

## Marine Fuel

### Lowering sea transport emissions requires pragmatism and flexibility

The European paper industry welcomes the International Maritime Organisation (IMO) efforts to address the problem of air pollution from maritime transport at global level by lowering sulphur emissions.

It is however of the opinion that **the introduction of more stringent requirements in terms of sulphur limit for marine fuels in the North European SECA (Sulphur Emission Control Area) within so tight a time schedule is not only unacceptable** from an economic point of view but even counterproductive from an environmental point of view.

**The IMO decision has not been actually supported by any ex-ante sustainability impact assessment analysis and any consultation of the stakeholders**, including industry and shippers, beforehand. The paper industry, like most of the economic sectors in Europe, will be significantly affected and particularly the mills based in the 13 countries bordering the SECA: Finland, Sweden, Norway, the Baltic States, Poland, Germany, Denmark, the Netherlands, Belgium, and to some extent United Kingdom and France.

From an economic point of view, this decision will lead to **a substantial cost increase for companies** who are established in the affected EU countries, but also, will put them at a competitive disadvantage versus companies located in third countries like the US, Brazil or China. Shipping costs are actually expected to increase in a range of 20 to 45 %, further to a 50 to 80% price increase of marine fuel<sup>1</sup>. As far as the paper industry is concerned, it will lead to a price increase of the products of up to 10 €/tonne. These rules will, as trade barriers do, disturb substantially supply chain management and trade flows.

Simultaneously, **the environmental benefit induced by the higher maritime transport costs will be extremely limited or even negative** because of the expected modal shift back to road<sup>2</sup> and the higher greenhouse gas emissions.

CEPI is therefore calling for **a thorough impact assessment of the IMO decision**. Further to this assessment, an alternative solution aiming at achieving emissions cuts, while limiting market distortions to a minimum and avoiding a modal back shift has to be identified at IMO level. **A coordinated approach between the EU Member States and with the EU institutions is**

<sup>1</sup> ENTEC "Study To Review Assessments Undertaken Of The Revised MARPOL Annex VI Regulations", July 2010. It compiles the findings of all the main impact assessment studies carried out to date.

<sup>2</sup> 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.



**required.** Several options have been identified by various stakeholders, such as a change of the sulphur limit to 0.5% from 2015 instead of 0.1%, the postponement of the implementation or a revocation of the Baltic Sea, North Sea and English Channel area as a SECA. **The preferred and most sustainable option is 0.5% from 2015; however postponement of the implementation of the 0.1% limit beyond 2020 (instead of 2015) could be also envisaged.** For the paper industry, the availability of low sulphur fuel at competitive price is crucial.

At EU level, **the revision of the marine fuel sulphur directive (2005/33/EC<sup>3</sup>) should be carried out with pragmatism and flexibility, especially in terms of timing.** It should aim at lower sulphur emissions but once again in a sustainable and cost-efficient way for industry and shippers. It should lead neither to modal back shift and higher greenhouse gas emissions, nor to further competition distortion within the EU Single Market or vis-à-vis non-EU countries.

**Efforts to increase low sulphur fuel supply and develop cleaner technologies should be considered as a top priority** if the sulphur emissions from maritime transport are to be reduced significantly in the near future. Combined with solutions to minimise any compliance costs, it is the only way to deliver real environmental benefit at an affordable cost.

### **Background information**

Shipping's airborne emissions are regulated in MARPOL 73/78 Annex VI (International Convention for the Prevention of Pollution from Ships). In April 2008, the IMO adopted more restrictive limit values for sulphur in marine fuel, which were confirmed on 9<sup>th</sup> October 2008. The new regulations mean that the limit value for sulphur in the Baltic Sea, the North Sea and the English Channel (so-called Sulphur Emission Control Area [SECA]) is lowered to 0.1% by weight in 2015. IMO also adopted a global limit of 0.5% in the year 2020 or, depending on fuel supply, at the latest by 2025. At present, there is no level playing field as the maximum permitted sulphur content in marine fuel is 4.5% worldwide while within the SECA the limit value of 1.0% is applicable, down from 1.5% since 1<sup>st</sup> of July 2010.

An overview of availability of low-sulphur fuel on the international market shall, nevertheless, be carried out in 2018. If it is then demonstrated that the supply of the fuel is too limited, the limit of 0.5% by weight will be deferred to 2025.

Within the EU, a proposal is being drawn up to align the applicable EU legislation in the environmental area with e.g. the decision concerning lower sulphur content in marine fuels that was adopted within the IMO in October 2008.

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#### **The European pulp and paper industry key figures:**

- It is composed of 700 companies and 1,000 mills
- It has a turnover of 71 billion Euros and a value added of 15 billion Euros
- It employs some 230,000 people directly and provides indirect employment to 1.8 million people
- It produces some 89 million tonnes of paper and 12 million tonnes of market pulp
- It represents 25% of the world production
- It exports 15 million tonnes of paper, around 17% of its production
- Some 72% of the paper and board consumed is recycled
- It is part of the Forest-Based Industries, which has a turnover of 375 billion euros, i.e. 6.5% of the European manufacturing industry's turnover

<sup>3</sup> This is the revised version of the original Directive 1999/32/EC.