Council of the European Union

Brussels, 14 June 2024
(OR. en)

11036/24

TRANS 307

INFORMATION NOTE

From:	General Secretariat of the Council
To:	Council
Subject:	Call to action to adequately monitor the extension of EU ETS to Maritime Transport – Information from the Spanish delegation

Delegations will find attached an information note prepared by the Spanish delegation on the above-mentioned subject for consideration under "Any other business" at the meeting of the Council (Transport, Telecommunications and Energy) on 18 June 2024.

ANNEX

TTE Transport Council on 18 June 2024

AOB: Call to action to adequately monitor the extension of EU ETS to Maritime Transport

Information from the Spanish delegation

Supported by Cyprus, Greece, Croatia, Italy, Lithuania, Malta, Portugal and Romania

Maritime transport and the European ports are central to the EU's connectivity with the rest of the world, play a crucial role in our economy and trade, and ensure the EU's strategic autonomy. By way of example, in 2022, 1,746 million tonnes departed and arrived by sea, accounting for 74% of the total and 46% of the value of EU imports and exports with third countries.

Furthermore, maritime transport accounted for 14.9% of greenhouse gas emissions of all transport in the EU in 2021, so our commitment to its decarbonisation must be firm since there is an urgent need to fight against climate change by phasing out emissions from shipping. The European Union is making great efforts to move in this direction, not only domestically, but also at a global level with the Member States leading the highest ambitions to adopt binding measures within the International Maritime Organization (IMO) to be implemented by 2027 that should be consistent with the long-term temperature goals set out in the Paris Agreement.

Accordingly, as of 1st January 2024, maritime transport is included in the European Union Emissions Trading System (EU ETS) – Directive (UE) 2023/959 of the European Parliament and the Council, with the aim of achieving, in accordance with the European Green Deal, net zero emissions by 2050.

Nevertheless, the current provisions of the EU ETS in the maritime sector could result in a high risk of diversion of shipping routes from EU ports to third country ports, particularly regarding container transhipment traffic. Such risk has been acknowledged within the Directive. However, in our view, the risk mitigation measures included in the Directive are not sufficient.

Furthermore, the effect of EU ETS could entail a set of consequences that should be considered and adequately monitored in order to:

- Avoid any carbon leakage, which could lead to an increase in the global volume of GHG emissions, in contradiction with the very objective of the EU ETS;
- Ensure that the European Union maintains its connectivity with the rest of the world;
- Strengthen European trade sovereignty and decrease the dependence on third countries in strategic sectors for the EU, such as logistics or global supply chains;
- Maintain activity in European ports and their workforce;
- Avoid the loss of competitiveness of EU shipping and ports with a direct effect on our economies; and
- Not to reduce security and control of illegal traffic.

With all this, we echo the warnings already included in the letter signed by the Ministers of CY, EL, ES, HR, IT, MT and PT in October 2023, in the declaration included as AOB in the last Council of 4 December 2023, and, more recently, in the Report on building a comprehensive European port strategy approved by the European Parliament.

There are signals that the risks expressed in this statement and in the above-mentioned precedents could materialize in the short/medium term. These signals include:

- The increase of port capacity in third countries, through developing new ports with container facilities, some of them at an advanced stage of completion, and even financed with European funds;
- The lack of availability of alternative fuels for shipping which could slow down the efforts to decrease carbon footprint in accordance with the EU and IMO targets and thus lead to potential increases in EU ETS-related compliance costs for shipping companies, providing incentives to avoid the cost overruns generated by the EU ETS;
- Or the first signs of alterations in traffic due to the increase in transhipment activity in third country ports on routes that called at European ports, and which could be driven by, among other factors, the entry into force of the EU ETS.

We are now at a **key moment to strengthen the monitoring and early action mechanisms** foreseen in the Directive in view of the risk of these evasive practices being materialized, particularly if investment decisions are taken during this period that would already be impossible to reverse.

Therefore, the signatory Member States would like to call on the European Commission to act now, by urgently establishing actions to ensure the effectiveness of the mechanisms established in the EU ETS Directive to prevent the consequences outlined above. We **propose**:

1. **Incorporate a risk assessment in the monitoring mechanism included in the EU ETS**, going beyond the mere tracking of faits accomplis, and including predictive criteria to be able to anticipate possible route deviations.

2. **Immediately start the review process of the Directive and begin designing measures, Member States and the European Commission jointly,** that would be applied in the event of route deviations to anticipate and allow immediate action to prevent those deviations.

3. **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, so that the European Commission can periodically share information, diagnoses and any plans, initiatives or measures that could be developed.

4. **Strengthen our efforts to look for global and ambitious solutions at IMO level** to safeguard competitiveness of EU shipping and ports as clearly stated in the last Council of 4 December 2023.