1. Introduction

The Sub-Group on Competitiveness of EU Maritime Transport was set up during the ESSF Plenary Meeting of 27 November 2013. The rationale was to develop a comprehensive view on competitiveness of maritime transport, taking into account compliance with the low sulphur standards applicable in EU SECA s as of 1 January 2015, as introduced by Directive 2012/33/EU amending Council Directive 1999/32/EC (hereafter referred to as the ‘EU Sulphur Directive’).

The mandate of the Sub-Group was defined rather broadly, requiring it to assist the ESSF in assessing critical success factors for a competitive EU maritime transport sector, proposing recommendations to increase its competitiveness.

The Sub-Group held three meetings in 2014, on 25 February, 13 May and 25 September. The latter was held back-to-back with the Sub-Group on financing aspects (each one half a day). Membership of the Sub-Group consists of representatives of Member States, cargo owners, shipping companies, logistics providers, port authorities, experts from other transport modes, NGOs and academics with relevant expertise.

The first meeting served primarily to identify the main factors that influence competitiveness of EU maritime transport and, in particular, how competitiveness is affected by the EU Sulphur Directive. The following main tasks were identified:
1) How can the choice of shippers for greener maritime transport be influenced, taking into account the decision-making processes in the wider supply chain: task allocated to the Finnish Forest Industry / SCC.

2) What is the impact of cost increases for different cargo types / passengers, how can modal shift effects be estimated and monitored and what parameters exist to compare shipping with other modes of transport: task allocated to ECSA.

3) What insights can be developed regarding price elasticities in the shipping sector, taking into account regional differences and types of trade (passengers / cargo): task allocated to Kühne Logistics University.

4) The development of a decision support / knowledge base for SMEs: task allocated to Kühne Logistics University.

5) What can be learned from non-EU SECAs in terms of least cost compliance: task allocated to CLIA Europe.

The second meeting reviewed the different contributions made on these different tasks. Given the limited time available before the entry into force of the requirements of the EU Sulphur Directive, the Sub-Group decided to focus its work on one priority, focusing all efforts on the development of a methodology and indicators for monitoring of new maritime transport patterns and the degree of potential modal back shift. This exercise would proceed in two phases:

- An initial monitoring phase starting in autumn 2014 and running throughout 2015, focusing mainly on qualitative indicators of economic impact, as perceived by ship operators. An on-line survey would be developed by ECSA and rolled out under the auspices of the ESSF.

- A comprehensive analysis to be developed in 2015, providing a fuller explanation of all relevant factors, including the incremental costs of different practices to meet the EU Sulphur Directive requirement as well as other factors that may have affected the competitiveness of maritime shipping, and possible counteractions to increase competitiveness and/or reveal best practice. This would cover both liner traffic as well as spot traffic and be developed in two strands:

  o An industry analysis focusing on shipping competitiveness and emissions. The point of departure is the intermodal transport chain, taking into account intermodal policy actions, private as well as public, and incorporating results from other ESSF Sub-Groups. The intermodal part of the analysis has less influence on spot traffic compared to liner traffic.

  o An impact assessment analysis focusing on competitiveness for cargo owners where transport costs make up a considerable part of production value / value added, taking into account employment and value-added in a regional perspective.

Following the presentation of this approach at the second ESSF Plenary Meeting, held 26 June, the third meeting of the Sub-Group focused on the development of the initial monitoring phase and, in particular, discussed the draft on-line survey. In addition, a study on the analysis of recent trends in EU shipping and analysis and policy support to improve the competitiveness of short sea shipping in the EU was presented by the project leader of the COWI consortium. The European Commission recently mandated this consortium with the study, of which the results are expected to be available by end April 2015.
2. Analysis of Findings

2.1 Monitoring economic impact of low sulphur norms – survey for ship operators

2.1.1. Introduction

The survey aims to gather real-time information about the economic impact of the low sulphur limits for marine fuels that will become effective from 1 January 2015 in European SECAs. The survey is compiled by ECSA, under the auspices of the ESSF, through which its results will be shared. The survey is addressed to ship operators who are wholly or partly active in the European SECAs. Responses are treated confidentially.

The survey was launched for the first time on 3 November 2014 with a deadline of response set for 30 November 2014. This first survey is intended to provide information on developments occurring during the first three quarters of 2014. The survey will be repeated on a quarterly basis throughout 2015. The next survey will be issued 1 February, with the last quarter of 2014 as reference period.

2.1.2. Outline of the survey

The survey consists of three main sections.

The first section aims at identifying the ship operator and, gathers information on the trades and routes the company is active on.

The second section enquires about the compliance methods the company has chosen to comply with the SECA rules and asks about particular problems operators have encountered with their choice of compliance methods.

The final, and main, section invites ship operators to assess whether the introduction of the low sulphur limits have had an impact on the company’s freight rates, on the behaviour of customers and on the level of service, in terms of frequency and number of vessels deployed. The survey refers to a specific reference period in the past (e.g. first survey covers first three quarters of 2014), meaning that companies have to assess the impact of what occurred already, not what is still expected.

The full survey is available online via: https://www.surveymonkey.com/s/T7C5PTS

2.1.3. Results

The deadline for completing the first survey was set at 30 November 2014. Results will be presented to the ESSF shortly afterwards, possibly an initial preview can already be provided at the ESSF Plenary Meeting of 4 December 2014.

Due to confidentiality reasons, results will solely be presented in an aggregated form on a range-to-range basis and not in a form related to individual shipping companies or ships.
3. **Summary and recommendations**

The Sub-Group on Competitiveness of EU Maritime Transport focused its first year of work on the economic impact of the EU Sulphur Directive, developing the first phase of a monitoring exercise. This is entirely logical, given the imminent deadline of 1 January 2015. This is also in line with the reporting requirements set in the Directive itself.

It is recommended to continue the work of the Sub-Group in 2015 as follows:

1) to continue the first phase of the monitoring exercise (quarterly on-line survey);

2) to prepare and launch the comprehensive analysis, as described under point 1 of this report, as part of the decisions taken at the second ESSF plenary meeting;

3) to discuss, depending on the results of analyses 1) and 2) above, measures to mitigate the impact, including financing and others;

4) to propose concrete input to the review of EU Maritime Strategy and Short Sea Shipping policy, which the European Commission envisages to undertake in 2015.

For pragmatic reasons, it is furthermore recommended that the practice of having joint meetings with the Financing Sub-Group – or other Sub-Groups if and when appropriate – is continued.

4. **Request to the Plenary**

The ESSF Plenary is invited to approve this report of the Sub-Group and the recommendations contained therein.