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Monitoring Economic Impact of Low Sulphur Norms in North European ECAs

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1. Background



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EC White Paper Transport Policy (2011)

30% of road freight over 300 km should shift to other modes such as rail or waterborne transport by 2030, and more than 50% by 2050, facilitated by efficient and green freight corridors. To meet this goal will also require appropriate infrastructure to be developed.



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Art. 7.2. Council Directive 1999/32/EC (as amended by Directive 2012/33/EU)

*By 31 December 2013 the Commission shall submit a report to the European Parliament and to the Council which shall be accompanied, if appropriate, by legislative proposals. The Commission shall consider in its report the potential for reducing air pollution taking into account, inter alia: annual reports submitted in accordance with paragraphs 1 and 1 a: observed air quality and acidification; **fuel costs; potential economic impact and observed modal shift**; and progress in reducing emissions from ships.*



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'Athens Declaration' EU Shipping Ministers (7 May 2013)

- ▶ *CALL UPON the Commission and Member States to reinforce policy efforts regarding the promotion of Short Sea Shipping with the aim of shifting long-distance transport away from roads and ensuring the necessary accessibility and trade flows, including between the mainland and islands;*
- ▶ *REQUEST adequate financial support, as appropriate, to promote the supply and demand for Short Sea Shipping services, in particular through the Connecting Europe Facility, allowing for better environmental performance of shipping, innovation and the integrated development of Motorways of the Sea;*
- ▶ *UNDERLINE the importance of financial support, as appropriate, for the adaptation of ships to new environmental and safety requirements, in particular in the context of Short Sea Shipping.*



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2. Anticipated economic impact



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- ▶ **Several impact assessments made in years prior to entry into force low sulphur rules** (unfortunately, after rules were adopted at IMO)
- ▶ **Most looked at economic impact**
- ▶ **Many predicted impact on traffic patterns:**
 - Shift to shorter sea routes, and/or
 - Complete modal shift to road and, possibly, rail
- ▶ **Impact depends on:**
 - Fuel costs
 - Origin-destination route
 - Ship type
 - Trade type (freight (commodities) / passengers)
 - Availability of alternative compliance methods



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3. European Sustainable Shipping Forum



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Background

- ▶ **Set up in 2013 to assist European Commission in implementing EU activities and programmes aimed at fostering sustainable shipping**
- ▶ **Current focus: introduction low sulphur norms in N.European ECAs**
- ▶ **Platform for dialogue, exchange of knowledge, cooperation and coordination between Member States and stakeholders**
- ▶ **ESSF Plenary: 60 members (28 Member States + 32 stakeholders)**
- ▶ **ESSF Subgroups:**
 - Marine LNG
 - Exhaust gas cleaning systems
 - Implementation of the Sulphur Directive
 - Financing aspects
 - Research & innovation
 - Competitiveness of EU maritime transport



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ESSF WG Competitiveness

► Official mandate:

- Identify and assess critical success factors for a competitive EU maritime transport sector

► Short term focus:

- Monitor economic impact low sulphur norms in Northern Europe



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4. First market indications



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DFDS chops route

Danish ro-ro group DFDS is closing its Esbjerg to Harwich route due to the costs of new sulphur emission rules.



The Denmark to England run will go at the end of September, with freight volumes to be switched to the Esbjerg-Immingham service.

The move will see the end of its passenger services between Denmark and England.

The company said: "The consolidation of the two routes is part of DFDS' strategy to adapt the route network to the introduction of new sulphur emission rules on 1 January 2015.

"The new rules will considerably increase the cost level of the Esbjerg-Harwich route. Moreover, freight volumes between Denmark and southern England have been declining in recent years."

Revenue on the axed service was DKK 190m (\$35.18m) in 2013, more than half of which was generated by passengers, meaning a likely drop in revenue of DKK 125m.

Crew will be offered new roles with the owner, with the single ship operating the

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EUROPEAN COMMISSION

PRESS RELEASE

Brussels, 28 April 2014

European Commission welcomes Eurotunnel's plan to reduce charges by up to 50%

The European Commission welcomes the announcement by Eurotunnel today to commit to reduce the current level of track access charges imposed on rail freight operators using the Tunnel by up to 50% - this should allow rail freight in the Channel Tunnel to double in the next 5 years.

The Channel Tunnel is not being used to capacity, and a major reason for that is high track access charges. As a result, more freight is being carried on lorries, instead of by rail, and the high charges paid by freight operators can be passed onto their customers.

Vice-President of the European Commission Siim Kallas said: "I welcome Eurotunnel's announcement because it should pave the way for more freight to use the Channel Tunnel and at lower prices. It stands to unblock a major bottleneck in Europe's transport network. This is good news for Europe's businesses that rely on effective and competitively priced transport services and good news for consumers they serve. It is also good news for the environment, as rail is the most energy efficient way of transporting goods."

Currently only seven rail freight trains run through the tunnel each day on average, while there is 43% unused capacity. Rail freight companies complain that excessive track access charges and other mandatory charges make it uneconomic to use the Tunnel.

The commitment by Eurotunnel is a direct response to the legal investigation opened by the European Commission against France and the UK for failure to implement European rules on access to infrastructure in the Channel Tunnel, in June 2013 (see IP/13/557).

Eurotunnel's new freight charging scheme

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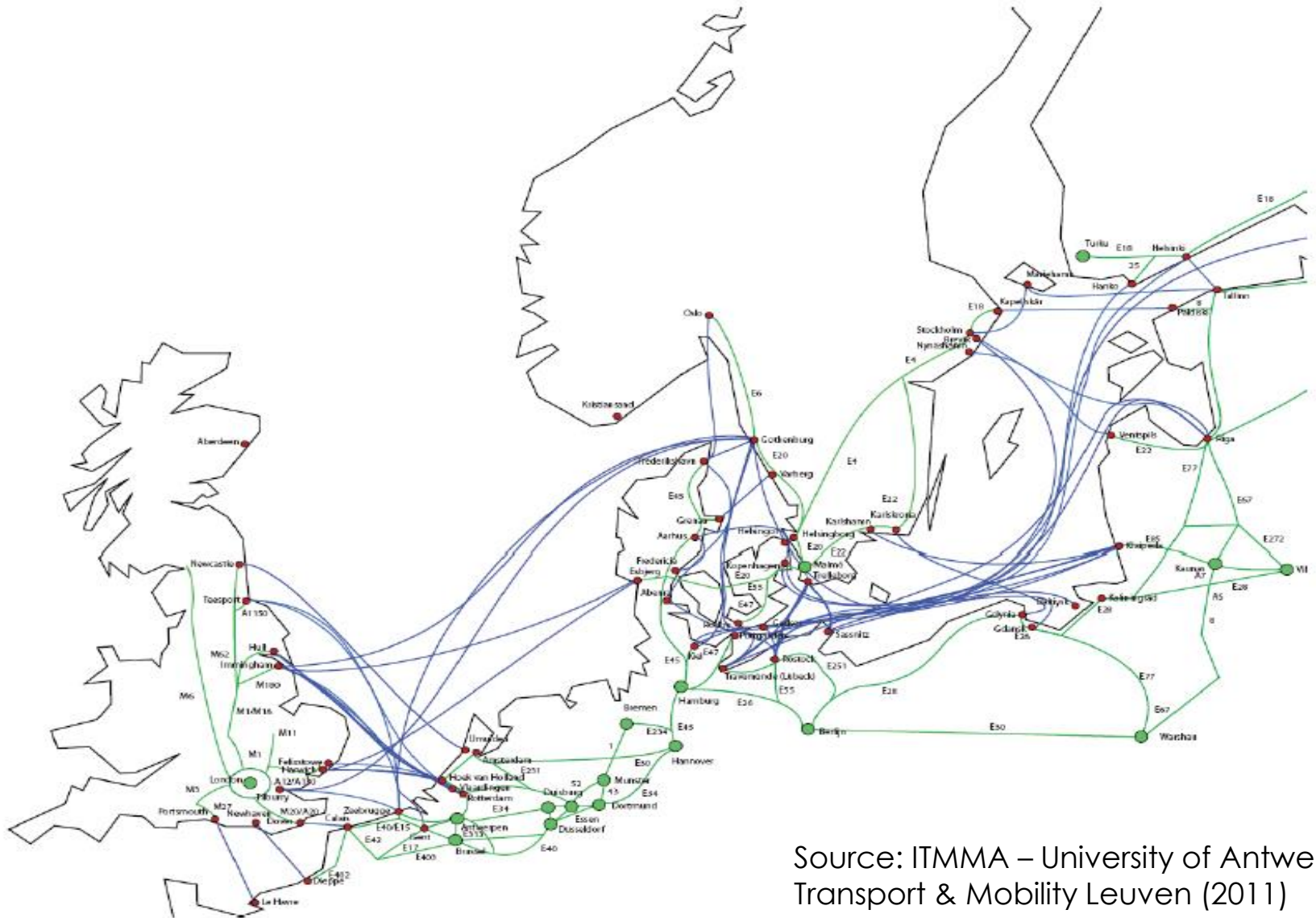
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5. Sensitive routes



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Source: ITMMA – University of Antwerp /
Transport & Mobility Leuven (2011)



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6. Way forward



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► **Short term:**

- Confirmation of sensitive routes
- Identification of ship and port operators
- Monitoring survey (autumn 2014)

► **Longer term:**

- Full-blown impact study (2015)



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► Rationale:

- EC has legal obligation to monitor economic impact (including modal shift effects) under amended Sulphur Directive
- EC has legal obligation to take appropriate measures in response.



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