Joint Statement on the Extension of the EU Emissions Trading System to Maritime Operators

7 March 2024

The Emission Trading System (ETS) as recently adopted requires that certain classes of ships larger than 5,000 GT will be gradually phased into the ETS and must surrender allowances for their corresponding emissions in the previous year. Moreover, this will apply to 100% of the emissions for voyages between EU ports, and 50% of emissions for voyages between an EU and a non-EU port.

While acknowledging that the European Commission has anticipated some challenges related to possible carbon leakage towards neighbouring container transhipment ports in the Mediterranean (namely East Port Said and Tanger Med) through an implementing regulation, if left unchecked, the ETS poses a clear danger that operators may decide to shift their activities away from EU ports and toward non-EU ports in North Africa.

This is not only a concern with respect to trade diversion from EU ports active in the economic activity of transhipments, but also raises a different and more pressing issue for European industry depending on maritime services for import and export, and particularly for manufacturers located on remote islands states and regions such as Malta, Cyprus, Sicily, Sardegna and others.

Ships which pass through the Mediterranean but do not stop at any EU port will completely circumvent ETS requirements. For the member states and regions concerned, the possible result of international shipping lines avoiding EU ports would have devastating economic repercussions if cargo destined to EU industry is offloaded at non-EU ports and only brought to their final destination through feeding vessels.

Due to the reliance on importing raw materials, European industry depends on direct connectivity to global maritime and logistics hubs to supply critical inputs and raw materials via effective "just-in-time" methods. Subsequently, once the raw materials have been processed, European industry relies on effective outbound links to export products to their final destinations globally.

Given these facts, we also highlight the significant concern of our businesses that will start incurring additional ETS costs for the use of maritime as a mode of transport with a direct impact on their global competitiveness. An additional concern goes to our industry operators based on islands that do not enjoy alternative modes of connectivity aside from sea transport for the transfer of products and inputs. These rise in costs mentioned above will come on top of the anticipated increases from other Fit for 55 legislation such as the introduction of the Carbon Border Adjustment Mechanism.

While Article 3gg (3) will serve as a useful tool to monitor developments on maritime transport due to the ETS, especially to detect market distortions and effects on competitiveness, we call on the European Commission to remain vigilant of the concerns highlighted above and to conduct more regular reviews than the biennial timeframe specified by the article. Waiting two years before analysing its impact and implementing remedial measures is considered detrimental since certain transshipment lines would have already adopted new routes to bypass EU ports, with no guarantee of reversing such decisions. Complacency on this front will thus run the risk of economic repercussions which threaten the competitiveness and viability of European businesses and further rise prices for consumers.

In this context, we believe that there should be ongoing monitoring of developments and immediate EU intervention in case of threats of carbon leakage, including the extension of the ETS to all neighbouring ports within 300 nautical miles from the EU border, irrespective of the share of transshipment of containers as % of its total container traffic.

Lastly, we extend our support to the joint letter presented on 30 October 2023 by Cyprus, Croatia, Greece, Italy, Malta, Portugal and Spain on this very same issue. Many of the arguments included in that letter reflect well the concerns raised by business associations and their members, particularly regarding the threat towards EU competitiveness and the real likelihood of carbon leakage.

We consequently call on the European Commission to evaluate this issue with extreme urgency with the objective of mitigating as much as possible the impacts of the entry into force of the ETS for maritime as of January 2024, and to ensure territorial cohesion within the EU.

Signed:

Mr. Carlo Bonomi
President
Confederazione Generale dell' Industria Italiana – CONFINDUSTRIA
ITALY

Mr. Chris Vassallo Cesareo
President
The Malta Chamber of Commerce, Enterprise and Industry
MALTA

Mr. Dobri Mitrev
President
Bulgarian Industrial Association – Union of the Bulgarian Business – BIA
BULGARIA

Mr. Mihael Furjan
President
Croatian Employers' Association – HUP
CROATIA

Mr. Antonios Antoniou
President
Cyprus Employers & Industrialists Federation – OEB
CYPRUS

Mr. Efthimios O. Vidalis
President of the Executive Committee
Hellenic Federation of Enterprises – SEV
GREECE

Mr. Armindo Monteiro
President
Confederação Empresarial de Portugal – CIP
PORTUGAL