



TECHNICAL PAPER

**APPLICATION OF THE SULPHUR DIRECTIVE:  
THE CPMR JOINS THE EUROPEAN SUSTAINABLE SHIPPING FORUM  
(ESSF)**

*This Technical Paper has been prepared by the Region of Nord-Pas de Calais, which is representing the CPMR in the ESSE, jointly with the CPMR General Secretariat*

**1 - Background: The Marpol VI annex and the "Sulphur" Directive are impacting maritime regions**

Adopted by the IMO on 10 October 2008 and enacted on 1 July 2010, a review of Annex VI of the agreement on the prevention of pollution from ships (the so-called "Marpol" annex) imposed a sulphur level of 0.1% in fuels used by ships sailing in the Sulphur Emission Control Area (SECA) that includes the English Channel, North Sea and Baltic Sea as of 1 January 2015. The aim of the measure is to reduce the sulphur oxide emissions (SOx) that pose a threat to human health. International constraints on atmospheric emissions from shipping were included, and in some cases, reinforced, in European Directive 2012/33/UE of 21/11/2012 ("Sulphur Directive"), amending the previous 1999/32/EC Directive. A standard sulphur content of 0.5% will therefore become applicable on 1 January 2020 for all EU maritime zones not classified as SECAs and for passenger ships.

This Directive sets a significant challenge for all those involved in shipping (professional stakeholders and shipowners alike) as well as for public services, depending on their role in structuring and developing these activities (the role varies from one country to another). The costs of adaptation are such that the transport of goods may be transferred to roads (implying an environmental impact that would appear to be negative) or to rail. The risk is that the effect will be contrary to what was intended – a loss of competitiveness for maritime transport and negative added value in Europe for certain roads.

These questions apply to the Regions from several points of view:

- They are interested in developing their ports (indeed, some of them are the port authorities) and are therefore directly impacted by European laws and programmes in this field, in particular those linked to the application of the Sulphur Directive;
- They are affected by the consequences of the application of the Directive on all the transport infrastructures in their territory;
- Moreover, they co-fund investments in shipbuilding and port infrastructures and equipment, e.g. for the provision of ships that meet the new standards and for an adequate provision of liquefied natural gas on their coasts.

It should be remembered that CPMR Member Regions adopted a **Declaration in Dunkirk on 22 March 2013**. **The main conclusions of the seminar were as follows:**

- Request for a flexible application of the Directive to give operators the time to adapt;
- Request for full financial support to meet the challenges of the "sulphur issue" i.e. adaptation of ships in the industrial phase and funding of port infrastructures for LNG.

Supported by partners such as ECSA (European Community Shipowners Association) and ESPO (European Sea Ports Organisation), the CPMR stated that the scheduled start date of 1 January 2015 was not economically viable.

Based on this declaration, the CPMR successfully put itself forward as a candidate to represent the Regions in the ESSF.

## **2- The ESSF**

### **2.1 - Objectives**

By the decision of 24 September 2013, the European Commission set up a **Forum of European experts (ESSF: European Sustainable Shipping Forum)** to assist it in drafting solutions primarily for the application of the Sulphur Directive (consultation initiative). The Forum is relevant to Member States and stakeholders in the shipping industry but its mandate is not limited to this one Directive.

The ESSF is designed to be a platform for dialogue and exchanges of technical knowledge (exchanges of information, initiatives, projects and partnerships). It aims to deliver progress on the implementation of the measures contained in the “toolbox for sustainable shipping” and provide the EC with opinions, reports and solutions.

More specifically, the ESSF provides guidelines for the application of the Sulphur Directive:

- Creation of framework conditions for the use of Liquefied Natural Gas as shipping fuel;
- Conditions of use of scrubber technology;
- Consideration and assessment of available financial opportunities;
- Coordination of R&D activities and encouragement of innovation.

### **2.2 - Structure**

The EC provides the secretariat for the group and chairs its meetings. EMSA (European Maritime Safety Agency) contributes its expertise.

Membership: 60 members, of which 28 represent Member States and 32 come from organisations that are active in one or more maritime sectors. **The CPMR is the only representative of regional authorities.**

**5 working sub-groups have been set up, further to a proposal from the EC:**

- Research, technological development and innovation;
- Funding;
- Marine LNG;
- Exhaust Gas Cleaning Systems (Scrubbers);
- Application of the Sulphur Directive.

The ESSF has also noted the setting up of a sub-group on competitiveness, which was not proposed at the outset (to define a methodology with a view to an impact study).

### **2.3 - CPMR involvement**

The CPMR decided to apply to the ESSF in the category, “Sea ports management and administrations”. The nomination remains in place **until 31 December 2015**.

Mr Despicht, Vice-President with responsibility for the sea for Nord-Pas de Calais Region, represents the CPMR, as part of the implementation of the CPMR’s shipping agenda and as a follow-up to the seminar held in Dunkirk.

Our application for nomination to the “Application of the Sulphur Directive” sub-group was unsuccessful but we have been part of the Funding sub-group.

The 1st plenary session took place on 27 November 2013. It discussed certain procedural and operating aspects such as membership of the Forum, operating rules and the reference framework for working sub-groups. The 2nd plenary session took place on 26 June.

Our action with regard to the request for a moratorium was limited. At the 1st plenary session, the EC specified that the aim of the ESSF was not to re-open discussions on legal requirements, particularly in terms of application dates and objectives contained in the Sulphur Directive. Our amendments were taken into account and the Ports were included in the discussions.

## 2.4 – Funding sub-group

The sub-group has met three times – on 19 December 2013, 14 January and 12 May 2014.

The work was structured around 4 topics – a description of the limits of TEN-T/CEF funding for shipowners, recommendations on the potential mobilisation of private funding for sustainable shipping, national and regional systems of support incentives, and an analysis of the financial opportunities from the EIB and other institutions (long-term public funding).

A number of points were raised by the CPMR in this respect: a request for clarification of the Motorways of the Sea concept, leadership by the EC in discussions on a maritime basin level with the support of the Regions, introduction of flexibility in the application of the Directive, a guide to accessible European funding and a request for financial support to adapt ships by the CEF. However, few of these requests met with success.

As far as the present status of the group’s work is concerned, the most outstanding points are as follows:

- Few details have been provided with regard to the investments eligible for TEN-T/CEF funding but it would appear that the funding available to shipowners (as part of the Motorways of the Sea) is not limited to pilot schemes only. Passenger transport i.e. ferries may become eligible but subject to conditions that remain problematical for operators.
- The ESSF emphasised the need for higher levels of assistance in the form of State Aids to help environmental protection. A proposal was tabled with the EC’s DG Competition to prepare a memorandum on this subject.
- Discussions are underway on the appropriateness of a PPP fund to finance the adaptation of ships to mature technologies, accompanied by a risk-sharing mechanism (based on the EIB’s credit enhancement instrument for project bonds). The CEF could contribute to the fund through the “financial instrument” envelope (loan). A CEF grant to build the PPP model by means of a study would be feasible. The idea of a pilot scheme designed jointly with the EC and EIB is currently being considered by the Forum as part of its 2014 TEN/T call for projects.
- Little progress has been made on the integration of sustainable transport services (Article 32 TEN/T) in the 2014 TEN/T call for projects.
- The request for a guide to funding, tabled by the CPMR with the support of ESPO and ECSA, was rejected by the EC which assigned this task to professionals and to the Regions. The topic is being discussed on 25 September at a meeting of the Funding sub-group.

## 3 - Prospects

20 June was the final date for the enactment of the Sulphur Directive by the Member States. Faced with the remaining difficulties and uncertainties, ECSA reiterated the need for shipowners who have made investments in all good faith to enjoy clearly-defined, limited, temporary exemptions. It also asked the EC to clarify its position on scrubbers and on acceptable technologies. Some operators are already investing in these technologies to meet standards. This represents a cost of several million Euros for each boat. If the EC subsequently decides that these technologies are not appropriate, any adaptation, even if technically possible, would then require further, costly investments. The CPMR can only share and renew the call for pragmatism. These concerns must be taken into account. The issues as regards the maritime economy are significant.

The date of 1 January 2015 is imminent. It seems that the Forum was set up too late to deal with the sulphur issue unless the EC grants the request from ECSA. The Forum may, though, be useful on other subjects. Other obligations regarding the emission of nitrogen oxides (NOx) will come into effect on 1 January 2016 and measures on greenhouse gases could take effect in 2020 or 2025.

Linked to these questions, the application of the Directive on substitute fuels is also being considered, with the drafting of a national framework. We must ensure that the Regions are brought into the discussions by their States by emphasising the pilot schemes designed to launch the development of infrastructures, services and the LNG sector, based on a multimodal approach.

The Region of Nord-Pas de Calais and the CPMR are continuing their proactive monitoring of these subjects.