cepi confederation of european paper industries

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PositionPaper

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POSITION PAPER

Sulphur limits in marine fuel: temporary exemptions and cost-efficient accompanying measures are the solutions

A new directive[1] bringing the European Union's regulation on marine fuel sulphur content in line with international requirements set out under the international maritime convention on pollution prevention known as MARPOL entered into force on 17 December 2012. The objective of this directive is to address the problem of air pollution from maritime transport by lowering sulphur emissions.

The European paper industry is **extremely concerned by the impact of these measures on competitiveness and jobs in the 13 EU Member States bordering the SECA[2], while no substantial environmental and health benefit** is to be expected because of the resulting "modal back shift" – from maritime transport to road transport. To the contrary, subsequent higher GHG emissions are expected[3] in contradiction with the EU White Paper on Transport.

In a previous position paper[4], **the European paper industry expressed its support to the International Maritime Organisation (IMO) efforts to address the problem of air pollution from maritime transport at global level by lowering sulphur emissions.** Some European paper companies have even been in the forefront to reduce voluntarily sulphur emissions since the 1990s.

Because of the lack of low sulphur fuel and technical devices that could lead to actual reduction of sulphur emissions more cost-efficiently by 2015, the implementation of these measures is expected to have a cost of **around 300 million euros for the pulp & paper industry located in the North of Europe** related to an estimated increase in shipping costs of 20-45% further to a 50-80% price increase in marine fuels. The threat on RoRo and RoPax vessels is very serious as they represent between 30% and 60% of the volumes transported from/to Finland and Sweden. The cost is expected to reach **4 billion euros for the whole economy of these countries** per year from 2015, mainly due to the substantial increase of the onshore diesel price[5]. Thousands of direct jobs will be put at risk, as well as numerous indirect jobs. These rules will, as trade barriers do, disturb substantially supply

[1] Directive 2012/33/EU of the European Parliament and of the Council of 21 November 2012 amending Council Directive 1999/32/EC as regards the sulphur content of marine fuels.
[2] The Sulphur Emission Control Area includes the Baltic Sea, North Sea and English Channel, i.e. Finland, Sweden, Norway, the Baltic States, Poland, Germany, Denmark, the Netherlands, Belgium, and to some extent United Kingdom and France.
[3] Institute of Shipping Economics and Logistics' study "Die weitere Reduzierung des Schwefelgehalts in Schiffsbrennstoffen auf 0,1% in Nord- und Ostsee im Jahr 2015: Folgen für die Schifffahrt in diesem Fahrtgebiet", September 2010.
[4] "Marine fuel: Lowering sea transport emissions requires pragmatism and flexibility", CEPI Nov. 2010.
[5] Consequences of the EU Sulphur Directive, SWECO, October 2012.

chain management and trade flows and further distort competition within the EU and with foreign countries.

The problem is the too tight time schedule and the lack of alternative solutions. Exhaust-gas cleaning system – the scrubbers - technology has improved, but so far there is only a limited number of test installations in operation and no manufacturing company can guarantee its functioning with the harsh conditions at sea. Because of technical and cost reasons, only a limited number of vessels could consider this technology as a possible solution. In the long term, LNG is among the most promising solutions from an environmental and economic aspect. That's the reason why CEPI supports the launching by the EU Commission of a Clean Fuel Strategy[6] but as technology implementation and infrastructure are proceeding relatively slowly, it won't be an option before 2020 at the earliest and only new vessels will be in a position to benefit from it by that time.

Several European countries expressed their concerns regarding the potential impact on their economy and were of the opinion that **ways to mitigate the impact of these measures should be explored, including temporary exemptions in IMO as it is the only realistic option at present.**

The EU Commission, which is conducting an impact assessment study - to be available end-2013, should help identify **pragmatic solutions to mitigate the impact on the European industry's competitiveness**. To this aim, the EU Commission's 'Toolbox' should be further developed to allow cost-efficient solutions, while a boost should be given to low sulphur fuel supply and abatement technologies. **Member States and EU Commission should indeed support investments in these areas but also in LNG infrastructure on the long term**. In the meantime, no fine should be imposed on companies by Member States.

The **set-up of a platform[7], aiming at getting expertise and recommendations of stakeholders – including industry representatives and shippers, on the implementation** of the Sulphur directive is crucial and the European paper industry can give a valuable contribution.

The EU Commission has adopted in October 2012 an ambitious **Communication on Industrial Policy** aimed at **boosting the competitiveness and output of its manufacturing sector and have its share increased to 20 percent of GDP by 2020**, up from 16 percent today.

In a context of severe economic recession, **CEPI urges Member States and EU Commission to help identify pragmatic solutions** and not penalise industrial sectors that depend heavily on maritime transport.

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[6] Proposal for a Directive on the deployment of alternative fuels infrastructure, COM(2013) 18/2.
[7] The European Commission proposed the set-up of the European Sustainable Shipping Forum.

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Note to the Editor

CEPI aisbl - The Confederation of European Paper Industries
The Confederation of European Paper Industries (CEPI) is a Brussels-based non-profit organisation regrouping the European pulp and paper industry and championing industry's achievements and the benefits of its products. Through its 18 member countries (17 European Union members plus Norway) CEPI represents some 520 pulp, paper and board producing companies across Europe, ranging from small and medium sized companies to multi-nationals, and 1000 paper mills. Together they represent 25% of world production.

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