



**Letter of appeal by the German maritime associations
BDB, BDS, BÖB, VBW, VDMA, VDR, VSM and ZDS
on the Delegated Acts to the Taxonomy Regulation 2020/851**

Hamburg, July 21, 2021

In the process of the EU consultation of the Delegated Acts to the Taxonomy Regulation, it has not yet been possible to define the sustainability criteria for shipping and shipbuilding¹ in a way that is appropriate to the industry and neutral to technology. The application of the present criteria could apparently only be prevented by a veto of the European Parliament or the European Council. Unfortunately, the German government has not yet indicated that it intends to take or support a such an initiative in the Council.

With this joint position paper, the maritime industry associations urgently appeal to suspend application of the criteria which affect shipping, shipbuilding and also ports in order to allow for fundamental revision before they enter into force. The approach of assessing ship emissions exclusively at the tailpipe and not the climate neutrality of a ship's propulsion holistically is wrong, does not solve the climate crisis and will cause severe damage to the innovation and competitiveness of the maritime industry. The tailpipe criteria would yield modal shift of intra-European transports from sea to road and amplify the withdrawal of European shipbuilding from production for the world market. These developments would weaken both Germany and the European Union as industrial base of a sustainable and future-proof maritime economy.

We are already noting that public sector financing instruments, such as Hermes and KfW-IPEX, are to be adapted to the taxonomy rules, which would make ship financing almost impossible in Germany.

These constricted criteria are already encroaching on important EU state aid guidelines². This would disable member states to promote implementation of energy efficiency technologies and low-emission fuels in a technology-neutral manner and would inter alia terminate federal support for LNG (infrastructure) as a bridging technology. Also, the recently approved "Zero Emission Waterborne Transport" partnership would be hampered in case that this misguided technical approach should be adopted for the legal framework for research, development and innovation.

We jointly state in detail:

- The Maritime Energy Transition requires a holistic climate protection strategy based on uniform technical assessment criteria for the design, production, financing, state aid, certification and operation of seagoing ships and inland waterway vessels, as well as innovation to increase energy efficiency in ports.

¹ Annexes I and II of the Delegated Act to the Taxonomy Regulation, sections 3.3 - Manufacture of ships and 6.7 to 6.12 - Operation of ships.

² COM draft "Guidelines on State aid for climate, environmental protection and energy 2022"

- Climate protection is a global task in which not only the direct GHG emissions must be considered, the entire upstream process chain must be included as well. Taxonomy criteria must holistically address the transport and production chain and associated innovation processes to facilitate sustainable investments in shipyards, ships, and infrastructure development in ports and the port hinterland.
- Focusing solely on "zero direct (tailpipe) CO₂ emissions" leads to misperceptions of the overall emissions of individual energy carriers and thereby reduces the shipping fuel portfolio to hydrogen, ammonia, and battery power. Even if these energy sources do not emit GHG on board, this does not mean that they are also the best solution for GHG mitigation from a holistic perspective.
- Instead, biofuels and climate-neutral e-fuels, such as synthetic methanol, which are better suited for maritime applications due to their moderate hazard profile, are prevented. These technologies have already been developed to a high level of technological maturity, predominantly with high R&D expenditures by industry and the public sector.
- Furthermore, hydrogen and batteries can hardly be integrated into ships for longer distances due to their low energy density, and at best represent a technically feasible alternative for short-distance transport on the high seas and inland waterways, albeit not an economically viable one at present.
- Moreover, it is highly unlikely that sufficient quantities of green hydrogen and ammonia will become available as well as the associated logistics and supply infrastructure can be built by the end of 2025. Even the timely completion of safety regulations cannot be expected due to the significant hazards of fire explosion and toxicity. Without adopted mandatory safety requirements for these demanding fuels ships cannot be certified for commercial service.
- Since there will be no ship types "transporting fossil fuels only" in the future, it does not seem sensible to make this type of cargo a separate climate protection criterion, as is already envisaged for cargo-carrying ships and for seagoing passenger ships from the time of entry into force. Fuels exist in fossil and (increasingly) synthetic variants. Therefore, the energy transition requires the construction and operation of ships that are suitable for the efficient and safe transport of different energy carriers. Due to slowly increasing availability of alternative energy sources, these will also have to transport fossil variants for a transitional period. With a proper gradual phasing out of the use of fossil fuels based on a service life analysis, corresponding transport shares will automatically decrease without the need for separate cargo requirements.
- In principle, application of disruptive maritime criteria already from January 1, 2026 is unrealistic for several reasons: in addition to the availability of fuels, infrastructure, and safety regulations, long project development intervals of ships, the incremental innovation process for the design of commercially utilized prototypes do not allow for revolutionary changes in ship propulsion technology in less than five years.
- The interim criteria of the taxonomy rules valid until the end of 2025 also do not offer any starting points for an easier transition. This is because they are based almost exclusively on the tailpipe approach, which is only limited to parts of the energy onboard. With regard to freight-carrying inland water vessels, it is also unclear why reference is made to emission standards for heavy-duty vehicles in road transport.

In summary it has to be noted that the draft maritime taxonomy criteria limit green ship financing and investments in equipment and port infrastructure to options that rather hinder than support maritime climate protection, as they are not in line with the industry's technical boundary conditions. In doing so, they also contradict the approaches taken in other EU climate change initiatives:

- The new FuelEU Maritime Regulation³ correctly implements a technology-open assessment of life-cycle emissions and calls for a gradual reduction in GHG intensity for marine fuels, which could also be a benchmark for assessing more sustainable investments and financial products.
- The Delegated Act itself also contains lifecycle-based taxonomy criteria, e.g. for electricity generation (cf. Annex I, 4.7), which are more important for maritime applications than for power plants on land. This is because, as land-based infrastructure, these do not have to transport their energy supply, but could supply themselves directly on site with hydrogen or ammonia.

Based on these considerations, we reiterate the concern already voiced in December 2020 and March 2021 that the Delegated Act must be rejected in its draft version or its entry into force must be postponed. The serious conceptual errors of the maritime criteria cannot be rectified by a future revision, as shipbuilding, shipping, ship financing and the port industry now need legal certainty for innovation strategies and investments in climate protection.

Without an immediate fundamental revision of the criteria, the Taxonomy Regulation would initiate the maritime de-industrialization of Europe.

That is why we are calling on the federal government:

- To work in the European Council towards suspending the application of the maritime criteria of the Delegated Act on the Taxonomy Regulation 2020/851; and
- make it clear from the onset that the maritime taxonomy criteria must not be incorporated prematurely into the EU state aid guidelines.

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³ COM(2021) 562 final - REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the use of renewable and low-carbon fuels in maritime transport and amending Directive 2009/16/EC - FuelEU Maritime