

**Subject: Loopholes in EU shipping proposals risk undermining green shipping projects**

We, the undersigned progressive representatives of the maritime sector, urge the European co-legislators to end the loopholes to its shipping proposals regarding ships under 5,000 GT and offshore and service vessels that are likely to undermine shipping decarbonisation.

In particular, we urge the gross tonnage threshold for Monitoring, Reporting and Verification (MRV) Regulation, the Emissions Trading System (ETS) Directive and the FuelEU Maritime Regulation be brought down to 400 gross tonnage and that offshore and service vessels are included in these laws.

**1. Green tech is ready**

The range of vessels, engines and technologies that our sector has invested in, show beyond a shred of doubt that green shipping technology is ready. These projects are testing grounds for technology that lower costs and pave the way for commercialisation of bigger projects. All, however, currently need government subsidies to operate. Until we have effective legislative framework in place for smaller ships, green shipping at every size will be undermined.

**2. Long-term investment decisions require predictability now**

Businesses and financial institutions need predictability to invest. If a company does not know whether its investment in a zero-emissions vessel will pay off (i.e. by avoiding a carbon tax or overcomplying in FuelEU Maritime), it will refrain from investing in that vessel. Therefore, postponing the decision to include new vessels in the MRV and ETS, as the EU Council has proposed, will block investments and be contrary to the intended goals of the proposed legislation. This is problematic given the average age for ships between 400 to 5,000 GT is 39 years, 7 years older than other ships, meaning renewals and/or retrofitting of ships and propulsion systems will be urgently needed in a very short timeframe.

**3. Level-playing field means ending fossil fuel subsidies**

Green vessels will struggle to compete commercially until the external costs of burning fossil fuels are internalised. In this context, exemptions to smaller ships, ferries and offshore vessels are a de-facto subsidy for fossil fuels and continued pollution. Retaining the subsidy for fossil fuel vessels will undermine competition and may even incentivise shipping companies to invest in fossil fuel ships to avoid legislation or modify their ship and re-classify it under 5,000GT.

**4. Companies know fuel consumption: additional administrative burden is negligible**

All shipping companies already monitor their fuel consumption for commercial reasons. This means reporting emissions will entail negligible administrative burden. Moreover, the European Parliament has addressed concerns over administrative burden in the proposal to reduce monitoring requirements for ships under 5,000 GT to fuel consumption and type of fuel.

**5. Ending loopholes is a no-brainer for industry, the climate and human health**

Emissions from ships exempted in the Commission's proposals are significant: 25.8 MtCO<sub>2</sub>. Moreover, smaller ships tend to stay nearer to the shore, meaning the decarbonisation of those vessels will bring more benefits for human health than for other vessels. Supporting the decarbonisation of the smaller vessels will go hand in hand with reducing other pollutants. Assuming these vessels use the same fuel mix as the rest of the fleet, they are responsible for roughly 17,000 tonnes of sulphur oxide, 180,000 tonnes of nitrogen oxide and 7,000 tonnes of particulate matter (PM) (source: T&E), all disease-causing pollutants, meaning the loophole poses a serious risk to human health in coastal areas.

**6. Empower green European business**

European businesses mainly build smaller ships below and above 5.000GT, whereas the biggest ships most often built in East Asia. Europe is also a leader in terms of green technology such as batteries, hydrogen and wind-assist. Regulating smaller ships would therefore spark a boom in the European green shipping industry, not least for Europe's shipyards and its maritime equipment industry. Furthermore, given the massive and growing demand for offshore vessels to support the growth in offshore wind, regulating these vessels can precipitate green European production of those vessels. Including all these ship types in the ETS would lead to a virtuous cycle where the EU reinvests revenues back into the green European shipping industry.

**Signatories:**

Transport & Environment, ABB, Advanced Wing Systems, Amon Maritime, Amon Offshore, ARENA Ocean Hyway Cluster, Azane Fuel Solutions, Ballard Power Systems, Cape Horn Engineering, Dealfeng New Energy Technology, Drift Energy, EcoClipper, Finocean, Future Proof Shipping, Hexagon Purus, Hyseas Energy, Inkster Marine, Liquiline, Navtek, Neoline Développement, North Ammonia, Norwegian Hydrogen, Sailcargo, Samskip, Sea Europe, Shift Clean Energy, Smart Green Shipping, Stadt Sjøtransport, Sustainable Ships, Teco 2030, Ula Ship Management, Unitrove, Viridis Bulk Carriers, VPLP Design, Wattlab, Yanmar, ZEM Tech.

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smart green shipping



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