reception facilities.

### *Trans-European Transport Network (TEN-T)*

On 28 May 2015 the Commission issued the work plans for the 9 core network corridors and two horizontal corridors (Motorways of the Sea and European Rail Traffic Management System). A total of 964 projects have been identified for the corridors concerning the Baltic Sea Region, namely the North Sea-Baltic Core Network

Corridor, the Scandinavian-Mediterranean Core Network Corridor and the Orient-East Med Core Network Corridor.

Core network corridors were introduced to facilitate the coordinated implementation of the core network. They bring together public and private resources and concentrate EU support from the Connecting Europe Facility (CEF), particularly to remove bottlenecks, build missing cross-border connections and promote modal integration and interoperability.

Nine core network corridors are identified in the annex to the CEF Regulation, which includes a list of projects pre-identified for possible EU funding during the period 2014 – 2020, based on their added value for TEN-T development and their maturity status.

A work plan is drawn up for each corridor that will set out the current status of its infrastructure, a schedule for removing physical, technical, operational and administrative bottlenecks, and an overview of the financial resources (EU, international, national, regional and local; public and private).

To make sure that the corridors are developed effectively and efficiently, each will be led by a European Coordinator, supported by a consultative forum (the “Corridor Forum”).

For the corridors of importance for the Baltic Sea Region, the reviewers for the respective work plans see the following bottlenecks and missing links:

**North Sea-Baltic Core Network Corridor:** a Rail Baltic 1435 mm gauge direct line from Tallinn to the Lithuanian/Polish border, Lithuanian/Polish border to Białystok upgrade, Warsaw – Białystok upgrade, the cross-border operational systems, such as ERTMS (European Rail Traffic Management System) for rail and ITS (Intelligent Transport Systems) for road. Further, traffic management systems must be developed along the corridor and multimodal connections with the ports should further be developed.

**Scandinavian-Mediterranean Core Network Corridor:** The Fehmarn Belt crossing will be removed by the construction of the new immersed rail/road tunnel under the 19 km wide Fehmarn strait between Rødby in Denmark and Puttgarden in Germany. After the completion of the project, the travel time between Copenhagen and Hamburg will be reduced by approximately one hour, and for rail freight transport by approximately two hours.

**Orient-East Med Core Network Corridor:** Most importantly, the Elbe also needs important upgrading to be able to attract traffic flows.

Overall, the most pressing challenges are seen regarding the dredging in ports, shore-side electricity, LNG supply, hinterland connections as well as standardization of logistics software.

Examples for successful projects within the TEN-T framework include two ferries operating between Rødby and Puttgarden, which have been retrofitted to run on hybrid engines. The total costs of this project, which is implemented by Scandlines Deutschland GmbH and Scandlines Danmark ApS, amount to € 11 million. With the modernization of these Baltic Sea ferries sulphur emissions are reduced to virtually zero, particles from ship emissions are reduced by almost 90% and CO<sub>2</sub> emissions are reduced by 15%.

The European Commission decided in late 2014 to co-finance this project with € 2 million. The project is expected to be concluded by the end of 2015. It takes account of the stricter exhaust-gas legislation in the North and Baltic Sea, which went into force 1 January 2015.

### *Proposal for a regulation establishing a framework on market access to port services and financial transparency (COM(2013) 296)*

After the Transport Committee of the European Parliament agreed on 17 March 2014 to abstain from an opinion on the Commission's regulation proposal regarding market access to port services (see last year's report), the Transport, Telecommunications and Energy Council on 8 October 2014 adopted a general approach on new rules for access to the port services market in the EU and the financial transparency of ports.

The main questions agreed at the Council meeting relate to the ports and services covered by the draft regulation.

The ministers agreed that the regulation would cover all seaports listed in the trans-European transport network guidelines, i.e. including the comprehensive network as well as the core network. However, member states may decide to leave out ports in the comprehensive network located in the outermost region. They may also

decide not to apply the rules on the separation of accounts to small ports in the comprehensive network, subject to certain conditions. On the other hand, member states would also be free to decide whether to apply the regulation to other ports as well.

When it comes to the different categories of service, cargo handling and passenger services will be subject to the financial transparency rules but exempt from the market access provisions, as initially proposed by the Commission. Member states will remain free to decide on market access rules for these services, in compliance with the Court of Justice case-law.

Members states may decide not to apply market access rules to pilotage into and out of ports, but the other parts of the proposal, including the provisions on financial transparency, will be applicable. Dredging will only be covered by the rules requiring separate accounts for publicly funded activities. These rules will apply when the port management body which receives public funding provides dredging within the port area under its jurisdiction.

These changes thus partly respond to criticism we voiced in last year's report.

A number of other provisions have been made more flexible compared to the original Commission proposal in order to avoid disproportionate administrative burdens for small ports and to take into account the diversity of the port sector in Europe as well as the particular circumstances of the member states. For instance, the potential for limiting the number of service providers has been expanded, e.g. to include cases where the level of traffic does not make it economically viable for several service providers to operate. Considerations of safety, security and environmental sustainability have also been included as grounds for limiting the number of providers and for imposing public service obligations. Transitional provisions have been adapted so as not to interfere with contracts concluded before the adoption of the regulation.

### *Proposal for a directive on the deployment of alternative fuels infrastructure (COM(2013) 18 final)*

In last year's report we informed about the Commission's Communication "Clean Power for Transport: A European alternative fuels

strategy” and the corresponding directive on the deployment of alternative fuels infrastructure. The European Parliament had passed a compromise text of the Commission’s proposed directive on the deployment of an alternative fuels infrastructure; the agreement by the Council followed later in 2014.

The Directive on the deployment of alternative fuels infrastructure was published in the Official Journal of the EU on 28 October 2014. The aspired goal is the development on an EU-wide network for alternative fuels and of the necessary infrastructure. The Member States must define concrete national targets for putting in place new recharge and refuel points. However, the text no longer contains minimum targets for recharge and refuel points, as originally proposed by the Commission. The adoption of a legal framework is, however, part of the compromise. After the entry-into-force of the directive the Member States can define targets and submit their respective national strategy framework until the end of 2016. Most importantly, the directive requires that all maritime ports of the TEN-T Core network are equipped with LNG refueling points according to common technical standards by 2020.

An important amendment has remained in the directive regarding the use of shore-side electricity for the supply of ships. Shore-side electricity supply is still to be installed as a priority in ports of the TEN-T Core Network and in other maritime and inland ports by the end of 2025, however if provided that there is demand and the costs do not outweigh the benefits. This is an important amendment that considers criticism that was also voiced by the BSPC’s Maritime Rapporteurs in previous reports.

***Proposal for a regulation on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport and amending Regulation (EU) No 525/2013 (COM(2013) 480 final)***

In past reports we informed that the European Commission has set out a strategy for progressively integrating maritime emissions into the EU’s policy for reducing its domestic greenhouse gas emissions. As part of the strategy, the Commission put forward a legislative proposal to establish an EU system for monitoring, reporting and verifying emissions from large ships using EU ports (COM(2013) 480). The proposal would create an EU-wide legal framework for collecting and publishing verified annual data on CO<sub>2</sub> emissions

from all large ships (over 5,000 gross tons) that use EU ports, irrespective of where the ships are registered. At the latest as of 31 August 2017 ship owners would have to report and monitor (as of January 2018) the verified amount of CO<sub>2</sub> emitted by their large ships on voyages to, from and between EU ports. Owners would also be required to provide certain other information, such as data to determine the ships' energy efficiency. As of 2019 ships owners would be obliged to submit an annual report to the Commission and the respective national authorities regarding the emissions on board and any other climate-relevant information. As of 30 June 2019 all ships will have to carry a valid document on board, which confirms the correct reporting in line with the regulation.

We reported that the European Parliament wanted to widen the scope of the regulation, both with regard to the type and size of the regulated vessels as well as to the pollutants. However, negotiations in the European Council proved difficult. On 28 April 2015 the European Parliament has now agreed to the regulation. It could not push through central demands, such as broadening the scope of the regulation both with regard to vessels smaller than 5,000 gross tons and with regard to emissions other than CO<sub>2</sub>. So far, the shipping sector is not subject to a regime for the reduction of CO<sub>2</sub>.

The European Council is expected to pass the regulation soon.

### *Public consultations on Mid Term Reviews of the EU Maritime Transport Strategy and of the 2011 White Paper on transport*

On 28 January 2015 the European Commission opened a public consultation on a Mid Term Review of the EU Maritime Transport Strategy of 2009. The European Union wants to collect the views of citizens and stakeholders on this Strategy for further improvement if deemed necessary. Participants were asked about the key developments and challenges for the maritime sector as well as any suggestion for initiatives aimed at enhancing the growth of the EU shipping industry. The Commission especially wants to gather opinions on the ecological impact of sea transport and on the use of alternative fuels.

The Maritime Transport Strategy 2018 addresses two main issues: the ability of the maritime transport sector to provide cost-efficient maritime transport services adapted to the needs of sustainable economic growth of the economy, and the long-term competitiveness of the EU shipping sector, enhancing its capacity to generate value and employment in the EU through the whole cluster of maritime industries.

The questionnaire is divided into 2 parts: one about the respondent information and another one about objectives (envisaged actions and initiatives). The consultancy was open until 22 April. A report about the results will be made publicly available on the Commission's website.

In another public consultation the European Commission is undertaking a mid-term review of the 2011 White Paper on Transport.

The consultation aims at collecting stakeholders' views on the White Paper: "Roadmap to a Single European Transport Areas – Towards a competitive and resource efficient transport system".

The general objective of the 2011 White Paper was to define a long-term strategy that would help the EU transport system achieve the overall goal of the Common Transport Policy, i.e. to provide current and future generations with access to safe, secure, reliable and affordable mobility resources to meet their own needs and aspirations, while minimizing undesirable impacts such as congestion, accidents, air and noise pollution, and climate change effects.

In line with impact assessment accompanying the White Paper, the Commission would like to take stock of the progress and to assess the validity of the analysis of the situation in transport sector as well as trends, priorities and targets that were identified in 2011. Since then, new developments have occurred, such as the emergence of new technological opportunities, currently lower oil prices, the continued economic crisis and the adoption of the 2030 climate and energy framework by the European Council.

After analysis of the contributions a summary report will be published on the Commission's website. The contributions will feed into the stock taking of the 2011 White Paper on Transport.

### *Financing*

On 30 January 2015 the European Commission issued a midway evaluation of the joint Baltic Sea research and development program BONUS, in which the Baltic Sea riparian countries cooperate with the support from the research framework, particularly in the field of environmental research. The evaluation confirms increasing target achievement and efficient implementation, but does highlight problems regarding financial implementation as well as with respect to the inclusion of small and medium-sized enterprises into the program. The involved member states strive for a continuation and possibly further development of BONUS within Horizon 2020 (see last year's report). However, the financing arrangements are still disputed between the Commission and some member states.

## C – Article written by MP Jörgen Pettersson in Shippax after participation at Future Ships Conference 30 October 2014, Mariehamn

### *Sulphur Directive*

On 1 January this year the Sulphur Directive came in force for ships operating in the SECA areas. The concern was great before end of the year concerning the economic impact the directive would have. The answer so far has been reassuring. Prices of oil throughout the world have plummeted since last fall and ship owners and the shippers can relax for the moment but certainly not count their chickens.

The use of energy is in constant rising. It is estimated that between 100 and 135 billion tons of oil have been consumed in the world since the oil era began in the 1850s. In 2003 over 80 million barrels (one barrel = 120 liters) of oil per year was consumed. In 2013, ten years later, it was up to 91 million barrels. International shipping uses between 200 and 270 million tons of fossil fuel every year. The great gap between numbers depends on whether one refers to the fuel as sold or consumed. These are numbers too big to comprehend, numbers which also describes the unpredictable when it comes to, for example, price trends on fossil products.

Overall, the amount of energy used (all results) in the world have increased by 30 per cent from the year 2000 till today which is a challenging fact. Tore Longva at DNV GL [Det Norske Veritas - Germanischer Lloyd] summarizes: "This is far from just a shipping problem, the whole society will be forced to adapt and become more sustainable than today. Shipping becomes a big start to the solution of this dilemma because it brings world trade. However, the food chain requires a sustainability mindset that permeates everything."

To achieve this most ambitious goal there are many different factors that must interact. One of the most important is that with the help of IT solutions streamline shipping loading and unloading. The ship queues coming in and out of ports is something almost everyone has seen at some point. All of which helps to increase the cost to consumers. This is a good example of where systems using remote controls can facilitate and make handling more rational.

Today's shipping is very dependent on fuel price development. Margins are small and easily influenced by world market whims. So it has always been, but this time it is the combination of general decline/crisis during the past seven years and Sulphur Directive making the situation more difficult than during usual "slumps". The difficulty of this to predict is also clear in the light of what actually happened in the recent past. In October 2014, Brent Oil cost USD 95 per barrel. In late January of this year, the price is below USD 50. Thus, the anticipated price shock marine diesel momentarily gone. This highlights the difficulty of operating shipping, setting prices and – above all – speaking and predicting about the future.

In the midst of Sulphur Directive's wake it's not only fuel prices that make it difficult for shipping companies. Other surprises may as well turn up. For example, in California, USA, low sulphur fuel has been a requirement since the year 2009. This means that many vessels choose to have two different fuels on board, a low sulphur content and a "normal" one. Approaching CA one simply switches from one tank to the other.

This is not without consequences, especially if the change is not carefully prepared and tested. In 2009 and 2013, 116 ships totalling approximately 8,000 calls was affected by stalling of the machine. In European conditions that would convert into 102 ships per year in the English Channel, where the SECA area takes effect. So far, and as to our knowledge however, no vessels have been affected by this "Loss of Propulsion" in the SECA area.

The introduction of the Directive brought with it great suspicion also when it comes to monitoring and compliance. Passenger ferries trafficking Finland and Sweden cannot wait. They must follow the rules and rinse tanks, sealing leaks and take care of sludge in the separators (due to incompatibility) and refuel 0.1% bunker. This is known at the highest level of legislation in the EU.

"A policy is only as good as its implementation. The EU Commission must therefore ensure that all Member States comply with the Sulphur Directive and have a coherent and simple system for

enforcement. The spread between HFO [Heavy Fuel Oil] and MGO [Marine Gas Oil] is currently so wide that a ship owner who doesn't comply can save big money. Penalties must therefore be stringent enough so that we don't end up with a situation where the ship owners' who does most and comply most, ends up paying the highest cost", says Mats Lofström, Parliamentary Assistant to Nils Torvalds, Member of the European Parliament.

The Sulphur Directive and the increasing use of energy in the world pin points the futures greatest challenge. What kind of energy should we use? This issue is not exactly new for international shipping. During the last 100 years the development has gone from wind to coal to oil. Now one further change awaits that we need to adapt to – doing good for the common environment. Regarding the negative impact of traditional fossil fuels; they are well known and undisputed. It is all about a finite resource that is bad for the environment in the form of sulphur emissions and greenhouse gases. Therefore, the IMO and the EU have applied the world's strictest environmental standards from 1 January 2015. The rest of the world is expected to follow in 2020 or later in 2025. This standard means that the fuel used on board must be cleaner than what is allowed today.

The effect of this concludes less pollution and a better environment. European cities can already see the results of that work when the amount of particles (Black Carbon) has now decreased, which of course has positive effects for the population. Diesel fuel is Europe's most common fuel and all diesel engines emit particulates. This is why the problem cannot fully be eliminated but well limited (so far, it's all about technological achievements!).

At the Conference of the Future Vessel newly arranged in the maritime town of Mariehamn, Chief Engineer Bernt Bergman, president of the Åland Technology Clusters and ombudsman at the Finnish Shipowners' Association, brought up the topic of future fuels:

"Fossil fuels will simply not disappear overnight. We can expect at least 20 to 30 years before we reach Peak Oil", thus the breakpoint when oil use begins to decline in the world. So far it has only grown. Still there are reasons to analyse what the alternatives of today are.

## LNG / LPG

The supply is abundant, estimated to approximately 230-270 million tons per year. Natural gas is also very environmentally friendly compared to traditional fossil fuels, though not harmless. When it comes to greenhouse gases, this is just as bad for the environment as diesel, resulting of the energy used for example to cool the LNG gas to minus 163 degrees Celsius. LNG is becoming big in shipping but has a good way to go before it's "everyday" fuel. The transition that in many ways began with Viking Line choosing LNG operation in M/S Viking Grace is slow. Not until the next decade, the big breakthrough will happen, thanks in part to the EU's decision on Clean Fuel Strategy that will be a reality in 2025 and involve LNG supply in 139 European ports.

"When looking forward it is important that we will ensure enough amounts of compliant fuel, both MGO and LNG. The experience of LNG is extremely good. However, the rollout of LNG as ship fuel will be gradual and not come over night since new ships, bunkering facilities and other infrastructure is needed. Therefore it is important to lower the flash point for marine diesel so that the shipping industry could have access to the automotive diesel market, which is much bigger, meaning greater supply which also should mean lower prices", says Mats Löfström.

Natural gas is by its nature very useful. The access is good and the risks are few. It is useful in the home, in cars, ships, in the process industry and much more. One of the pioneering countries is Norway where shipping embraced the advantages of technology on board passenger ships as well as tankers and more. Even old ships have subsequently been converted to LNG operation. Today there are about 50 LNG-fuelled ships worldwide (LNG tankers excluded) and 50 new ones are about to be built in a mere future.

## Biofuel

The availability of biofuels in forms of diesel form is so far extremely small, only about 16 million tons worldwide in 2013. For this to also cover shipping it requires a lot more. However, there are no shortage of plans and ideas. Biodiesel distinguishes mainly between FAME (Fatty Acid Methyl Ester) and HVO (Hydro Generated Vegetable Oil) which, incidentally, Finnish Neste is the world leader in. For biofuels can also count pyrolysis oil (produced by residual forest) which is interesting for Finnish forest industry as it struggles

to find new sources of revenue when the paper exports are nearly wiped out. From an emission point of view, biofuel is a strong alternative. Greenhouse gases are negligible compared to fossil fuels and sulphur emissions are minimal. Particulate emissions are not acknowledged, but some research has indicated that the amount of carcinogens are smaller in biofuel.

## **Alcohol**

During the year 2013 a hundred million tons of methanol was produced in the world. The ceiling however is far away, it is very easy to manufacture more. Ethanol is slightly smaller in volume, seventy-five million tons per year, but it is already being used on land vehicles. Not least in Brazil ethanol is an increasingly common fuel. Among the shipping operators, Swedish shipping conglomerate Stena examines alcohol as fuel and argue that availability does not pose as any major problems. Using natural gas production emission of greenhouse gases are the same as with LNG; Zero. Sulphur emissions are also zero, and the amount of particles in the alcohol as with LNG is equal to zero.

## **Other**

There are also other fuel alternatives, but not on a large scale. Yet. This may concern storing electrical energy in an accumulator, which is coming up and about in various contexts, including at sea. Algae is an option which in fact even helps to actually clean the environment. The cultures are extremely effective due to that the algae's are rich in fatty acids and growing rapidly.

Now there is also increasingly more reliable way to clean hydrocarbons, which makes it possible to transform plastic and household waste to fuel by pyrolysis and/or depolymerisation.

The effects of these different fuels on the environment depends on how the production will go about, for example, the algae living actually in carbon dioxide which reduces the amount of greenhouse gases in the atmosphere.

## *FACTS*

### LNG IN BRIEF

- Liquid Natural Gas broadly complies with all the requirements that new rules today put on fossil fuels.
- LNG is completely free of sulphur emissions.
- The price of LNG gas is predicted to be more stable and less sensitive to economic cycles than the price of oil.
- The availability of LNG is considered to exceed the now known oil reserves.
- LNG is expected to almost certainly become the main ship fuel in the future.

### FUTURE

At the seminar Future Vessels Tore Longva, DNV-GL [Det Norske Veritas - Germanischer Lloyd], 150 years in the year!, held a talk about how the world looks like in 2050. His conclusions:

- The world's population is composed of nine billion people, six billion of them live in cities. A very much larger middle class in China places tremendous demands on that what is happening at sea is environmentally friendly.
- Shipping must be digitally and transparent. Everything is visible and it affects the image of what is happening.
- Our elements do not last forever. We have to deal with limitations in the extraction of fossil fuels along with other elements.
- It will take 80 per cent more energy than today to get everything to swim. It is estimated that economic activity worldwide will quadruple which require force in many ways.

## TODAY'S MARITIME TRANSPORT IN FIGURES

- 7-11 percent of the value of a commodity is made up of transport costs.
- 0.23 percent represents insurance requirements, during the years 2012-2012.
- 90 per cent of today's ships are reused.
- 20.000 marine organisms are introduced every year, there are so many good reasons to keep your eyes on invasive species.
- 5.000 tons of oil is spilled "accidentally" every year. (2010-2012)
- 900 million tons of carbon is emission by shipping each year.
- 22 million tons of nitrogen. Per year.
- 12 million tons of sulphur dioxide each year from shipping.





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