

FEPORT Response to the public consultation regarding the evaluation of the Alternative Fuels Infrastructure Directive

FEPORT, the European organization representing 1265 Private Port Companies and Terminals carrying out cargo handling and logistics related operations in EU ports, welcomes the opportunity to provide its comments regarding the ongoing public consultation concerning the evaluation of the Alternative Fuels Infrastructure (AFI) Directive.

The AFI Directive is an important piece of legislation for FEPORT members as the construction of infrastructure for alternative fuels and power supplies impacts terminal operations, for instance, when works need to be carried out on the terminal. Furthermore, the presence of such infrastructure has consequences for the management of space and operations.

FEPORT members subscribe to the objectives of the Green Deal and look forward to having constructive dialogue with EU policy makers regarding all initiatives that will be part of the EU strategy for a sustainable transport sector.

With respect to the reduction of Greenhouse Emissions, FEPORT members have already met, several years ago, the reduction targets for 2020. They will continue to be committed to reduce the environmental footprint of their operations.

Private port companies and terminals also have a keen interest in a sustainable supply chain whereby other parts of the (maritime) logistics chain play their part in the decarbonization of transport as well.

Proposals and reviews such as ReFuel EU Maritime, the AFI Directive and the Energy Taxation Directive tackle important topics with respect to decarbonization and will hopefully allow thorough discussions about supply, demand and price of alternative fuels and power supplies. Economic and social implications of the different initiatives must also not be overlooked.

With respect to the revision of the AFI Directive, FEPORT recommends that the following principles are taken into consideration

1) Technology neutrality to foster innovation and prevent stranded assets

FEPORT supports the AFI Directive's goal to facilitate the uptake of energy sources such as LNG and Onshore Power Supply (OPS). However, it is of utmost importance to evaluate the best available sources both in terms of energy efficiency as well as in economic terms. For instance, alternative maritime power (for ships) can be delivered in many forms both from the shore, from other ships or as part of the ship's infrastructure.

For example, zero or ultra-low emission ships' generators may provide a more sustainable solution than potentially higher emission electricity generation (e.g from coal-fired plants), which are solutions some Member States are currently investing in.

This is why it is crucial that research and innovation by the maritime technology sector into other new, cleaner, alternative fuel solutions remains a priority. It is also essential to allocate sufficient funding to allow for the deployment of these new solutions.

It must be possible to tailor the implementation of any infrastructure that may be required at a later stage to meet demand. The regulatory framework should not prescribe technologies conceived for the needs of certain ship sizes, but which are unsuitable for other ships and therefore more costly than necessary.

A revised AFI Directive should be technology neutral and allow for the incorporation of different (future) solutions aside from LNG and OPS.

2) Recognize the role of LNG as a transitional fuel

LNG was assigned an important role in the AFI Directive with article 6(1) providing that *"Member States shall ensure, by means of their national policy frameworks, that an appropriate number of refuelling points for LNG are put in place at maritime ports, to enable LNG inland waterway vessels or seagoing ships to circulate throughout the TEN-T Core Network by 31 December 2025."*

Yet, in the context of the debate on the revision of the Energy Taxation Directive, some voices call for the abolishment of all fossil fuel subsidies.

FEPORT calls to maintain existing tax exemptions for LNG under the Energy Taxation Directive. Based on the AFI Directive adopted in 2014, investments have been made in LNG infrastructure in ports. So while it is crucial to undertake research into the use of cleaner alternative fuels, it would still make sense to consider that on the short- or medium term, LNG remains one of the cleanest available energy sources.

The recognition of LNG as a transitional solution should be materialized in the provisions of the revised Energy Taxation Directive as well as the AFI Directive.

3) Ensure that the uptake of OPS is based on a viable return on investment for port stakeholders

Concerning the provision of shore-side electricity, article 4(5) of the AFI Directive holds that *“shore-side electricity supply shall be installed as a priority in ports of the TEN-T Core Network, and in other ports, by 31 December 2025, unless there is no demand and the costs are disproportionate to the benefits, including environmental benefits.”*

This provision should be maintained, but should also be seen in relation to our first consideration regarding technological neutrality, as OPS may not be per se the best solution in all situations.

Yet, when port authorities or terminal operators invest in OPS facilities, they need a guarantee that such investments are commercially viable and that the available infrastructure will be actually used.

To date, there are still relatively few ships able to accept OPS. Measures to encourage the uptake of OPS should, therefore, rather focus on increasing demand or reducing its price instead of calling for more investments in ports without any guarantee that OPS will be used by ships.

4) Focus on increasing the demand for shore-side electricity through the ReFuel EU Maritime initiative

FEPOR believes that, in order to prevent stranded investments in alternative fuel infrastructure, it is important to stimulate the demand of alternative fuels and energy sources.

In that regard, we acknowledge the underlying aim of the ReFuel EU Maritime initiative to accelerate the uptake of alternative shipping fuels by focusing on the demand side can help in that respect.

5) Allow for a tax exemption for OPS and other clean energy sources

As mentioned in our response to the proposed roadmap on ReFuel EU Maritime, FEPOR is in favor of a permanent tax exemption for OPS under a revised Energy Taxation Directive.

Currently, such an exemption can only be provided on a temporary basis if Member States accept to apply specific tax treatment.

To make OPS more attractive to shipping, a permanent tax exemption should be granted to OPS in the context of the revision of the Energy Taxation Directive.

To provide legal certainty to Member States in this respect, the Commission should explicitly mention that possible tax incentives both for the use of alternative fuels with lower emissions as well as for the use of shore-side electricity by ships, do not constitute aids but can be important elements of the clean fuels strategy.

Following the principle of technological neutrality, such a permanent tax exemption should also be granted to any other green alternative fuel or energy supply that could become deployable in the future.

6) Concluding remarks

FEPORT members acknowledge that ports and terminals can play an important role in the decarbonization of shipping by providing the right infrastructure. However, it is important to recognize that the provision of alternative fuel infrastructure is a commercial service and only feasible if there is sufficient demand and under the guarantee that the facilities provided for will be really used.

It is essential that regulators refrain from imposing legal obligations regarding the provision of infrastructure without stimulating demand, for example, through tax exemptions for clean energy sources.

Another principle that is key to consider in the framework of the revision of the AFI Directive is technological neutrality. The provision of other green energy sources aside LNG and OPS should indeed be considered and the current role of LNG as a transitional fuel recognized.