

SHIP FINANCING

ECSA general remarks on the Taxonomy Report by the European Technical Expert Group on Sustainable Finance

ECSA would like to contribute with remarks on the European Commission's and its Technical Experts Group's (TEG) work on sustainable finance taxonomy.

ECSA is of the view that any taxonomy that facilitates the transition to a greener and more sustainable economy should be implementable on a daily basis and based on knowledge, experience and expertise of the sector.

ECSA believes that the taxonomy for sustainable finance in the maritime sector should take into account the continuous efforts to reduce emissions, as per the Strategy agreed at the United Nations International Maritime Organisation (IMO).

The European shipping industry is dedicated to be at the heart of the green future

The shipping industry is committed to becoming carbon neutral as soon as possible this century. New means of propulsion, new low carbon or fossil free fuels available worldwide and collaboration with partners in the supply chain are necessary to ultimately reach full decarbonisation. European shipowners cooperate with the shipbuilding sector, ports, equipment manufacturers and the research community in order to reach and implement as soon as possible innovative and sustainable solutions, which can drive the entire maritime industry towards a

greener and more sustainable future, including in key areas such as air and GHG emissions, waste management, and do no harm to marine life. The European shipping industry embraces these challenges and is committed to taking the global lead for clean shipping.

Demonstrating the dedication of the shipping industry towards the environmental goals, we list indicative examples of initiatives that have been launched in the Annex to this paper.

Additionally, it is highlighted that in an unprecedented move, the international shipping community has recently announced plans to create the first collaborative shipping Research&Development (R&D) fund, intended to eliminate CO2 emissions from international shipping. The proposal includes core funding for R&D activities necessary to develop innovative and sustainable solutions from shipping companies across the world of about USD 5 billion over a 10-year period.

The shipping industry is looking forward to provide technical expertise

The European Commission's proposal for an EU "Taxonomy Regulation" aims at developing a unified classification system on which activities can be considered environmentally sustainable for financial services. The understanding of ECSA is that the purpose of this legislative proposal and the related TEG's Technical Report on EU Taxonomy is to channel investments into economic activities, where these economic activities are considered green. The Taxonomy file is linked – either directly (i.e. through funding and financing) or indirectly (i.e. through the technical definitions) - to almost every part of the

real economy, including the shipping sector¹.

76% of the EU's external trade is shipped by sea and 40% of the world fleet is controlled by European shipowners. Shipping is at the very heart of global trade as 90% of all goods are transported by sea. The European shipping industry is a success story with global presence and a geostrategic asset for the EU.

With its diverse fleet of container ships, tankers, passenger ships, bulk carriers, offshore service vessels and many other specialised ships, the EU shipping industry contributes a total of EUR 147 billion to the EU's annual GDP.

The Taxonomy definitions will directly impact the cost and the availability of finance for the European shipping industry, which is a capital intensive industry and many vessels are one of a kind.

Hence, ECSA would like to initiate a dialogue with the European Regulators on this important and sensitive issue providing technical expertise.

The EU shipping industry's role in global competitiveness requires access to competitive financing

To maintain and advance its competitive edge *vis-à-vis* its key global competitors (notably in the Far East), EU shipping needs access to competitive financing in Europe. For the EU, there is a lot at stake in this respect, since adequate financing helps to maintain shipping companies' presence in Europe, which in turn ensures that the related added value will remain in Europe and that innovative and sustainable solutions for shipping can be developed and promoted from Europe. Having a

strong ship financing community in Europe also benefits the European maritime cluster and the European economy at large. With increasingly stricter banking capital requirements and many European banks scaling down their ship finance activities, as recent banking statistics clearly indicate, it is essential to look at what financing tools are best suited for the shipping industry. In this light and given the market impact of the taxonomy definitions, it is even more vital that the taxonomy provides the right incentives for the investors to finance the energy transition of the shipping industry.

ECSA supports an approach in calibrating the taxonomy which incentivizes the transition to a green economy

ECSA considers it vital that - on the one hand - the criteria (i.e. approaches and thresholds) to be developed for the shipping industry will facilitate the ability of finance providers to assess whether borrowers/relevant projects comply with such criteria. On the other hand, it is also essential that such criteria ensure that transition measures towards a greener economy are also acknowledged and accepted. In this regard, ECSA strongly supports that the TEG acknowledges in its Report the need to recognise not only the activities that are already deemed to be "green", but also such activities that contribute to the transition to climate neutrality not yet currently operating at that level, including "enabling" activities.

The shipping industry stresses the importance of recognising the efforts it is undertaking to further decrease the environmental impact of shipping activities. Continuous efforts focus on lowering emissions gradually, however,

¹ [The Oxford Economics' Study on the Economic Contribution of the EU shipping industry to the European economy, growth and jobs.](#)

ECSA is a trade association representing the national shipowners' associations of the EU and Norway. The European shipowners control 40% of the global commercial fleet. ECSA promotes the interests of European shipping so that the industry can best serve European and international trade in a competitive free business environment to the benefit of shippers and consumers.

these efforts, apart from relying on other stakeholders (e.g. shipbuilders, engine manufacturers, the fuel supply chain) and necessary technical developments, are capital intensive and require access to competitive financing. Accordingly, if these transitional efforts are recognised by the TEG, meaning that obtaining the necessary financing will remain accessible, it will encourage and support the industry's initiatives towards sustainability.

In this light, ECSA strongly supports that the TEG incorporates regulatory measures which recognize the parameters of this transition in its reports and would welcome the inclusion of the specific characteristics of the shipping industry when defining the potential measures for its taxonomy. This could include, but is certainly not limited to the following characteristics:

- The shipping industry is characterised by a diversity of ship types representing different proportions of the world fleet: containers, bulk carriers, tankers, passenger ships, (offshore) service vessels. This diversity implies diversity in characteristics and technical solutions which should be taken into account.
- The shipping industry is characterised by a diversity of operations of its fleet : tramp shipping - liner shipping, deep sea - short sea shipping. The particularities of these modes of maritime transport should be taken into account.
- The shipping industry is capital intensive: access to competitive (green) financing within Europe should be a priority and the global level playing field should be ensured
- Asset life-time is long: facilitate the development of future technologies without downgrading the ones we

assessed as transition technologies today

- For most of the goods transported by the shipping industry today, there exists no alternative: shipping is the most efficient and lowest emission transport available and shipping has already undertaken significant steps towards decarbonisation
- Shipping has an impact on the entire supply chain, as almost 90% of the world's goods are transported by sea.

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