



## **WSC COMMENTS ON THE DRAFT EU TAXONOMY DELEGATED REGULATION ON TECHNICAL SCREENING CRITERIA FOR ECONOMIC ACTIVITIES CONTRIBUTING SUBSTANTIALLY TO CLIMATE CHANGE MITIGATION OR CLIMATE CHANGE ADAPTATION**

**17 December 2020**

### **1. Introduction and General Remarks**

The World Shipping Council (WSC or the Council) is a non-profit trade association that represents the liner shipping industry, primarily operators of containerships, vehicle carriers, and roll-on/roll-off vessels. WSC members carry over 90% of the world's containerized trade and a substantial share of the world's roll-on/roll-off cargoes. WSC Member companies transport over 40 million TEUs of European export and import cargo each year or roughly two-thirds of the EU's seaborne trade by value. Each year roll on roll off cargo enables the import and export of over 6 million light vehicles to and from the EU and over EUR10 billion worth of heavy machinery. WSC member company operations and investments extend to port terminals, warehouses, truck companies and the information technology systems that are critical for EU logistics and supply chains. The World Shipping Council is listed on the EU Transparency Register under number 32416571968-71.

The liner shipping industry is committed to reducing its carbon and emissions footprint in line with targets set by the Paris Climate Change Accord and by the International Maritime Organisation. Progress towards those goals very much depends on new research and development leading to the widespread deployment of carbon-neutral and zero-carbon fuels and technologies on vessels. Suitable access to ship finance will be critical for the success of that green transition. Ship financing and investment can play a key role in supporting and pushing the industry towards decarbonisation. WSC welcomes the recognition that the shipping industry can be considered as making substantial contributions to climate change mitigation and adaptation and hence is eligible for green finance. However, it is vitally important that the screening criteria are clear and provide an adequate threshold for shipping companies to attain.

Moreover, in order for the Taxonomy to work as intended it needs to reflect an appropriate understanding of the different segments within the shipping industry and what they can achieve in terms of improved environmental performance. Transoceanic shipping faces a particularly challenging set of engineering issues due to the significant energy demands of these ships and their need to carry large volumes of fuel over long distances.

Ensuring that transoceanic shipping is able to decarbonise, supported by green finance, will be key to ensuring overall climate goals for the maritime sector can be met.

## **2. Consideration of Proposed Screening Criteria for Maritime Transport**

### **I. a). the vessels have zero direct (tailpipe) CO2 emissions;**

Meeting a zero-direct emission standard is not technically achievable for the vast majority of deep-sea ships within the period covered by the Delegated Regulation (2021-2025). A significant amount of research and development is required before zero emission vessels and fuels are available for deployment across a wide range of ship types used in transoceanic voyages.

### **II. b). until 31 December 2025, hybrid vessels use at least 50 % of zero direct (tailpipe) CO2 emission fuel mass or plug-in power for their normal operation;**

With respect to criterion b does the Commission envisage that specific biofuels, recycled fuels, and low-carbon drop-in fuels will be the principal vehicle for satisfying this criterion?

### **III. c). until 31 December 2025, and only where it can be proved that the vessels are used exclusively for provision of coastal services designed to enable modal shift of freight currently transported by land to sea, the vessels have direct (tailpipe) CO2 emissions, calculated using the International Maritime Organization (IMO) Energy Efficiency Design Index (EEDI)455, 50 % lower than the average reference CO2 emissions value defined for heavy duty vehicles (vehicle sub group 5-LH) in accordance with Article 11 of Regulation 2019/1242;**

This criterion presents a number of difficulties. First of all, deep sea shipping companies provide important capacity for the movement of goods between EU Member States. They play a vital role in enabling a modal shift of cargo from road to sea. WSC members annually move 10 million TEUs of feeder cargo to and from the EU's trans-shipment hubs and 4 million TEU of cargo moved in pure intra EU trade which might otherwise be moved by road. However, this happens in deep sea vessels that would appear to be excluded by this criterion. Those vessels are not used **exclusively** for the provision of coastal services nor are they specifically designed to enable modal shift. However, they provide critical capacity for modal shift. The same applies for vehicle-carrying vessels that are used on deep sea voyages but also move very significant volumes of cargo short sea. We believe that criterion c). should be redefined so that all vessel operators contributing to modal shift within intra EU trade and meeting the required environmental performance could benefit from green finance.

Secondly, additional clarity is needed regarding the required energy performance for vessels to meet this criterion. The criterion demands that vessels be at least 50% lower than the average reference CO2 emissions value defined for heavy duty vehicles (in accordance with Article 11 of Regulation 2019/1242). However, it is not clear based on article 11 as quoted and the annexes of the Regulation what exactly that reference value is.

**IV. d). until 31 December 2025, the vessels have an attained Energy Efficiency Design Index (EEDI) value 10 % below the EEDI requirements applicable on 1 January 2022;**

It should be noted that the IMO Phase 3 EEDI targets applicable to container ships were significantly increased from 30 to 50%, 30 to 45%, and 30 to 40% for larger container ships and moved forward three years from 1 January 2025 to 1 January 2022. These ships are already subject to the most aggressive EEDI standards applicable to any ship type in the world. Such ships have also demonstrated the largest improvements in attained EEDI values of the different ship types subject to the EEDI standards. Most other ship types do not face the Phase III EEDI requirements until 2025 and the applicable reduction rates are significantly lower. WSC suggests that these differences should be recognised and accounted for in the relevant finance criteria.

**V. 2. Vessels are not dedicated to the transport of fossil fuels.**

While liner shipping would not directly be impacted by this criterion there may be adverse effects for the broader industry, if it were to impede the development of certain alternative fuels and their supply on a global basis. A precise definition of fossil fuels may be helpful in avoiding unintended consequences associated with this criterion. It is unlikely that tanker vessels could commit to carrying alternative fuels exclusively for the full duration of their lifetimes, while still at design phase.

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