

# Introduction to the report, summary of the results and possible next steps

HELCOM GREEN TEAM meeting 4-2020  
22.9.2020

Eija Kanto, WEGA

**WEGA**

**TRAFICOM**  
Finnish Transport and Communications Agency

## **Economic incentives to promote environmentally friendly maritime transport in the Baltic Sea region**

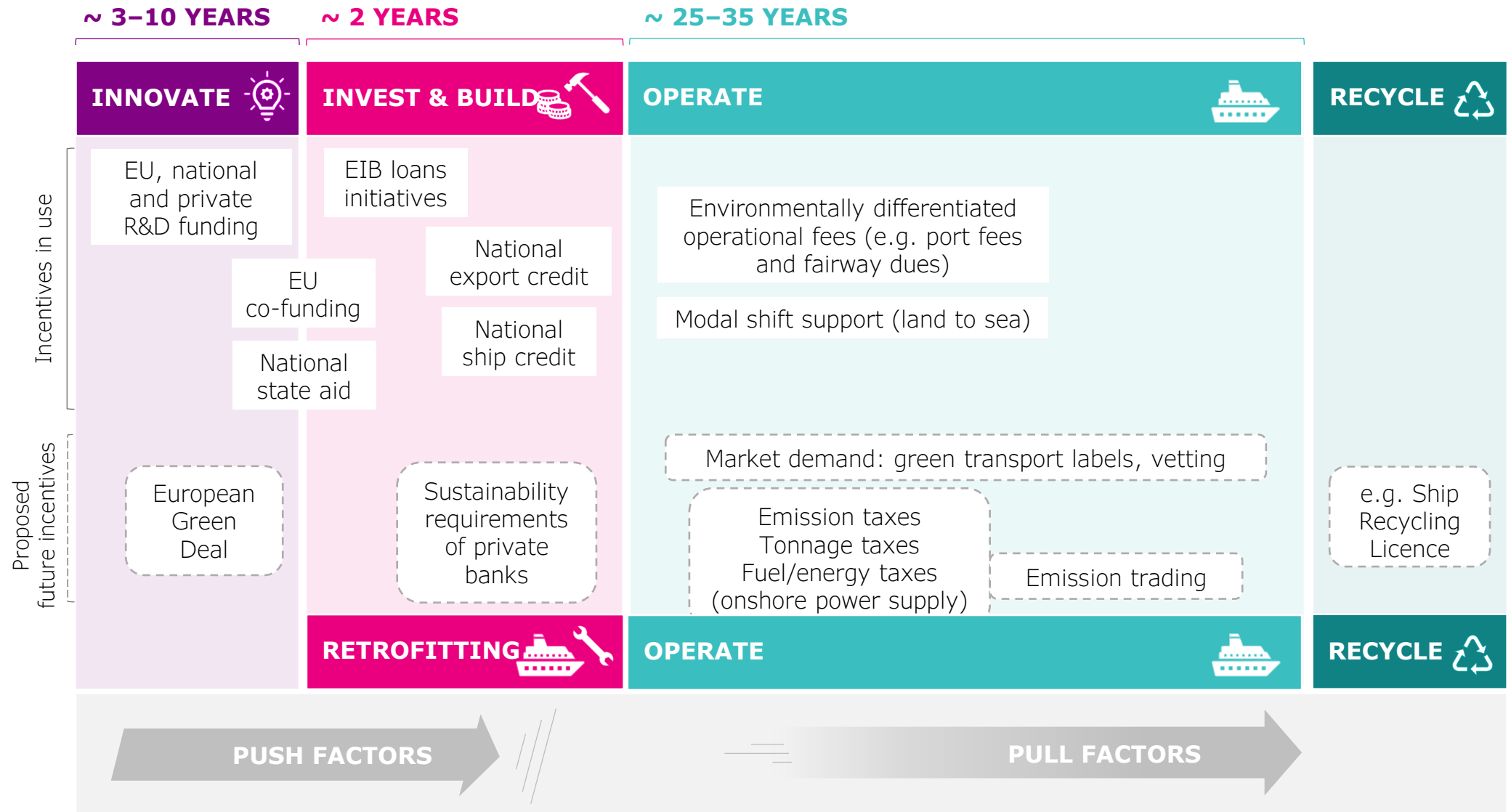
Traficom Research Reports

6/2020

# Content

- Definition for the economic incentives
- Data collection in February-March 2020
  - Literature review
  - Comprehensive overview of existing incentives
  - Questionnaire and interviews
    - National administrations
    - Shipowners
    - Shipowners' associations
- Results:
  - Results of the questionnaire and interviews
    - Incentives to promote green investments
    - Environmentally differentiated operational fees
- Next steps: recommendations by the GREEN TEAM on the basis of the results

# Economic incentives = economic rewards to accelerate green investments



# Results from the questionnaire and interviews 1/2

- The specific purpose of the report is to contribute to work within the HELCOM GREEN TEAM on the use of economic incentives in the Baltic Sea Region
- Incentives were found to promote the improvement of environmental performance of both new and existing ships
- Incentives lower the investment risk of forerunners and drive environmental investments beyond the minimum requirements of existing legislation
- The most important measures to promote green investments are related to ship financing (i.e. loans and guarantees)
- The second topic in terms of importance was co-funding instruments, including European Union (EU) funding instruments and national grants for technology investments as well as innovation.
- The third topic was environmentally motivating taxation, such as:
  - Norwegian NOx Fund
  - Tax exemptions on Onshore Power Supply (OPS) energy provided by Sweden, Germany & Denmark

# Results from the questionnaire and interviews 2/2

- Environmentally differentiated fees, including port and fairway dues, were considered less important at least for shipowners' investment decisions
- Harmonization of discount schemes of the environmentally differentiated operational fees and their application processes related to environmental indexes would improve the utilization and minimize the added administrative burden
- Both the discount schemes and the criteria for environmental indexes (ESI, CSI) should be designed in long-term to realistically promote investments in environmental performance
- Predictable and coherent systems of economic incentives were called for and it should be designed with a long-term perspective
- The findings highlight the importance of sharing of best practices and continuing the regional public private cooperation within the Baltic Sea region

# The key challenge for environmentally advanced vessels is financing

- Particularly the financing of new environmentally advanced ships is challenging for shipowners, both in terms of loans and guarantees. The recommendations for the ship financing from the responses:
  - Initiatives to increase the collateral value of the vessel used as a guarantee for a loan or allowing for longer period of loans (European banks)
  - Enabling financing from the European Investment Bank (EIB) and its Green Ship Programme for smaller companies. A relatively few banks in the region have signed agreements with the EIB, which slows access to certain financing instruments
  - Guarantees and export credit systems need to be improved. The Swedish governmentally owned bank Svenska Skeppshypotek was brought up as a good example of a national initiative
  - It was also pointed out that decisions about national export credit guarantees should be independent from where the ship is built and of a flag, later especially related to the green investments
  - New banking principles for promoting green investments are coming and should be supported
- There is a clear need to investigate and develop further ship financing options both within EU and nationally in order to ensure the implementation of environmentally friendly technology in new ships

*The current COVID-19 situation is further slowing down the investments in new vessels and green technologies*

# Possible next steps

Secure innovation funding in the future and to ensure maritime transport component in the new EU funding instruments (CEF II, Horizon Europe) and the proposed European Green Deal

Enable Onshore Power Supply tax reliefs in the region

Consider further harmonization and development of environmental indexes and discount schemes

Initiate a mechanism to regularly share up-to date information on economic incentives and best practices in the region to promote green maritime investments

Consider a regional follow-up study on economic incentives with a particular focus on ship financing

Topic	Highlight/Best Practice	Possible regional Next Steps
1. Loans and Securities for new ships	Further public initiatives enabling 15+ years loans and guarantees for building new environmentally friendly ships	Consider dedicated national and EU initiatives on long term financing for new environmentally friendly ships.
2. EU co-funding for investments	EU CEF Blending Facility call, as well as some EIB instruments, require arrangements with banks which are not in place in all countries.	Promote conclusion of agreements between EU institutions (EIB) and banks in the region.
3. National co-funding for R&D	National R&D funding is more accessible for SMEs by involving less administrative burden compared to EU projects.	If not already available, develop national R&D initiatives for green shipping including piloting and demonstrations.
4. EU co-funding for R&D	EU funding is an important catalyst of green shipping innovations.	EU member states of the Baltic Sea region could work to ensure maritime transport component of emerging new CEF, Horizon Europe as well as proposed European Green Deal related EU funding.
5. Environmental taxation	Onshore Power Supply (OPS) is currently an uneconomic alternative due to unfavourable energy taxation and not widely available	Consider promoting more favourable pricing of Onshore Power Supply (OPS) services in the Baltic Sea ports via reliefs from energy taxation. For EU member states this would indicate exemptions for OPS from the 2003 EU Energy Taxation Directive, as well as looking for more permanent solutions via ETD revisions.
	Norwegian NO <sub>x</sub> tax and NO <sub>x</sub> fund	Consider supporting proposals in the EU framework for an EU wide refundable emission payment scheme for shipping, inspired by the Norwegian approach.
6. Environmentally differentiated operational fees	Ports and fairway charges are only a minor share of the total operational costs of a ship and do not always work as an incentive for the ship builder/owner.	Consider stronger environmental differentiation of operational fees with larger discounts for the most advanced vessels.
	Harmonisation of the discount schemes on environmentally differentiated operational fees in the Baltic Sea area would be important.	Consider further harmonization and development of Environmental indexes used in awarding environmental discounts.
7. Customer demand & Green labels	Service providers are leading the way in green labelling of maritime transport but operate largely in the absence of a regulatory framework	Advance regulatory frameworks supporting and enabling increased customer demand for green transport products.
General	A compilation of economic incentives for maritime transport in the Baltic Sea is not available.	Initiate a mechanism to regularly share up-to date information on economic incentives in the Baltic Sea area. This could be a task for HELCOM GREEN TEAM or another similar arrangement.
		Consider a regional follow-up study on economic incentives with a particular focus on financing.
	Economic incentives need to be designed and applied with a long-time perspective	Consider the element of predictability and time in economic incentives for sustainable shipping in the Baltic Sea



# Recommendation for the HELCOM member states

- Secure innovation funding in the future and to ensure maritime transport component in the new EU funding instruments (CEF II, Horizon Europe) and the proposed European Green Deal
- Enable Onshore Power Supply tax reliefs in the region

## Part of the HELCOM Green team future work plan

- Consider further harmonization and development of environmental indexes and discount schemes
- Initiate a mechanism to regularly share up-to date information on economic incentives and best practices in the region to promote green maritime investment
- Consider a regional follow-up study on economic incentives with a particular focus on ship financing