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**D.1 - Maritime transport & logistics**

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## **REPORT**

### **SHORT SEA SHIPPING AND MOTORWAYS OF THE SEA FOCAL POINTS MEETING BRUSSELS, BELGIUM 4 JUNE 2013**

## **OPENING SESSION**

**Key note address** by DG MOVE. Key points included:

- An explanatory overview of the agenda items of the day.
- Expression of the Commission's satisfaction with the outstanding results for the Motorways of the Sea concept (MoS) in the last TEN-T evaluation. For the first time a significant number of good MoS project proposals was received and selected for funding.
- Specifications related to the presentation in the afternoon on the Review of the Ports Policy, with a purpose to shed a light on how the recently adopted ports package shall contribute to boosting the MoS concept.
- Explanations on the fact that a few issues have not been put on the agenda, either as no sufficient development has happened since the previous meeting or because of the information already being shared with Member States :
  - Statistics on Short Sea Shipping (SSS), for which comments on SSS definitions requested at the previous meeting were duly received from a number of Member States and in the meantime shared with Eurostat. Member States who have not yet reacted but would still like to send in their observations are encouraged to do so. The subject will again be included in the agenda for the next meeting.
  - Implementation of Directive 2010/65/EU on reporting formalities, which will be raised during the presentations on e-Maritime and Blue Belt initiative.

**Key note address** by the Irish Presidency of the Council of the European Union. Key points included:

- The six months period for presiding the Council of the EU is perceived to be very short. This may therefore result in some of the milestones not being fully achieved. The Irish

Presidency however would like to stress that these same goals still have a good chance to be reached nonetheless through subsequent work behind the screens.

- The Ports Policy review package proposed by the Commission was discussed at length at the recently held ESPO conference in Varna.
- As regards the Directive on the deployment of alternative fuels infrastructure, and more specifically its requirement for LNG bunkering facilities in all core TEN-T ports, the (not yet officialised) position of Ireland would be to query the "one size fits all philosophy" and to rather support an approach of letting the market decide on where the bunkering ports should be (opposed to a Directive imposing this).
- From a perspective of Chair of the European Short Sea Network (ESN), it was stressed that although the ESN is doing a great job and the financial support currently received through the "ESN, the way forward" project is much appreciated, the future continuation of ESN activities looks uncertain. Two of the 22 SPCs have recently been obliged to close their doors due to lack of financial resources and a considerable number of others are struggling to find the necessary means to deliver qualitative service.
- Reference was made to the "Recommendation report" issued under Work Package III of the ESN contract, which includes 27 recommendations for optimising the functioning of the SPCs.
- The Irish SPC developed a blue print for running an annual Short Sea Conference, which this year was made available for the first time to the wider ESN. These conferences provide an excellent networking occasion for Short Sea Shipping stakeholders. They furthermore give legislators the opportunity to become aware of what is happening in industry and inversely inform industry members on legal and technical developments. This year's conference was successfully held in Paris, while Portugal will host it in 2014 and Denmark in 2015.

In a reaction to the observations made on the Directive on the deployment of alternative fuels infrastructure, the following points were clarified by the Commission :

- While the Clean Power for Transport package adopted in February this year indeed contains a provision for mandatory LNG bunkering facilities in all core TEN-T ports, it does not foresee any obligation for these ports to have fixed land based LNG bunkering infrastructure. LNG bunkering may equally be delivered by barge or by truck.
- After long deliberations in the Commission, it was decided that the core TEN-T ports would be a good starting point for the discussions with the European Parliament and the Member States, also in view of the fact that under TEN-T together with the Connecting Europe Facility (CEF) these core ports can receive funding for LNG infrastructure.
- As the legislative process is still ongoing, no definitive political decisions have yet been taken and are currently more lying in the hands of the Member States than with the Commission. The Commission strongly hopes that an agreement can be reached before the next elections for the European Parliament in the summer of 2014, meaning early spring 2014 the proposal should be finalised.

## **SESSION I: SHORT SEA SHIPPING (SSS) PROMOTION and EU FUNDING**

### **Item 1. "ESN, the way forward" – Progress and first results**

- Presentation by the ESN project co-ordinator.
- The presentation showed attendees the concrete results that have been achieved since the start of the project in September 2012.
- As part of the project's deliverables, the first of the bi-yearly recommendation reports on communication strategy for promotion of shortsea shipping at European level was issued end February 2013, including 27 recommendations on the working of the SPC's. A copy of this report will be made available to the meeting attendees concurrently with the distribution of the meeting minutes.

A comment was made by the Commission, acknowledging the need to sit together to exchange ideas on future EU funding of the ESN, while underlining the degree of difficulty however of such conceptual work in times of budget restrictions.

### **Item 2. Marco Polo Communication & -Call 2013**

- Presentations by DG MOVE and the Executive Agency for Competitiveness and Innovation (EACI).
  - The presentation made by EACI highlighted the particularly satisfying results of the 2012 Marco Polo Call for proposals in terms of SSS. Indeed, 9 proposals out of 46 received under the Modal shift actions were SSS proposals and another 3 were combined SSS + rail proposals.

Furthermore, attention was drawn to the fact that the 2013 Call for proposals will be open for an exceptionally long period (5 months) until 23<sup>rd</sup> August 2013, to ensure the biggest possible success for this last Marco Polo call. The available budget is 66,7 M € to finance around 35 projects.

In addition, this same presentation explained to which degree the Commission's political priorities have been translated into operational objectives for the Marco Polo programme.

Finally, a general overview of Marco Polo I and II, including some impressive environmental results of the programme since 2003 were presented.

- The main focus of DG MOVE's presentation was on the recently published (14<sup>th</sup> May 2013) Marco Polo Communication. It was explained that under the Marco Polo Regulation (Art.14) the Commission was imposed to draft a Communication before taking a decision on any successor to the Marco Polo programme.

Besides providing an overview of the numerous results delivered by the programme since 2003, mainly in terms of modal shift and environment, the Communication also includes observations and conclusions on future paths to follow, with regard to a new approach, a new policy framework (TEN-T) and funding framework (CEF), new focusses for freight transport services (sustainability, efficiency and interoperability) and addressing market failures.

Moreover, conclusions drawn in the Communication are evidenced with statistical data laid down in an accompanying staff working document.

- Furthermore, both some positive and negative aspects related to the uniqueness of the Marco Polo programme were commented :
  - (-) As payments were done on results only the operational risks are transferred to the beneficiaries of the funds, which in crisis times led to the available budget not being entirely spent.
  - (+) As results have showed to continue to exist after the funding period, it can be put that the programme scores well when it comes to sustainability.
  - (-/+) While some questions related to competition were raised given that funding was done directly to the market, no evidence of distortion of competition by Marco Polo projects was found.
  - (-) The principle of "sound financial management" does not always go hand in hand with the needs of operational beneficiaries.
- To conclude, it was communicated that the report of the Court of Auditors was expected by the end of June 2013. In the meantime, a study to determine funding conditions as well as criteria for participation has been launched.

Additional observations on the Marco Polo programme were given by the Commission as follows:

- Although no official follow-up from the European Parliament or the Council is envisaged for a Communication, the Commission has been already informed by the European Parliament that the TREN-Committee would like to have a presentation and discussion on the Marco Polo Communication.
- Due to busy agendas of both the current Irish- and the future Lithuanian presidency, the Commission is not expecting the Marco Polo Communication to be taken up by the Intermodal Working Group. It goes without saying though that the Commission remains available to present the Communication if requested.
- The ex-Ante study mentioned in the last presentation could not be launched before an agreement on the overall TEN-T framework was reached. Therefore the Commission will now have to run it under very tight deadlines.
- Although modal shift is not envisaged to be a top priority in the TEN-T framework, it has not been excluded from Art. 38.
- Some examples of a higher flexibility under TEN-T compared with past situations were given :
  - Contrarily to Marco Polo II, auxiliary infrastructure is now included into the funding possibilities.
  - Whereas under Marco Polo I and II the pure focus on the sustainable and environmental performance of transport was not the leading principle, the more flexible TEN-T framework will enable the Commission to enhance support in view of the new environmental requirements.

## **Discussion on item 2**

- The Commission was asked whether the results of the study would be made public, and replied affirmatively.
- The question was raised whether under the new TEN-T framework it would still be possible for private undertakings to enter proposals.

The Commission confirmed that under TEN-T it will be possible to co-finance pilot projects submitted by private companies.

- A number of content-wise questions on future funding rules and modalities for MoS projects under the TEN-T framework were raised, mainly related to :
  - Foreseeing a distinction in percentage of funding between start-up aid versus infrastructure.
  - TEN-T related training
  - Harmonisation versus distinction of thresholds in all Member States
  - The risk of creating competition amongst new modal shift initiatives and mature TEN-T projects.

In this regard, the Commission reassured attendees that it was foreseen to discuss the results of the ex-ante study with national Focal Points, with ample opportunity for them to raise questions or concerns.

- Some concerns were expressed on the risk of reducing visibility for MoS and SSS when integrated in TEN-T. The Commission reconfirmed however that in the text of the new TEN-T guidelines MoS are substantially highlighted as priority.
- One attendee was surprised at the allegation made in the presentations on the absence of any competition related complaints.

The Commission clarified this by explaining that indeed some 13 (informal) complaints had been recorded, every one of them however – after proper analysis and explanations – having lead to the conclusion that no evidence of competition distortions had been identified. For some of these complaints, it was found they had been brought forward by companies whose proposals had not been taken up.

## **Item 3. Motorways of the sea – State of play and prospects**

- Two presentations by DG MOVE
- In the first presentation, a brief historical overview on the evolution of the Motorways of the Sea concept was given, together with an outline of where it stands today and how its future development is conceived.
  - From its inception in 2001 with the "Transport White Paper – European transport policy for 2010 : time to decide" until now, the Motorways of the Sea concept has run a course of more than 10 years.
  - Initiatives towards the development of the concept and its implementation aiming at supporting SSS as an alternative to land transport and at promoting multimodality have been progressively taken.

- While looking back at some considerable under-utilisation of the available budget for MoS under the TEN-T calls between 2009 and 2011, the results of the 2012 call promise to be more successful.
- Under the Marco Polo programme support to MoS actions has shown to be difficult and funding awarded has been limited.
- In the near future an evaluation study will be launched, having as main parameters the evolution of the objectives, the achievement of objectives, the way the concept was promoted and the level of awareness, the implementation of the projects, and the complexity/easiness of the funding schemes.
- The second presentation gave an overview on key issues addressed in the European Co-ordinator's 2012 report on MoS and commented some conclusions and recommendations.
  - On 30<sup>th</sup> May 2013, an agreement on the new TEN-T was reached in trialogue between the European Parliament, the Council and the European Commission. It must now still be formally approved by the European Parliament Plenary and the Council.
 

Motorways of the Sea will now be the maritime leg of the new TEN-T. A new facet moreover is the possible connection to 3<sup>rd</sup> countries.
  - The forthcoming funding rules under the new TEN-T guidelines and the Connecting Europe Facility (CEF) were discussed. For the time being, the funding rates for MoS are likely to be 30% for works and 50% for studies.
  - It was emphasised that the new EU infrastructure policy aims at creating a real network and no longer focusses on isolated projects. A core transport network will be established by 2030.
  - The importance of ports and ships, in relation to transport corridors and the Single Windows concept were elucidated.

### **Discussion on item 3**

- With regard to questions raised on the timing of the finalisation of the new TEN-T guidelines as well as the Connecting Europe Facility (CEF), DG MOVE informed attendees as follows
  - During the Transport Council (TTE) of 10<sup>th</sup> June 2013 the agreement on the new TEN-T will be adopted. The final agreement on both the new TEN-T guidelines and the CEF is tied to the Multiannual Financial Framework (MMF) agreement, for which trilogies are going well.
  - The 23 billion € for transport can at this stage already be considered to be very realistic, it's no longer a speculation.
  - The TEN-T days in Tallinn in October 2013 will be the opportunity to give the final figures of the definitively adopted programmes.
- It was suggested to consider to install a permanent training system for stakeholders on MoS (in replacement of the one day seminars currently organised on a regular basis).
- To the question related to inclusion of islands like Tenerife, Madeira, etc. DG MOVE confirmed that they are fully part of the TEN-T funding schedule for MoS.

- In relation to specificities concerning the Mediterranean, DG MOVE confirmed that for the first time now clear actions will be included in the new TEN-T guidelines. They will however be related to fostering good cooperation (such as sharing a common concept of a network), rather than to infrastructure investments.
- With regard to a question on the position of comprehensive ports, not necessarily being close to a corridor, DG MOVE confirmed that they will still be eligible for funding.
- Some further specifications on the timetable were given by DG MOVE :
  - By the end of June the TEN-T guidelines will be communicated to the Member States.
  - It is foreseen to call a Financial Assistance Committee by early July (for both the multi-annual and the annual programme).

#### **Item 4. Review of ports policy**

- Presentation by DG MOVE
- On 23<sup>rd</sup> May 2013 the Commission adopted a Communication on EU Ports Policy and a Proposal for a Regulation on Market Access to Port Services and Financial Transparency of Ports.
- Today's presentation mainly explained :
  - Why it is necessary to have a European Ports Policy :
    - Address the imbalance between port performance and total incoming/outgoing tonnage (from a total of 85 core network ports in Europe, only 3 ports are handling amongst them 20% of the total incoming/outgoing goods).
    - By 2030 EU maritime traffic is predicted to rise by 50%;
    - Some of the ports currently are not equipped to receive ships of 18.000 TEU or more, as is foreseen in 2015.
  - The 3 main objectives :
    - Improve hinterland connections
    - Fully optimise port services
    - Create confidence to attract investments
  - The two year process that preceded the new guidelines and legal changes :
    - Extensive and repeated consultations with all interested parties (European and national associations, port authorities, Member States, interest groups)
    - A detailed Impact Assessment
  - Key issues addressed in both the Communication (incl. "soft measures") and the Regulation.
  - Some of these key matters were further illustrated :

- With regard to the scope of the Regulation : Member States will have the possibility to extend the Regulation to national ports outside the TEN-T ports (core + comprehensive-).
- With the inclusion of a chapter addressing the "freedom to provide services", the existing gap in the EU treaty in this respect will be filled. Indeed, until now, while all other transport modes received secondary legislation next to the EU treaty (in which "freedom to provide services" is not applicable to transport), maritime transport remained excluded from any legislation on the subject so far
- The new legislation will be evaluated after 3 years.
- Transparency will be guaranteed as it comes to port service charges (the rules will not be published, but are available in case of inspection).
- An important point is the autonomy for port authorities allowing them to charge less for Short Sea Shipping.
- An independent supervisory body will be established, aiming at solving and/or ending complaints.

#### **Discussion on item 4**

- Some concerns were raised with regard to the creation of an independent supervisory body. In confirmation of what was said in the presentation, DG MOVE explained that no change whatsoever in the functioning of already existing national bodies in this field (be it competition authorities, Ministries of transport or regulators) was envisaged. The novelty only exists in the fact that these same bodies will be pointed at to intervene where and when it would be necessary to solve and/or end any emerging complaints.
- Some confusion was expressed with regard to the correct understanding of the concession's directive scope, the rules applicable to dredging and bunkering, and the autonomy for port authorities to determine infrastructure charges.

With regard to the scope of the concession's directive, DG MOVE clarified that, while it is definitely applicable to concessions in ports, it excludes land-lease (for building a restaurant, a factory, etc) however.

As for bunkering or dredging services executed in a port, whether or not commercial, and be it delivered in the frame of a concession or not, DG MOVE explained that they fall under the rules of the public procurement directive.

Finally, when it comes to infrastructure charges, DG MOVE made clear that although they can be set freely by port authorities, this can only be done after a sound consultation of users. This way a forum for discussion amongst port authorities and users is created, and sudden changes to the charges are prevented. It was stressed that the application of this rule also includes monopolies obliged to explain "why" they have a certain structure in the charges.

- In reply to a question on potential risks of competition between TEN-T ports and other national ports, DG MOVE explained that Member States are free to extend the Regulation to other ports and that in any case the EU treaty applies to all EU ports.



However, if a Member State would seriously envisage to privatise port authorities (cfr. Spain or Greece), then the instalment of a regulator is an absolute necessity.

- A suggestion to the Commission was made by ECSA to find a solution - probably at a later stage - to include port labour, cargo handling and passenger services into the Regulation. The reasoning behind this is the fact that exclusion of these services was based on making reference to the social dialogue, whereas from ECSA's professional experience in this matter, the issue of competition does not belong to the social dialogue. DG MOVE took note of this remark and proposed to wait for the co-decision before going into further discussions on the topic.
- Finally, the Commission was asked to elucidate the difference between "port" and "port authorities", as some variable interpretations exist in various EU ports. DG MOVE pointed out that a clear definition of the "Managing body of the port" is included in the Regulation.

#### **Item 5. Sustainable Waterborne Transport Toolbox – Progress Report**

- Presentation by DG MOVE
- With its staff working document "Pollutant emission reduction from maritime transport and the Sustainable Waterborne Transport Toolbox" the Commission proposed in 2011 a number of short- medium- and longer-term measures to support the transition to cleaner maritime transport
- A Progress Report on the implementation of these measures will be issued shortly and will pick up many developments such as LNG and the use of scrubbers, as well as financial support.
- To further progress the toolbox implementation, the Commission will set up a "European Sustainable Shipping forum" (ESSF) after the summer. Member States and selected stakeholders will become members of the ESSF. Sub-groups are envisaged on LNG, scrubbers, financing and R&D.
- A recent workshop held on the use of scrubbing technology showed that only 45 orders have been placed so far. The main reasons behind this modest deployment are regulatory and financial problems faced by shipowners, whereby the regulatory framework is clearly the most urgent issue to be addressed.

#### **Item 6. Presentation on LNG use**

- Presentation by Viking Line
- Since January 2013 the new-built ship "Viking Grace" was taken into service on the scheduled trading service between Finland, Sweden and Estonia.  
From the 3 fuels that were originally foreseen to be used (MDO – heavy fuel – LNG) only 2 (MDO and LNG) were retained.
- The presentation comprised an exhaustive overview on machinery innovations, control and automation innovations, the underwater hull design and environmental innovations.
- After having gone through a in depth preparation period in the field of risk analysis, rules and regulations, LNG tank design, coupling design, equipment, safety, crew training, as well as the drafting of a complete "LNG Bunkering Operation Manual", a first successful

"ship to ship" bunkering was accomplished in March 2013. (A videoclip showing such ship to ship bunkering operation was showed at the meeting)

- Finally, some specific LNG bunkering safety measures were commented, including the technical solutions that at times had to be found.

### **Discussion on items 5 and 6**

- One Member State conveyed the doubts that are still persisting in his country about LNG being the right alternative fuel for new buildings in SECA areas. DG MOVE enlightened that recent reactions from stakeholders clearly indicate a change of attitude, resulting from the growing acknowledgement by shippers that LNG indeed works. Also, it was highlighted that while it is true that time is running, this has been the case ever since 2008.
- ECSA welcomed the initiative to create sub-groups in the new ESSF, and considers them to be the appropriate tool to make quick steps forward. It is obvious however that actions taken by either Member States or Commission should closely follow the conclusions drawn by these sub-groups.
- It was asked why Stockholm had been chosen as LNG bunkering port, rather than another Scandinavian port. DG MOVE explained that this was linked to Stockholm being part of the TEN-T core network ports.
- A question was raised on the Commission's intention to include regional funds in the Toolbox. DG MOVE explained that although this topic was still under discussion in the financial subgroup, it was not the Commission's aim to let anything out, provided EU rules would be respected.
- In relation to Viking Line's presentation on the use of LNG, a number of clarifications were asked for :
  - One attendee wanted to know whether the use of LNG leads to reduced vessel capacity. Viking Line specified that there's no loss of capacity at all, as the vessel's hull is being designed in such a way that an optimal trim is guaranteed, be it with full or empty LNG tanks. The LNG tanks on themselves do not take any more space.
  - In reply to a question on crew training, Viking Line explained that existing crew had received LNG related training during two months.
  - Attendees also wanted to learn more about the way weather conditions were being dealt with. Viking Line indicated that via an online communication system the latest weather previsions were sent 25 minutes before the arrival of the bunkering vessel.
  - On the side of operating costs, attendees were interested to learn about any price differences between heavy fuel and LNG. Viking Line confirmed that they were happy to have chosen for LNG, as it appeared to be 30% cheaper to operate.
  - In relation to energy savings, some elucidation was asked on the difference between designed targets and reality. Viking Line stated that not only all targets had been met, but results even went beyond expectations.

## **Item 7. Update on e-Maritime and PEC's**

- Two presentations by DG MOVE.
- In the first presentation on e-Maritime it was announced that, following the encouraging results from the conference organised in November 2012, the Commission took the initiative to establish a stakeholder forum before end 2013. The group is expected to be ready by September 2013, whereas a first meeting of the forum is foreseen for October 2013.

The purpose of the e-Maritime Forum is to gather maritime transport experts from different fields in order to identify issues within the scope of e-Maritime and to establish a prioritised action list with short-, medium- and long term actions. This action list will then be presented to the Commission for consideration.

It was furthermore highlighted that the date of 1<sup>st</sup> June 2015 is to be taken very strictly. After this date, paper transmissions will no longer be accepted.

- The second presentation on Pilotage Exemptions Certificates (PEC's) focussed on the status of the Impact Assessment Study undertaken by the Commission following the 2012 survey of legislations related to PEC's in Member States.

As part of this impact assessment, an on-line consultation was launched from 14<sup>th</sup> February until 21<sup>st</sup> May 2013. The consultation attracted 198 replies, the majority of them supporting the idea of an EU initiative. Answers were received from four distinctive parties : shipping companies, masters, ports and pilots.

All of the parties agreed on the fact that no additional costs should be created. Moreover, the first three parties + a majority of the pilots agreed that PEC's should be available in all Member States. More different opinions however were collected in relation to the way these PEC's should be obtained.

## **Item 8. Blue Belt – Update on Commission initiative**

- Presentation by DG MOVE
- After a brief reminder of the background to the Blue Belt concept, the presentation provided an overview of what has been done until now and what is envisaged for the future Blue Belt environment. It furthermore gave information on the next steps that are foreseen to be taken.
- The future Blue Belt environment will be focussing on two objectives :
  - The enhancement of Regular Shipping Services (RSS) through simplified and shortened procedures
  - Extension of the Blue Belt concept to vessels with a combination of EU- and non-EU cargo on board and calling at 3<sup>rd</sup> country ports besides their call(s) at EU ports.
- In the light of the foregoing, the next steps that are foreseen to be taken are :
  - By end June 2013 a Communication and proposal for a modification of the Customs Code Implementing Provisions (CCIP) on RSS enhancements will be published.

- By December 2013 it is foreseen to enter a proposal for a modification of the Customs Code Implementing Provisions (CCIP) on Blue Belt 3<sup>rd</sup> country ports and the development of eManifest.
- By June 2015 the eManifest should be ready to be applied (cfr. Reporting Formalities Directive)

#### **Discussion on items 7 and 8**

- ECSCA expressed its appreciation of the progress made on the Blue Belt concept and congratulated the Commission on the achievements so far.
- It was asked whether the extension of the Blue Belt concept to 3<sup>rd</sup> countries included countries such as Russia, Norway, Turkey and Moldavia. DG MOVE clarified that although officially no geographical limitations are foreseen, in practice this will be applied to North-African countries, Norway and Russia.

#### **CLOSING REMARKS**

- The Chairman thanked all participants for their contributions.
- The next Short Sea Shipping and Motorways of the Sea meeting will be held before the end of the year and will be a joint meeting of Focal Points and Shortsea Promotion Centres.