

Emissions Trading System



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Annual General Meeting in the Danish city of Helsingør JUNE 13TH 2024
European Tugowners Association





EMISSIONS TRADING SYSTEM

- ❑ **INTERNATIONAL MARITIME CONTEXT**
 - ALGECIRAS PORT HUB
 - FIT FOR 55
 - ETS DISTORTIONS

- ❑ **REGULATORY IMPACT ASSESSMENT**
 - SHARED PROBLEM
 - DIFFERENT IMPACT
 - IMPLEMENTATION

- ❑ **ACTION TAKEN**
 - OBSERVATORY

- ❑ **CURRENT SITUATION**
 - RED SEA CRISIS
 - IMO

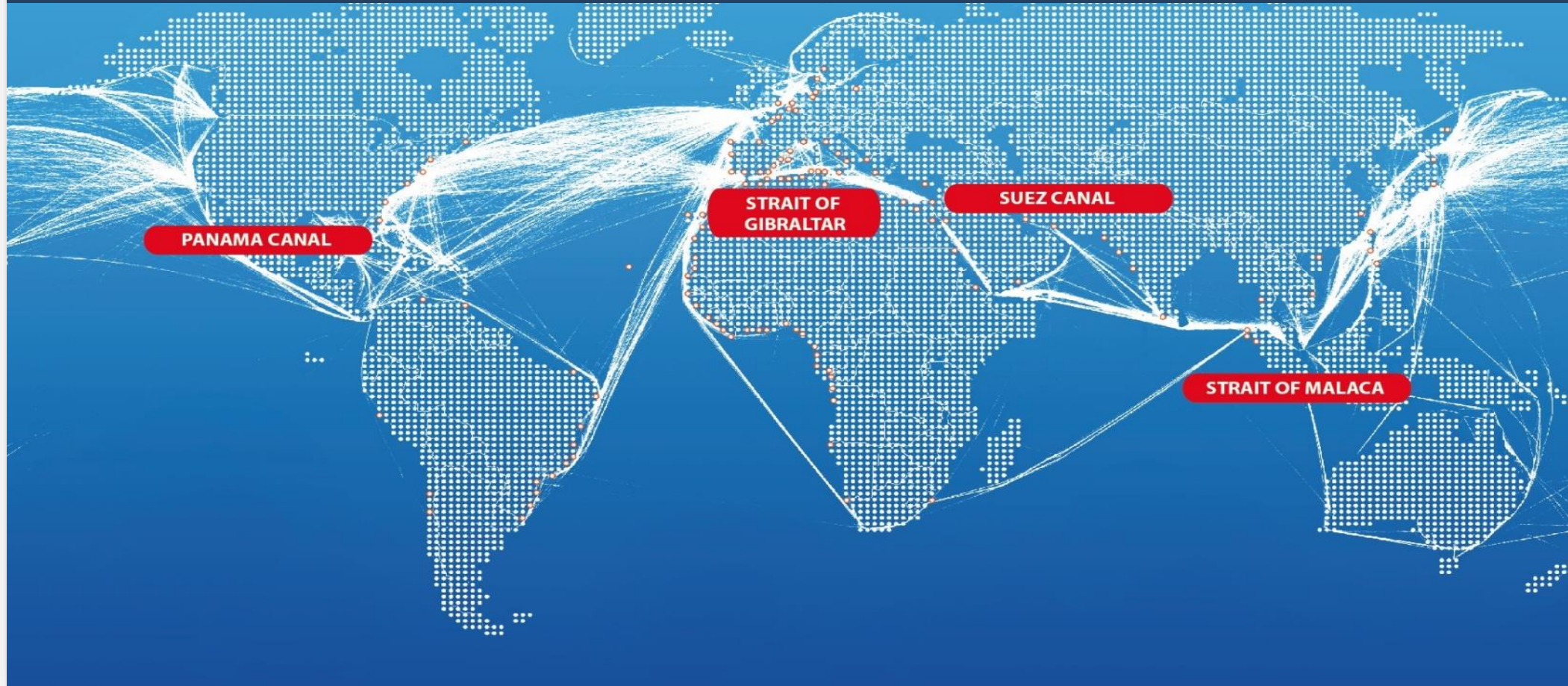




INTERNATIONAL MARITIME CONTEXT

- **ALGECIRAS PORT, MARITIME HUB**
- **FIT FOR 55**
- **ETS DISTORTIONS**

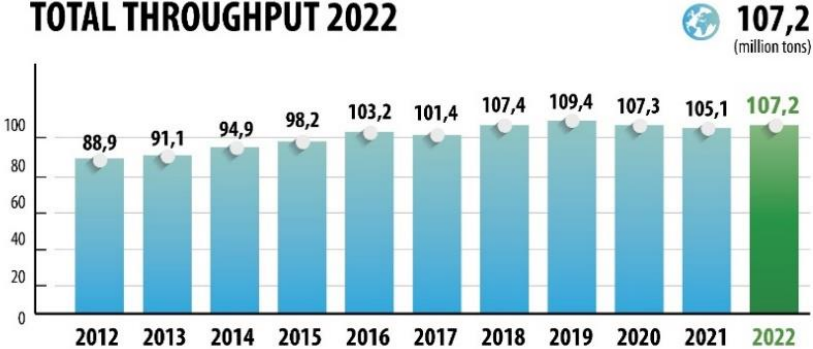
ALGECIRAS PORT, MARITIME HUB



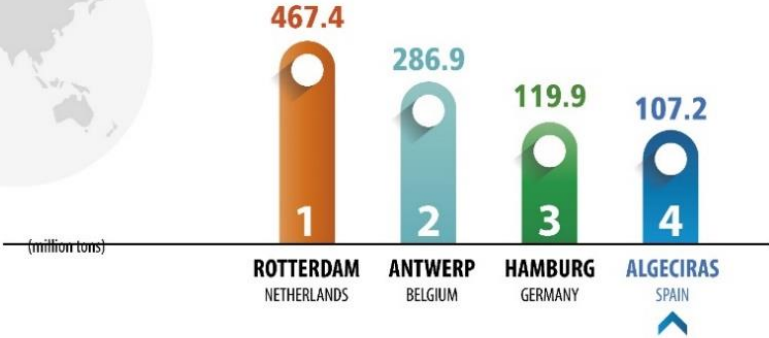
ALGECIRAS PORT, MARITIME HUB



TOTAL THROUGHPUT 2022

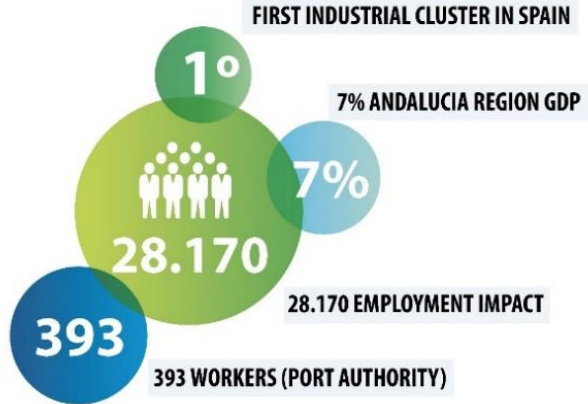


EU TOP FOUR TOTAL CARGO 2022



- 107,2 (million tons) **TOTAL TRAFFIC**
- 4,7 (million teus)
- 27 (million tons) **LIQUID BULK (OIL)**
- 3,8 (million tons) **BUNKER SUPPLY**
LEADING THE MEDITERRANEAN MARKET 2022
- 5,5 (passengers) **RO/PAX TRAFFIC**
- 463.434 (Industrial Trucks) **RO/RO TRAFFIC**

> FACTS





FIT FOR 55



537 Europe must reduce emissions from transport further and faster.

01 ETD MARITIME	02 AFIR	03 EU ETS	04 FUEL EU
<p>With the new Energy Tax Directive, tax exemptions for marine fuels are partially ended.</p> <p>Fuels sold in the European Economic Area, for trips within the EEA, will no longer be exempt from taxes</p>	<p>Boosting the expansion of LNG and shore power supply facilities in the main ports of the EU.</p> <p>The former Alternative Fuel Infrastructure Directive becomes a Regulation</p>	<p>Maritime transport is incorporated into the EU Emission Trade System.</p> <p>Ships are responsible for 100% of their CO2 emissions in and between EU ports, and 50% when entering or leaving the EU.</p> <p>They should pay according to the carbon market price of each moment (€/CO2 Ton)</p>	<p>It will promote the adoption of low-emission fuels by imposing limits on the carbon intensity of fuels on board ships.</p> <p>Same scope of action as ETS, although the levels of carbon intensity of fuels reduction will increase progressively in a different way (2% 2025, -6% 2030, 75% in 2050).</p>



EU ETS DISTORTIONS

🌀 Main issue: carbon leakage.



🌀 Creation of carbon/tax havens in non-EU ports. New Routes.



🌀 Less activity in EU ports, fewer jobs.



🌀 Fewer port calls, less transshipment:

🌀 Reduced connectivity.



🌀 Less competitiveness for the European industry.



🌀 Finally, loss of security and control of the European logistics chain.



🌀 Less Investments in european Terminals



REGULATORY IMPACT ASSESSMENT

- SHARED PROBLEM
- DIFFERENT IMPACT
- IMPLEMENTATION



Última actualización del ETS

- **The Maritime Emissions Trading System (ETS) will apply to all cargo ships and passenger ships over 5,000 TB.**
- **100% of the emissions of the intra-European routes, 100% of those made while in port and 50% of the extra-European routes will be covered.**
- **Gradual application between 2024 and 2026. emissions to be paid each year: 40% in 2024, 70% in 2025 and 100% in 2026.**
- **Control is extended to methane (CH₄) and nitrous oxides (N₂O) from 2026**
- **In 2026, the inclusion of vessels from 400TB will be reviewed. And Offshore Service Vessels over 5000 TB will be included from 2027.**
- **It includes the measure to redefine the "port of call" to avoid carbon leakage, considering "transparent" non-European ports with more than 65% transshipment activity and located less than 300 miles away.**
- **If the IMO does not implement measures by 2028, an assessment of the impact of the directive will be carried out.**



ETS-SHARED PROBLEM



Share of total EU Greenhouse Gas (GHG) emissions, per mode

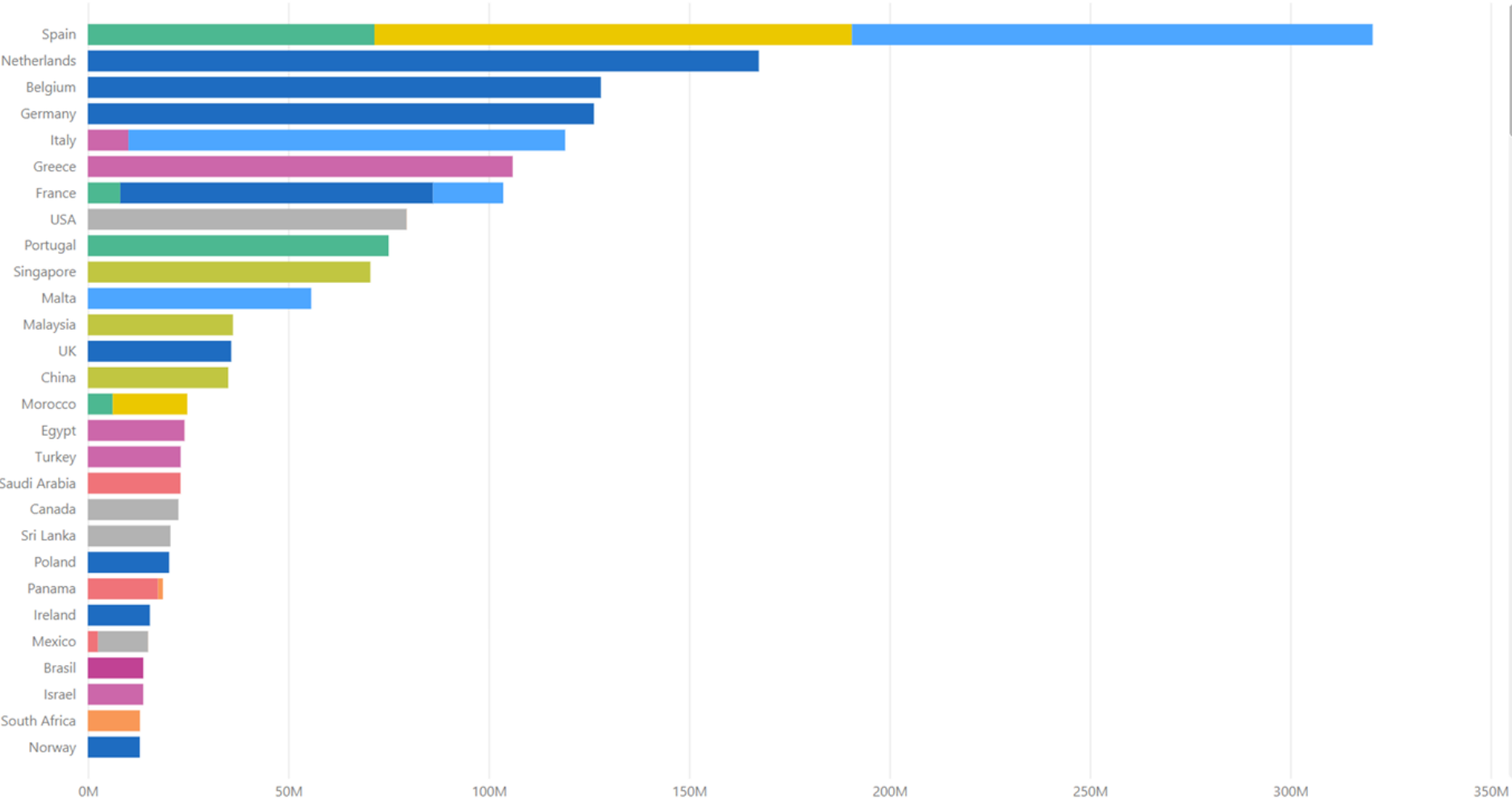


ETS DIFFERENT IMPACT ON PORTS

[Back to report](#)

€ ETS BY COUNTRY AND ZONE

zone ● ARTIC ● ASIA ● ATLANTIC ● BLACK SEA ● CARIBE ● EAST AFRI... ● EAST MED ● GIBRALTAR ● INDIA ● MIDDLE E... ● NA ATLAN... ● NA PACIFIC ● NORTH EU... ● OCEANIA ● SA ATLAN... ● SA PACIFIC ● SOUTH AF... ● WEST AFRI... ● WEST MED



ETS - IMPLEMENTATION

EU ETS Extension to Maritime Transport Introduction Timeline



*Ships already covered today by the EU MRV regulation

Under MRV scope

Under MRV and EU ETS scope

ETS - IMPLEMENTATION

The impact on competitiveness is most pronounced when EEA ports can be avoided entirely by non-EEA transshipment port, meaning no exposure to the EU ETS or FuelEU.

On a commercial route from Singapore to Rotterdam with non-EEA transfer: "The economic difference between an operation through Gioia Tauro and Port Said or Tangier can reach the €700 million per year.



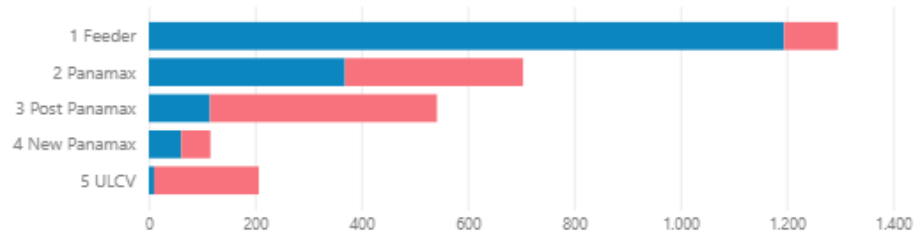
SOURCE: Lloyd's Register - Managing compliance and optimising operations under the EU's new regime



ETS – IMPLEMENTATION IN DATA ANALYSIS

LEAK CALLS

● keep CALLS ● leak CALLS



2,8 mill.

CO2-ETS

1.115

leak CALLS

39 %

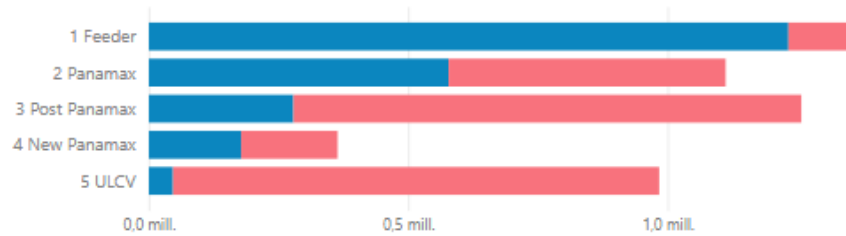
ALG leak calls%

80 €

etsprice

LEAK TEUs

● keep TEU ● leak TEU



2.757.633

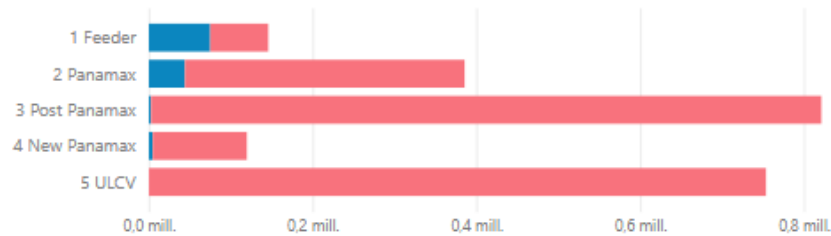
leak TEUs

54 %

leak TEUs%

LEAK CO2 t

● ALG keep CO2 ● ALG leak CO2



2.099.341

leak CO2 t

76 %

leak co2%

- Carbon leakage not properly addressed in the Directive.
- Lost port calls of larger vessels that operate longer routes.
- Cascade effect.

ETS – IMPLEMENTATION Case Singapore-Algeciras-Dunkerke

(23 services per year)



Total ETS extra cost of calling Algeciras :

338.745 €

equivalent to a fuel cost increase of 20%

Vessel : CMA CGM Louis Bleriot [20.954 TEU]

Emissions: 1.027 CO2 kg / nautical mile

Leg: **Jurong, SG -> Algeciras,ES**

Distance: 6.956 nm Emissions: 7.143 t CO2

Cost ALG: 80 €/t * 7.143 t * 0,5 = 285.752 €

Cost TGM: 80 €/t * 7.143 t * 0 = 0 €

Leg: **Algeciras,ES -> Dunkerke, FR**

Distance: 1.290 nm Emissions: 1.324 t CO2

Cost ALG: 80 €/t * 1.324 t * 1 = 105.988 €

Cost TGM: 80 €/t * 1.324 t * 0.5 = 52.993 €

Thanks to the measure, that is not enough, the extra cost is considerably reduced

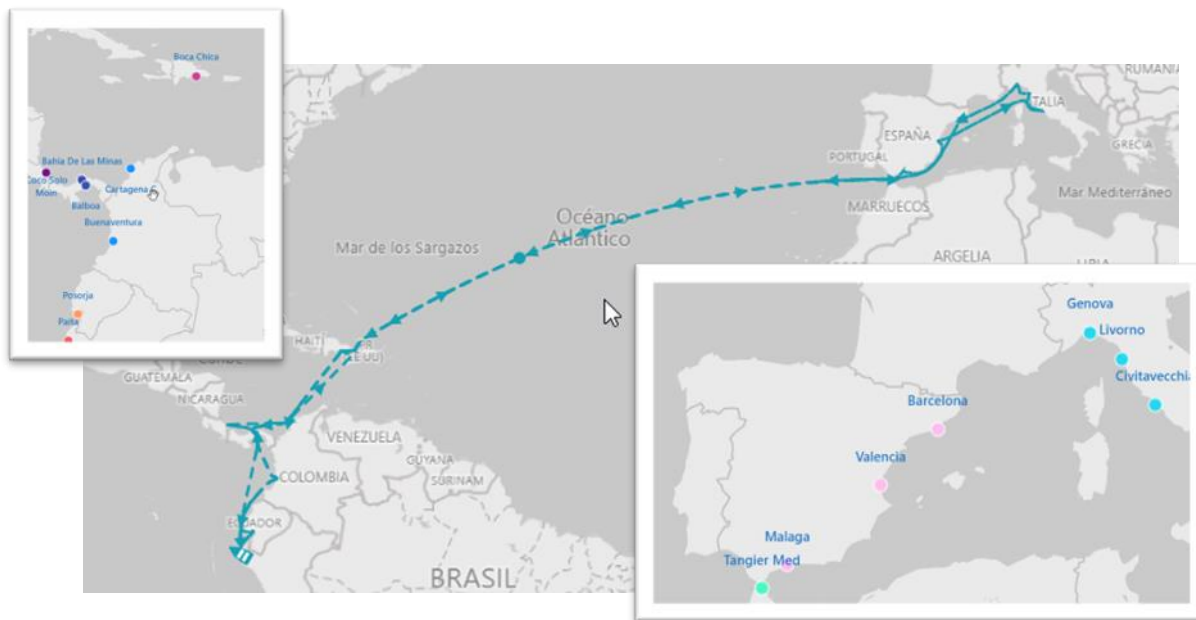
start	hr	country	portname	next_port	Sum of next_leg	
20/08/23	16.36	12	Germany	Wilhelmshaven	Rotterdam	275
17/08/23	20.37	16	Germany	Hamburg	Wilhelmshaven	160
13/08/23	20.37	16	France	Le Havre	Hamburg	511
10/08/23	08.36	4	France	Dunkerque	Le Havre	163
06/08/23	08.36	4	Spain	Algeciras	Dunkerque	1,290
18/07/23	12.36	20	Singapore	Jurong	Algeciras	6,946
13/07/23	08.36	20	China	Yantian	Jurong	1,459
08/07/23	00.36	12	China	Daxi Island (Ningbo)	Yantian	818
03/07/23	04.39	48	China	Ningbo	Daxi Island (Ningbo)	144
28/06/23	20.36	40	South Korea	Busan	Ningbo	498
Total						12,265

Total ETS extra cost of calling Algeciras :

52.993 €

equivalent to a fuel cost increase of 3,5%

ETS – IMPLEMENTATION Case Caribe – West Med



Hapag Lloyds
weekly service



Vessel : **AS CARELIA [2.700 TEU]**

Emissions: 476 CO₂ kg / nautical mile

Leg: **Cartagena, CL -> Tanger Med**

Distance: 4.109 nm Emissions: 1.955 t CO₂

Cost TGM : 80 €/t * 1.955 t * 0,5 = 79,800 € - as is

Cost TGM: 0 € - return from TGM

Alternative: New route: the service ends in Tanger Med and returns to Caribe. Cargo to and from Med ports is transshipped in Tanger

Better vessel rotation and 79.800 € ETS savings per trip might compensate cost of new feeder activity

Services might be optimized for ETS savings: neighbor ports would become European hubs distributing transoceanic cargos while European ports extend lead times and loose connectivity

start	hr	country	portname	next_port	Sum of next_leg	
07/10/23	17.36	12	Colombia	Cartagena C	Coco Solo	275
04/10/23	05.36	8	Dominicana	Boca Chica	Cartagena C	622
20/09/23	17.36	20	Spain	Barcelona	Boca Chica	4,072
19/09/23	05.37	8	Italy	Genova	Barcelona	357
17/09/23	17.36	20	Italy	Livorno	Genova	97
16/09/23	17.36	4	Italy	Civitavecchia	Livorno	153
14/09/23	05.47	8	Spain	Valencia	Civitavecchia	611
12/09/23	21.36	4	Spain	Malaga	Valencia	344
11/09/23	21.36	12	Morocco	Tangier Med	Malaga	74
31/08/23	21.36	4	Colombia	Cartagena C	Tangier Med	4,109



ACTIONS TAKEN AND STEPS FORWARD

- OBSERVATORY



ETS – IMPLEMENTATION



ETS Directive including maritime transport.

2005



2021

European Commission presented 'Fit for 55' to reform EU climate and energy policy, including the EU ETS

2023

1. New meetings with DG CLIMA and Members of the European Parliament underline the need to accelerate monitoring of this regulation.
2. The working group led by APBA begins to create the Emissions Observatory along with the Ports of Valencia and Barcelona.

2024
ETS starts

September 2020

Released in 2005, the EU ETS is currently in its fourth phase (2021-2030).

2022 Apuntes a la normativa

January 2022: Impact Assessment and Monitoring

2nd European Commission Public Consultation
List of non-European ports:

1. APBA Demands Monitoring of Transparent Ports and Shipping Line Relocation.
2. Monitoring the Future Impacts of the ETS in the Mediterranean.
3. Proposal for Improved Regulation

Moratorium & ETS Working Group

1. A moratorium was requested but was not fully accepted.
2. An official letter signed by seven Southern European countries (Portugal, Spain, Italy, Croatia, Cyprus, Malta, and Greece) was shared with the European Transport Council on December 3, 2023.
3. ESPO requests a meeting with DG CLIMA on 12.12.23.

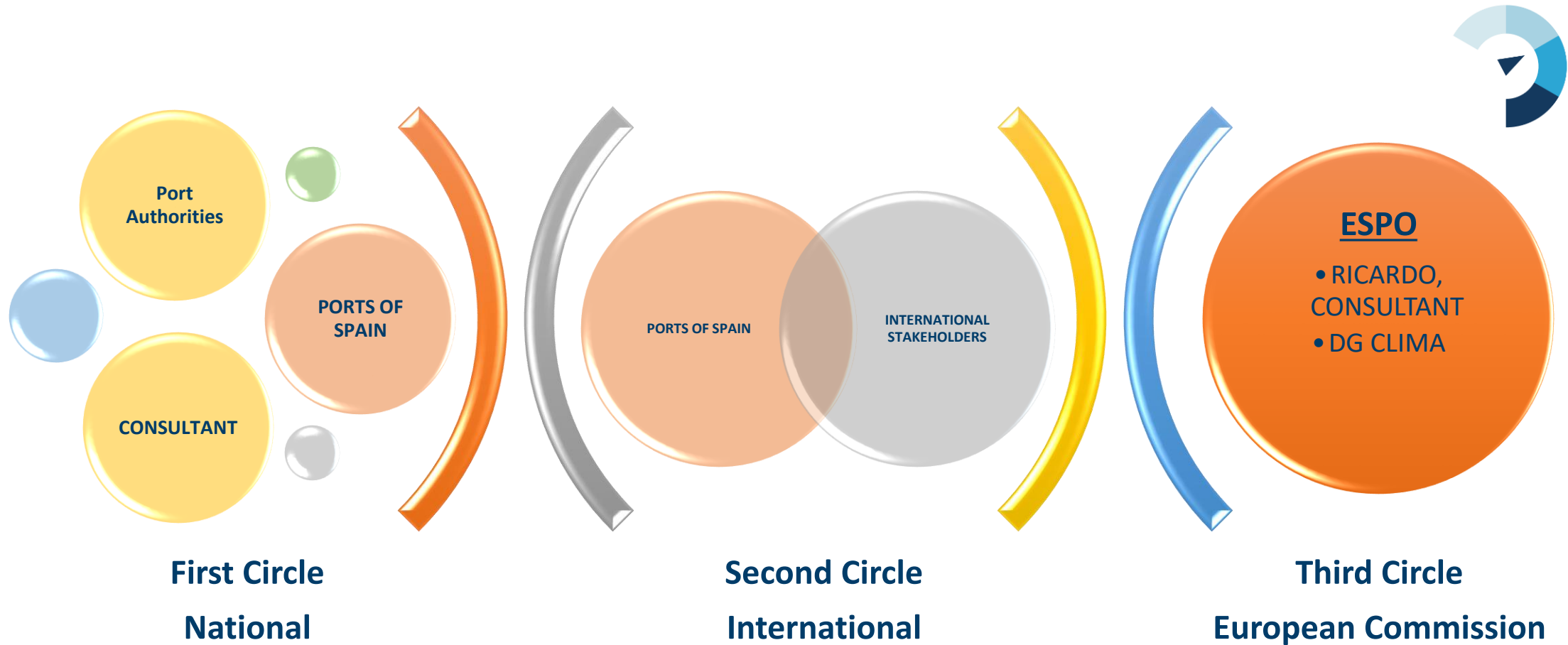
Study, Analysis, and Cooperation

1. Conversations begin with RICARDO, a consultancy that works for EU organizations.
2. ESPO aligns with European ports to present the conclusive report to the Commission, other ports, and RICARDO.
3. EU vision on Green Corridors and non-European countries.

Sept. 2020 1st Public Consultation



EU ETS – OBSERVATORY





EU ETS – CARBON LEAKAGE OBSERVATORY

WHAT THE CARBON LEAKAGE OBSERVATORY WOULD BE ABLE TO ANALYZE?



Some examples



Direct impact on current transshipment ports.



Transformation from circular "deep sea" services to 'hub and spoke' models where the hub port is a non-European port.

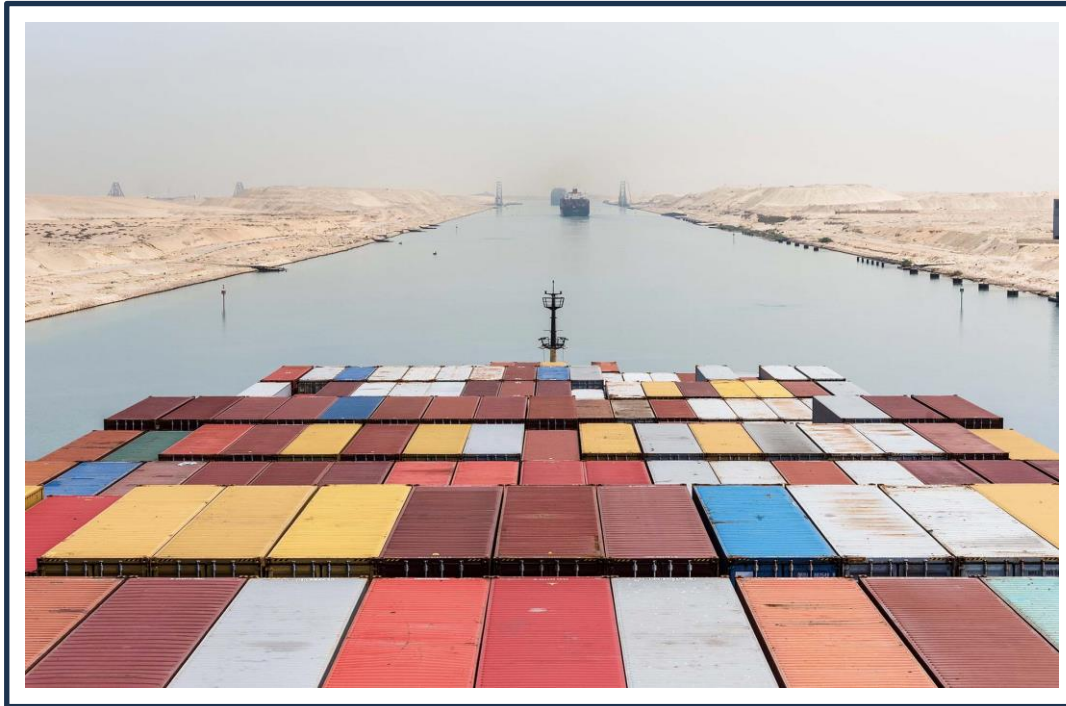


Investments in non-EU ports as a result of the border effect of European environmental regulation.



COOPERATIONAL FOCUS:

- Provide the European Commission the analysis about the *Fit x 55* measures on the mediterranean maritime transport market, and their impact on the European Ports with the support of real traffic data and reliable predictive models.
- * **Sharing this intelligence with the alignment of other stakeholders in the sector, facilitating regulatory adjustment initiatives that prioritize their effectiveness with the least market distortion**
- The regulation itself establishes the need for periodic evaluations.



CURRENT SITUATION

- RED SEA CRISIS
- IMO



RED SEA CRISIS



Red Sea crisis & implications:

- **Alterations & disruptions in supply chains.** (-20% maritime capacity)
- **Impacts in Egypt economy.**
- **Limited inflation impact & chain bottlenecks**
- **Minimal fuel & oil impacts**
- **World-wide costs of the transport of goods.**

Notably, the Red Sea serves as a critical route for approximately 30% of all container in the maritime transport, emphasizing its significance in facilitating trade between the Asia-Pacific region and Europe.



IMO – INTERNATIONAL MARITIME ORGANIZATION

IMO'S 81ST MEPC MEETING HIGHLIGHTS

GHG Measures & setting new fuel standards:

1. Tracking IMO 2020 EMISSIONS REGULATION
2. Advancements on mid-term measures for reducing greenhouse gas emissions.
3. Detailed plan for MEPC 81 and 82 sessions.
4. Agreement on global fuel standard towards emissions reduction by 2050.
5. Green Shipping Corridors



2024 UE CONTEXT: ETS regulatory review

Informal ministerial meeting | 3 - 4 April 2024

Informal meeting of transport ministers



© Belgian presidency

Informal Council of Ministers of the European Union on ETS

*CYPRUS, GREECE, ITALY, PORTUGAL, ROMANIA
4th of April 2024*



CALL TO ACTION



Incorporate a risk assessment in the monitoring mechanism included in the EU ETS.



Start the review process foreseen in the Directive to begin designing measures



Establish a network of focal points in the Member States to exchange information on the analysis and monitoring at national level of the application of the EU ETS to the maritime sector.

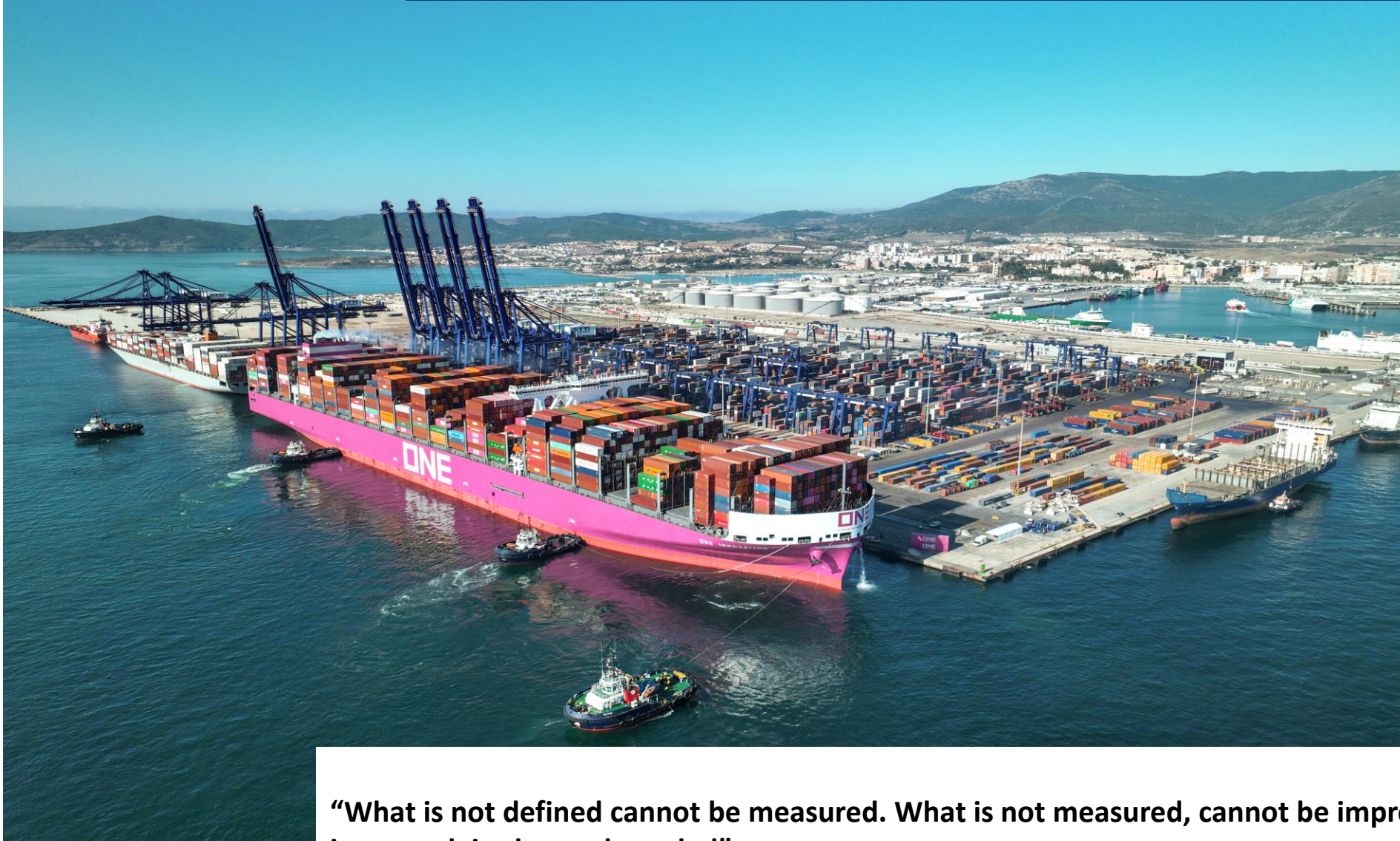


Strengthen our efforts to look for global and ambitious solutions at EU & IMO level to safeguard competitiveness of EU shipping and ports





ALGECIRAS BAY PORT AUTHORITY



SCAN ME

Thanks for you attention

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“What is not defined cannot be measured. What is not measured, cannot be improved. What is not improved, is always degraded”

– Sir William Thomson. Lord Kelvin (1824-1907).