

ETA 56th Annual Meeting, 5th-7th of June 2019  
Four Seasons Hotel, Limassol

**CHALLENGES AND TRENDS IN PORTS AND SHIPPING**

Mr. Reginos P. Tsanos  
Chairman - RPT Group

Your Excellency Deputy Minister of Shipping  
Dear Conference Organisers,  
Ladies and Gentlemen,

On behalf of Vassiliko Terminal Services (VTS) and from the RPT Group, one of the main shareholders along with Hadjihannas Group it is a great pleasure for me to address this Conference on the occasion of the 56th Annual Meeting of the European Tugowners Association. The aim of the Conference is to dialogue with key stakeholders in the maritime and shipping sector so as to identify what the current trends are and how these are looking for the future.

VTS is a leading provider of marine services at private and state-run ports and terminals in Cyprus, as well off-port limits, with over 2000 marine movements performed on an annual basis. Since its establishment in 2014, VTS, has become an integral component of the maritime sector, and in particular port operations, employing a team of highly experienced personnel, and setting the highest standards of service provision 24/7, 365 days a year. Following the signature of exclusive service contracts, VTS is currently the sole provider of marine services at the port of Vasilikos and the VTTV Oil Terminal Jetty. Moreover, due to the heavy traffic in the seas around Cyprus, VTS also provides services for Ship-to-Ship Operations, as well as at Larnaca and Limassol ports. At present, VTS operates three brand new tugboats the latest one delivered this year built by Damen Shipyards, unique to Cyprus and the region. Building on the synergies within the RPT Group, the company can also call upon vessels, equipment and infrastructure to perform its services to the highest international standards.

For us, the implementation of the recent decision by the Cyprus Government to proceed with the Commercialisation Programme of Limassol Port, has already started to show signs of an enhanced operational autonomy at enterprise level and evolve a more results-oriented and accountable management, based on performance contracts. This will lead to prudent management and to the elimination of bureaucratic bottlenecks and political interference through clear role definitions between the supervising Ministry, the Board of Directors and the Management of public enterprises. Nevertheless, whilst we have supported in principle the Government's decision to proceed with such a Commercialisation programme, we always reiterated that, certain prerequisites had to be maintained, such as, the safeguarding of the employees' rights and the competitiveness of the port.

Undoubtedly, the Commercialisation of Limassol Port marked the beginning of a "New Era" for the port and the city of Limassol itself. The three concession parts: a) Container Terminal, b) Marine Services; and c) Multi-purpose Terminal, cover the multi-functionality of the port in terms of cargo and container movement, passenger traffic and support services to the offshore oil and gas industry. We are therefore, optimistic that the concessions system will facilitate the Limassol Port's efforts to regain its place as an important maritime hub in the region. This will also contribute to the further growth of Limassol's shipping and maritime cluster with a vibrant business community, led by the shipping industry, and an increasingly attractive tourist destination.

It is our opinion that, the Commercialisation Programme and a series of upgrade projects, gives a new dimension to Limassol Port. Such processes and measures, will create investment and trade opportunities not only for Cyprus but also for Europe in general. It will also improve accessibility to EU and other markets, boost the competitiveness of Cyprus' economy and create jobs.

**However, in recent years, we have witnessed different trends in shipping and port operations and that is due to a number of factors, which include inter alia, the global growth downturn,**

**increased protectionism, excess capacity in the market, trade wars and regulation.**

Eleven years after the beginning of the major shipping downturn which followed the 2008 financial crisis, the industry continues to struggle with serious overcapacity. The reasons for this chronic overcapacity are complex. Much tonnage was ordered when freight rates hit their peak before 2008. But the problem has been extended due to the reluctance of many lenders to accept the dramatic impact on their balance sheets of uneconomic ships being sent for early recycling before their loans have been fully repaid.

The fact that there has been a seven fold increase in import-restrictive trade measures since 2017 does not make things any better. 137 new trade-restrictive measures were put in place between 2017 and 2018 which have added significant burden and cost to the free movement of goods. Fresh uncertainty was added in March 2018 with the announcement by President Trump of his intention to impose tariffs on steel and aluminium imports and – in response to immediate threats by the EU and China to apply retaliatory measures.

**Now whether this war of words between the U.S. and its major trading partners will develop into a genuine trade war, that could have damaging impacts on shipping markets, and the extend of this impact remains to be seen.** The good news is that a number of important regulatory uncertainties which refer to when is best to dispose of older ships are finally being resolved.

This includes the entry into force of the IMO Ballast Water Management Convention in September 2017 and the clarity at last provided by IMO with regard to its implementation dates. And while the precise cost of compliance with the IMO sulphur regulations is still unknown, the situation should become clearer after January 2020 now that IMO has **confirmed that the implementation date of the global Sulphur Cap is irrevocable.**

**As far as Cyprus is concerned, there is also an additional burden to overcome, namely, the effects of the Turkish Embargo on Cyprus ships. We are confident, however, that the implementation of the EU – Turkey Customs Union Agreement and the extension of the**

**additional protocol to Cyprus will lead to the lifting of the Turkish restrictions against Cyprus, as well as EU shipping with very positive economic effects for Cyprus, EU and regional shipping.**

It is evident that the afore-mentioned factors affect shipping operations and in turn port operations as well. Ports have to implement specific policies in order to adapt to a new and most challenging era. But the main challenge remains to be **the over-Regulation.**

To focus on Cyprus, being a full member of the European Union, we have an obligation to enforce the EU Acquis on a regional level, irrespective of the fact that it is our long-standing position that any regulatory frameworks with regard to Shipping must be regulated by the International Maritime Organisation (IMO) in order to maintain a level playing field for such a globalised industry.

Most recently, discussions have been held at EU level in relation to port optimisation and efficiency and the establishment of good practices in order to counter-balance the effects of the factors mentioned above. Amongst others, a few of the matters currently being considered is

- 1) the systemic evaluation of air quality in ports) and
- 2) ports as energy hubs

Another important aspect being discussed nowadays **is the barriers that exist for ports in respect of alternative fuel deployment.** We are therefore of the opinion that, the development of any standards for connectivity must comply with the internationally agreed common standards. We also believe that sufficient funding programs are necessary that would ultimately allow the deployment of the much needed alternative fuel infrastructure are necessary. This will result in the need of required port developments and investments for emission neutral infrastructure, to absorb the impact of alternative fuels on ports services, and for the safety aspect. This is in line with Ports' responsibility for providing safe and efficient bunkering of all alternative fuels.

**Our Group, through its participation in the Poseidon Med II project, funded by the European Union, is leading efforts along with the Cyprus Ports Authority and other stakeholders in developing a roadmap for the establishment of an LNG bunkering network in the East Med. However, there is the small issue of**

project financing, and under whose jurisdiction this financing should fall under. If we are to judge the shipping industry on its reaction to IMO 2020 and the move towards compliant fuel, the demand for the development of LNG bunkering facilities in certain regions/continents may take sometime to come to the fore.

Risk awareness in port areas and strategies for dissemination of information in emergency plans, as well as defining control measures for different alternative fuels for intermediate storage, bunkering, handling, small-scale infrastructure is also on the agenda. Cyprus is closely monitoring these developments through its participation at the European Community Shipowners' Associations (ECSA) promoting the positions of our local industry.

**Decarbonisation** is another "mission" of our industry which would definitely lead to introducing common classification criteria for vessels in order to encourage the greening of maritime (shipping) operations. The aim is to reflect and propose principles on voluntary port environmental charging schemes with the aim of improving the effectiveness

**But what are the expectations/needs of ports as regards the common classification criteria for vessels?**

**Maybe, the evaluation of Port-side measures/incentives given by ports, or maybe voluntary differentiated charges to encourage less polluting ships?**

**Common criteria in all European ports or a common environmental scheme throughout European ports.**

**Exchange of best practices between ports as regards slot allocation policy?**

**Port call optimisation or vessel speed optimisation reduction schemes?**

**Ports communication/efficiency improvements?**

**Whatever the outcome of these discussions, fact remains that ports should ensure their readiness to comply and implement.**

Furthermore, there is the issue of the reduction of discharges of waste from ships at sea/marine litter from ships. The aim is to promote circular

economy in the port context by improving waste management through a sustainable/integrated waste and water management system. The development of the 'Green Ship' scheme to be developed under the new **PRF Directive** will provide a leading role to the ports but also important challenges in its implementation.

**Improving the incentives for Ports and Terminals to make port reception facilities available for receiving non-HME (hazardous material to the environment) cargo residues contained in hold washing water, Looking into the possibility for port reception facilities for scrubber sludge and examining whether ports receive the waste from exhaust gas cleaning systems( EGCS), are a number of these challenges that must be assessed carefully so as to come up with a realistic and viable solution.**

The use of (**exhaust gas cleaning systems**) EGCS is a pure commercial decision and is up to each company to decide if they wish to utilize this technology as an equivalent compliance with the 2020 Sulphur Cap. Nevertheless, we believe that harmonized requirements for EGCS wash water discharges would be beneficial.

If a study is to be carried out it shall be realistic and include projections on the installation and/or retrofitting of open-loop EGCS. However, it is recognised that regardless of an IMO study and/or further regulations, **coastal States have the right to impose more stringent environmental regulations within their territorial waters.**

We should also be reminded that, the IMO's Marine Environment Protection Committee (MEPC) in April 2018 adopted the initial strategy on the reduction of **Greenhouse Gas (GHG)** emissions from ships (the initial IMO strategy). The vision of the initial IMO strategy is to reduce GHG emissions from international shipping and phase them out, as soon as possible in this century. **Cyprus`through the Cyprus Shipping Chamber**, is actively involved in the deliberations on the development of the Industry's CO2 emissions reductions policies and proposals both through the International Chamber of Shipping and through participation at the IMO MEPC meetings

Cyprus considering always the absolute current dependence of the Industry on fossil fuels, supports the adoption of realistic and achievable measures that will be effective, Promote innovation and adoption of GHG

reducing technologies, Be implementable, Avoid penalising early movers and Minimise negative impacts on Member States and global trade.

**Digitalisation** will also play an important role in the successful adaptation of new regulations by ports. Around the world, the digitalisation of the transport and logistics sectors is quickly picking up speed. There are all sorts of new technologies, new players, new alliances and new business models. Many of these digital developments focus on lowering transaction costs and search times during the cargo booking process, optimising the port operations of all nautical service providers, increasing the reliability of bookings and visualising status updates on cargo and vessels. On an EU level, something which will ultimately affect Cyprus Ports, is the European Maritime Single Window environment will address the issue of numerous, non-harmonised reporting obligations by linking the existing national maritime single windows together in a coordinated and harmonised way. The reform will improve inter-operability between various systems, making it much easier to share and reuse data. **We are therefore, in favour of this initiative as this streamlined and digitalised reporting system will improve the competitiveness of the shipping sector compared to other means of transport and optimise port operations.**

**Ladies and Gentlemen,**

Amidst these current developments which affect international shipping and port operations, although prospects for seaborne trade are positive, Caution would be advisable, given the uncertainty surrounding the sustainability of the recovery and related implications for shipping.

Much of the uncertainty derives from a combination of geopolitical, economic and trade policy risks and structural shifts such as the rebalancing of the Chinese economy, slower growth of global value chains and changes in the global energy mix.

This is further amplified by the emergence of new trends, notably digitalization, which could alter the face of global shipping and redefine seaborne trade flows and patterns.

How these factors will evolve and the extent to which they will support or derail the recovery in seaborne trade, remains unclear. What is clear is that they will require further monitoring and assessment

We all understand and realize that we have some interesting and complex challenges ahead of us and as the audience refers to Tug Boat Operations we need to be in Line with developments and Pro active in our future decisions and investment Strategies for our Fleets.

Being here today and being able to address you all gives me a sense of comfort realizing that we are all facing the same challenges and none of us are facing them alone.

Thanking you for being here and a bigger Thank you for having the patience to listen to me.

Wish you a a pleasant time for the rest the Summit events.