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Monitoring Economic Impact of Low Sulphur Requirement

ECSA-ESSF survey for ship operators

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DMF Project Environmental legislation on Ro-Ro shipping in Northern Europe

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- European Community Shipowners' Associations
- Est. 1965 – Brussels
- National shipowners' associations EU + Norway
- Spokesman of the European Shipowners towards the EU Institutions
- Network with other shipping organisations
- European Shipping: key player / 40% of the world merchant fleet
- All trades—all sectors



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ESSF

- European Sustainable Shipping Forum
- Multi-stakeholder platform set up EC (2013)
- To better address the sustainability challenges of the EU maritime transport sector
- Plenary + technical subgroups



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Background

- Mandate ESSF Competitiveness: to assess critical success factors for a competitive EU maritime transport
- Initial focus on implications EU Sulphur Directive 2012/33/EU
- On-line survey for ship operators 2014-2015 rolled out under auspices of ESSF



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On-line survey for ship operators

- Information about economic impact EU Sulphur Directive
- From ship operators wholly / partly active in European SECAs
- Survey covers:
 - Experience with compliance methods
 - Economic impact
 - Enforcement
- Three rounds held:
 - First round: November 2014
 - Second round: February 2015
 - Third round: September 2015 – additional info through interviews ship operators and survey ESPO members



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Results third round (1/3)

- 33 companies replied, 30.3% operate fully in SECA
- Active in tramp (36,4%), liner (30,3%), both tramp and liner (21,2%), other (12,1%)
- 42,4% increased freight rates (1-10%)
- 14,2% estimate volume losses (5-10%)
- 7,14% indicate modal shift to road and rail
- 6,1% witnessed impact on service levels



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Results third round (2/3)

► Enforcement

- Few inspections reported (33)
- 9,1% Non – compliant cases due to delayed changeover procedure, one case of non-availability of compliant fuel in Baltyisk, Russia
- Size of the fine(s)/sanction(s) imposed in non-compliant cases : fine of 12.000€ in Norway (delayed changeover procedure)
- Sulphur inspection fees imposed: in Sweden

► General comments

- Price gap between MGO & HFO still exists, uncertainty for the future
- Main problem on the implementation of the Directive is the unclarity regarding the use of open loop scrubbers



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Results third round (3/3)

- **Interviews** with main ship operators in the European SECAs
 - Confirm the picture presented in the survey
 - Concern that the fuel price will inevitably increase & price difference between LSF & HFO will further increase
 - 'Lessons to be learnt in view of 0,5% EU sulphur cap':
 - Clarification on the use of open-loop scrubbers
 - Need for fund for abatement technologies & alternative fuels
 - EU to give advice and guidance to operators at early stage

- **ESPO monitoring exercise**
 - Compared traffic volumes in selected SECA ports between the first quarter of 2014 and that of 2015 to identify ports with losses in traffic volumes. No loss of traffic attributed to sulphur limits reported



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Conclusions

- No modal shift to land-based transport modes, or loss of volume but EU Sulphur Directive may not have shown its full impact yet
- Shipping sector coping with sulphur limits \Leftrightarrow EMSA THETIS-S
- Price gap LSF / HFO still exists, uncertainty for the future
- No imminent need to continue the survey
- ESSF Comp. subgroup continue observing fuel price and other developments, resuming a full scale survey if needed
- Survey to serve as basis for comprehensive analysis of factors likely to affect SSS competitiveness \Rightarrow ECSCA SSS Brochure
- Additional points for consideration, such as assessment of EU 0,5% sulphur cap in 2020



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