

BPO's EP Debate: the impact of EU's sanctions, the block's climate policy, and plans to lessen the dependence on Russian energy

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The Baltic Ports Organization's (BPO) annual debate held at the European Parliament (EP) tackled the impact of the war in Ukraine and the plans to reduce dependency on Russian energy sources in the context of possible consequences for the Baltic and European port industry. Also discussed was the inclusion of shipping in the EU Emissions Trading System (EU ETS) and the risks it entails for the continued competitiveness of the sector.

The meeting kicked off with the topic that currently dominates everyone's thoughts. In the opening speech, Kimmo Naski, Chairman (BPO), once again underscored the deep sorrow and worry for the life and well-being of the Ukrainian people expressed by the whole Baltic community. While everyone unites in the hope of a quick end to the hostilities, the maritime industry cannot ignore the geopolitical and economic impact. Supply chains are being disrupted in Europe and globally, and business ties are being cut. The geopolitical shifts we are witnessing will have long-term consequences, some of which we can't even yet identify.

As MEP Andris Ameriks observed: while the turnover numbers looked well in multiple Baltic ports in the first months of 2022, it is vital to remember that many of the sanctions are yet to take effect, and the full impact of the war is yet to become clear. Uncertainty is the enemy of long-term investments, added Isabelle Ryckbost, Secretary-General of the European Sea Port Organisation, during the meeting.

The current geopolitical situation only contributes to a certain feeling of unpredictability in the maritime industry, caused by a plethora of environmental initiatives put forth by the European Commission (COM). They often include obligations, which, without careful consideration and due to the present geopolitical shifts, may greatly impact the port sector's competitiveness in Europe. The participants took an in-depth look at parts of two such initiatives, the Fit for 55 package and the European Green Deal (EGD).

Inclusion of shipping in the ETS

The inclusion of maritime shipping in the EU ETS, as part of the Fit for 55 package, introduced by the COM last year, was the topic second only to the one mentioned above. Timothée Noël, Policy Officer (DG CLIMA), briefly outlined the main reasons for this step and its benefits. The former included the proposal being an essential step on the EU's path

to becoming the world's first climate-neutral continent by 2050, an ambition impossible without drastic greenhouse gas emission cuts, and it being in line with the block's Paris Agreement commitments. Noël also emphasised that without direct measures, the already significant amount of emissions from the shipping industry is only bound to increase, as well as the fact that EU ETS-generated revenue will be used to support innovation and development of new technologies required for hitting the emission reduction goals.

While the BPO fully supports the COM in its efforts to combat climate change and the overall scope of the Fit for 55 package, it quickly became apparent that some points, such as the one outlined above, require further consideration. The main risks related to the inclusion of maritime shipping in the EU ETS are evasive port calls and modal shifts, which ultimately may lower the competitiveness of European ports. The COM promises to monitor how the market implements this policy and believes that it is not possible for the EU ports to suddenly lose the majority of their cargo due to its introduction. While the latter is technically true, it is critical to remember that any business, once lost, will be tough to reacquire, even after the regulations change reactively as an effect of the monitoring process. And it is only prudent to assume that non-EU ports are watching the situation closely and preparing to seize any opportunities it may offer them.

The right way to go about shore power

Participants of the debate also shared various insights regarding some other proposals introduced as part of the Fit for 55 package, such as the obligation for ports to provide onshore power supply (OPS) facilities to berthing vessels.

Given the cost of OPS implementation, there is a need for further discussion between the industry and policymakers to channel these efforts to ports that will most benefit from the overarching goal of emission reduction. Simply put, money has to go where it is needed most.

OPS technology is vessel- and port-specific; solutions vary within a specific vessel type, not just cross-type. Additionally, more thought needs to be given to the sufficient supply of necessary grid capacity. Given the current lack of coordination between energy-related proposals and the OPS one, as noted by Bogdan Ołdakowski, Secretary-General (BPO), a more transparent dialogue is paramount to maximise the proposal's effectiveness.

And speaking about money, it goes without saying that a great deal of the uncertainty mentioned earlier could be alleviated by a decisive and transparent assurance of sufficient public funding, without which most of the goals and obligations making up the various climate initiatives won't be possible to fulfil.

Way forward

It is impossible to foresee how the war in Ukraine and associated geopolitical turmoil will affect the pace of implementation of initiatives like the EGD and Fit for 55. Parts of the proposal will definitely be heavily discussed in the EP in the coming weeks and months. As for now, the way forward is to try and adapt to the new situation, carry on with the plan and accomplish various goals where it is most feasible.

One of the most crucial issues to tackle soon will be Europe's energy policy, supply and diversity of energy sources. The recent REPowerEU proposal, focused on reducing the EU's dependence on Russian fossil fuels, seems to have come just moments before becoming drastically more important. The first step will be changing gas suppliers, with plans to source liquefied natural gas (LNG) from the US and Qatar. Renewable fuels, such as hydrogen and ammonia, will come next, with bioLNG possibly used as an interim solution.

The shift from fossil to renewable fuels will create new opportunities for ports, likewise challenges. They will need to find new revenue sources for the ones lost. They may very well become hubs for green energy, but the path leading there must be carefully trodden. ■