



14 October 2020

WSC Response to the Public Consultation on the Revision of the EU Energy Taxation Directive (ETD)

The World Shipping Council

The World Shipping Council (WSC or the Council) is a non-profit trade association that represents the liner shipping industry, primarily operators of containerships, vehicle carriers, and roll-on/roll-off vessels. WSC members carry over 90% of the world's containerized trade and a substantial share of the world's roll-on/roll-off cargoes. WSC Member companies transport over 40 million TEUs of European export and import cargo each year or roughly two-thirds of the EU's seaborne trade by value. Roll on roll off cargo accounts for the import and export of over 6 million of light vehicles to and from the EU and over EUR10 billion worth of heavy machinery each year. WSC members' operations and investments extend also to port terminals, warehouses, truck companies and information technology systems that are critical for EU logistics and supply chains. The World Shipping Council is listed on the EU Transparency Register under number 32416571968-71.

Response

The WSC understands the resolve of the European Commission to align the Energy Tax Directive with the objectives of the EU Green Deal Strategy. The WSC is at the forefront of efforts to decarbonise the global maritime industry, including seeking that our members' efforts are supported by the most appropriate regulatory frameworks. As time is of the essence, it is imperative that regulatory measures are effective and efficient.

Transoceanic shipping is, by definition, a global business and as such the only effective and efficient way to regulate its progress towards decarbonisation is via global cooperation and related legal frameworks. This is clearly the case in respect of whether or not an EU sales tax for commercial marine fuels could be effective.

The European Commission has already provided an accurate assessment of this question in its 2019 evaluation of the Energy Taxation Directive:

Large ships can undertake very long voyages on single bunkering enabling them, without significantly adding to operational costs, to re-tank at ports with lower fuel prices. Any taxation regime for marine fuels, if not established at the international level, would likely be circumvented by a shift of bunkering operations to countries with no or lower fuel taxes.¹

In a fiercely competitive industry it is inevitable that without an identical approach at global level the removal of an EU marine fuel sales tax exemption would simply result in a shift of bunkering activities to locations outside of the EU. Multiple non-EU locations on the Baltic, Mediterranean and North Seas could fulfil this role for regional traffic, and the bunker market is global for long-haul routes. The introduction of a marine fuels sales tax in California and the subsequent and significant loss of bunker sales in California, amply demonstrates the difficulties associated with the application of a tax on the sale of marine fuel and the negative impact on the local bunkering industry.

Separately, WSC notes the Commission's efforts to accelerate the uptake of alternative fuels across the European economy, including through more favourable tax treatment. The introduction of a marine fuel sales tax would run directly counter to that objective by making the use of biofuels and other low carbon energy sources less financially viable to an industry sector that is 'Hard to Abate' and that could provide a very substantial market for their development. For this reason, WSC urges the European Commission not to propose to remove the sales tax exemption for marine fuels.

Finally, the consultation raises the question of using Shore Side Electricity to reduce the environmental impact of ships using fossil fuels while in port. WSC does not support a mandatory requirement for the use of shore side electricity; instead, strategies for tackling emissions at berth should be considered alongside overall strategies for reducing and eliminating emissions from shipping in all phases of operations.

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¹ COMMISSION STAFF WORKING DOCUMENT EVALUATION of the Council Directive 2003/96/EC of 27 October 2003 https://ec.europa.eu/energy/topics/markets-and-consumers/energy-taxation_en