The Netherlands, Germany, France, Finland, Spain, Portugal, Romania, Belgium and Luxembourg Call for a Resilient and Competitive European Maritime Industry

The Netherlands, Germany, France, Finland, Spain, Portugal, Romania, Belgium and Luxembourg call for a Maritime Industry Strategy aimed at enhancing the competitiveness, sustainability, and resilience of Europe's maritime industry and welcome that it is part of the Competitiveness Compass of the European Commission. The strategy was requested by the Council in its conclusions on "A competitive European industry driving our green, digital and resilient future" adopted on 24 May 2024 in para. 7:

> "**CALLS ON** the Commission to develop a new strategy that supports the European maritime industry, which is vital for the EU's strategic interests, in the digital and clean transition and that encompasses all the dimensions of the sector's competitiveness;"

We also welcome the assignment of Apostolos Tzitzikostas, Commissioner for Sustainable Transport and Tourism, to develop this strategy, as outlined in his Mission Letter of 17 September 2024. Additionally, we welcome Mario Draghi's report on a competitive Europe and the exigencies of the clean and digital transitions, which also highlights the relevance of the maritime industry.

The new maritime industry strategy should achieve the following goals:

- Strengthening the competitiveness of the European industrial maritime sector on the basis of technological and decarbonization leadership.
- Incorporating a strategy for the recruitment and continuing education of skilled workers to ensure the match between skills and labour market demands and access to know-how that contributes to a dynamic and competitive maritime industry.
- Enabling the technological and clean transition in the maritime sector, by fostering innovation and facilitating long-term visibility for access to sustainable fuels for the industry. This includes among others things working on advanced materials, sustainable alternative fuels and its certification, clean technologies and marine renewable energy.
- Driving the digitalisation and (digital) technologies in the maritime sector, including artificial intelligence, robotics, cybersecurity, blockchain, quantum computing, advanced sensing and internet of things.
- Strengthening the maritime security and defence sector, e.g. to protect critical maritime and underwater infrastructures, in particular in the current geopolitical context.
- Seizing opportunities for the maritime industry that come with strengthening the offshore energy infrastructure, including offshore wind and the promotion of marine renewable energies to achieve EU green goals.

The maritime sector works as an interconnected value chain. The focus of the strategy should be on the strengthening of the whole interconnecting value chain of the maritime or waterborne industry which includes, among others, knowledge institutes, suppliers, shipbuilders including ship repair and conversion and shipowners as demand drivers – as it has been also defined in the Transition pathways for the EU Mobility Industrial Ecosystem[1]. Therefore, we are looking for measures that are related to the whole value chain from the perspective of strengthening the maritime industry. Other subsectors of the maritime industry that already have a dedicated strategy, such as ports which are addressed in the EU Port Strategy, should not be the main focus. The strategy should take into account dependencies with and impacts on subsectors, especially the shipping sector, security and defence, and marine renewable energies sectors, to best benefit from available synergies

Key issues and the call upon the Commission

1 *The strategic importance of the maritime industry*

The European shipbuilding industry has developed impressive high-end technology capabilities, which were unrivalled until recently allowing it to build the most complex and demanding ships in the world. More than 300 shipyards in Europe produce an annual production value of about 43 billion EUR. European shipyards build and export the most complex and technologically advanced civil and naval vessels worldwide. More than 22,000 big, small or medium-sized maritime equipment suppliers generate an annual production value of about 70 billion EUR.

[1] https://ec.europa.eu/docsroom/documents/57674

The shipbuilding industry is highly strategic for the prosperity and resilience of the European economy, defence and autonomy insofar as:

- Shipbuilding is essential for global trade. 90% of the world's goods are transported by ship. The EU's exports of goods accounts for 15% of global exports of goods and the EU's imports of goods accounts for 14% of global imports of goods.
- Shipping and shipbuilding are essential for the worldwide transition to renewable and low-carbon energies, which constitute a great opportunity for growth in European industry. The European shipbuilding and marine equipment industry together with the shipping industry play an important role as facilitators for the energy transition.
- The industry provides for critical enablers to build and maintain energy infrastructures at sea, such as specialized vessels, converter platforms, floating platforms, foundation structures for building offshore-wind energy or for hydrogen and hydrogen-based derivate infrastructures.
- Shipbuilding is an essential part of security, as well as underwater and defence. Geopolitical tensions cause increasing risks which are affecting both the world economy and international as well as national security. Effective defence requires a strong and resilient European security and defence industry that can operate efficiently and deliver high-end capabilities, adequate to protect national interests and sovereignty, including critical infrastructure in the maritime domain, which facilitates the continuous delivery of basic services such as energy and communication. This also applies to naval shipbuilding, including arctic capabilities. A resilient and innovative, strategically independent, European naval shipbuilding industry is a prerequisite for ensuring maritime security but also for a resilient and innovative commercial shipbuilding industry, and vice versa.
- The maritime industry plays a crucial role in climate adaptation and flood protection, both from rising sea levels and river flooding. The development of advanced dredging vessels is essential for climate resilience, enabling effective river and delta dredging, as well as the construction and maintenance of dikes and coastal defences.

We ask the Commission to:

- Incorporate an analysis of the strategic importance of the European maritime industry for safeguarding vital European interests, such as security, defence, sovereignty and autonomy, and estimate the strategic elements in the interconnected maritime value chain in the new European Maritime Industry Strategy with a view to increasing its resilience. This should also include a mapping of the projected global demand and the competitive advantages and disadvantages of the European maritime industry within different segments.
- Consider the maritime industry as an important pillar in security and defence policies, essential in the current geopolitical context characterised by growing international tension, given the synergies and strengths for security, defense and military capability arising from a maritime industry at the technological forefront.

2 *Ensuring a Level Playing Field*

While being world market leaders with regard to complex high-end ships including underwater solutions, the European shipbuilding and marine equipment industry have been facing a fierce competition in the volume markets including all cargo-carrying ship types over recent decades. As a result, Europe's market share has dropped from 45% in terms of ship volume in gross tonnage in the eighties to less than 4% nowadays.

This seriously threatens the continued existence of a robust shipbuilding and marine equipment industry which, in turn, contributes to strategic autonomy while preserving an open economy, economic security, climate mitigation and adaptation capability, energy transition, military security and defence, vital infrastructure at sea and underwater, and prosperity. This negative trend must be reversed to retain and strengthen our maritime know-how, innovative capabilities and technologically advanced industry in the entire maritime value chain.

European maritime companies are experiencing increasing global competition. The current situation is one in which many European shipowners choose non-European shipbuilders over European

shipyards – due to price differences of more than 30% – and European shipbuilders choose to build (partly and sometimes fully) ships at non-European shipyards. These choices are, at least partly, driven by non-market forces and non-market interventions in non-European countries, through policies that have at times been characterised by unfair competition and protectionism, with the potential to distort trade and encourage offshoring and disinvestment decisions.

Due to specificities of the shipbuilding sector, WTO rules that tackle unfair competition (anti-dumping and anti-subsidy) do not apply. Meanwhile, the EU Foreign Subsidy Regulation ("FRS") may bring only limited relief. The complex nature of the shipbuilding market, including long lead times and customized orders, makes it difficult to apply standard injurious pricing and anti-dumping measures. Furthermore, ships are often not directly imported into the EU and many European companies are part of an international supply chain and might source components from non-EU countries.

In 2016, the Commission issued a recasted version of regulation on "the protection against injurious pricing of vessels" to safeguard the European Union's shipbuilding industry from practices that could harm competition, specifically targeting unfair pricing by non-EU shipbuilders. The regulation relies on the principles outlined in the Shipbuilding Agreement negotiated under the OECD and will apply from the date of entry into force of the Shipbuilding Agreement. However, as this agreement has never been ratified by the U.S., it has not entered into force and the regulation is not applied. Thus, a new framework should be sought.

We ask the Commission to:

- Adopt a coordinated response to protect the European maritime sector and particularly industry from competition-distorting practices with aligned European and national policies.
- Develop and implement additional measures aimed at protecting core European maritime technologies and know-how. Such models should include measures to slow down or prevent the transfer of strategic innovations to non-EU countries, especially in Asia. This could involve incentives to implement at national level, such as export control mechanisms, intellectual property safeguards, and tighter screening of foreign investments in sensitive maritime technologies critical for national security.
- Coordinate with Member States in order to jointly reinforce their efforts for carbon pricing globally and to solicit support for the adoption and effective implementation of the IMO Net Zero Framework,
- Pursue sector-specific solutions within the World Trade Organization (WTO) framework that ensure a level playing field and seek amendments that better address the unique nature of the maritime industry. As for the OECD Shipbuilding Agreement, the Commission should continue to engage with U.S. administration; and, in the meantime, propose as soon as possible a "quick fix" of the (EU) 2016/1035 Regulation to have it applied before the ratification of the OECD agreement by all its signatory parties.
- Continue to support the work of the OECD Informal Expert Group (IEG) on the Sector Understanding on Export Credits for Ships to define criteria for green ships
- At the same time explore the possibility for agreements with likeminded third countries that also face unfair competition.

3 *Creating a modern, innovative and competitive maritime industry*

The goal of strengthening the competitiveness of the European maritime industry requires a multifaceted approach. Other than positioning the industry to rise to the above-mentioned challenges, it is important to strengthen the industry and modernise our shipbuilding industry together with its suppliers, with structural changes that support the development of a philosophy based on innovation and cutting-edge technological progress. Green and digital solutions are important drivers for the flourishment of the maritime industry and have the potential to create benefits for the whole value chain of the maritime sector including shipping companies, seafarers and maritime administrations, in terms of efficiency and reduction of administrative burdens. The shipbuilding industry needs modernisation through a focus on clean and automated production technologies to sustain and enhance competitiveness. To achieve leadership ambitions, it is essential that private investments scale in an effective manner. European cooperation can be a means to this end as international partnerships are increasingly important for accessing critical technologies and

markets, balancing economic opportunities with safety and sectoral needs. In driving digitalization forward in the maritime industry, emerging technologies and innovations will be important.

In addition, it is important for the EU member states to work together within the sector to compete on a global scale, where further decarbonisation and digitisation of the entire maritime industry could contribute to a more competitive sector in the long run. The scale of the EU market and with that the EU maritime industry should be sufficiently sizeable to compete internationally.

The competitiveness of European shipyards cannot be considered in isolation. It needs to reflect the interests of the rest of the supply chain as well, including that of European shipowners who are fiercely competing with Asian shipowners. To reflect the importance of this industry for European economic security, the European Commission should analyse – in consultation and coordination with EU Member States and the maritime stakeholders – whether additional non-pricing criteria are justified in balancing market distortions in third countries; if so, they could benefit European shipyards, maritime equipment manufacturers and shipowners. Exploring the possibilities to access existing funds for innovation might also in this regard be helpful.

We ask the Commission to:

- Analyse whether there are single market barriers and regulatory burdens in the EU that hinder the growth of the maritime sector, simplifying and speeding up the regulatory environment, reducing the administrative burden on companies in the European maritime industry and favouring a flexible regulatory environment that supports investment and technological progress. To this end it may be necessary to analyse the possibility of improving and simplifying the procedures faced by the European maritime sector when applying for and obtaining public funding.
- Analyse whether additional non-pricing criteria in public procurement policy, including for offshore wind energy, dredging and naval shipbuilding, are justified in order to balance unfair competition from third countries and to guarantee strategic autonomy, whilst ensuring that measures are in line with the EU's international obligations, including the WTO and bilateral trade agreements.
- Facilitate and strengthen collaboration between, knowledge institutes, engineering firms, technology providers, shipowners and shipbuilders across the entire chain, to optimize the strategic important elements of the maritime sector. As an example, in the context of research, development, innovation and the deployment of innovations, anchoring a partnership instrument in the future EU Research Framework Programme without prejudice to the next Multiannual Financial Framework, could be considered.
- Adopt mechanisms that allow the use of technological advances developed in defence and security in the civil maritime industry.
- Explore the possibilities and appropriateness to access funds for investment in research, development and innovation accelerating technological advantages and their early implementation in the market, including automation.
- Explore the possibilities and appropriateness to access funds for investment in decarbonisation and clean technologies manufactured in the EU, including those for the production of marine renewable energy, that promote demand and market development, whilst taking into account the sectors' specificity.
- Explore the potential and need for a European initiative for standardization of inland waterway vessels, offshore infrastructure such as converter platforms and seagoing coasters, as series construction can reduce construction costs by a significant double-digit percentage.
- Explore the possibilities in education and training of workers, ensuring a match between skills and labour market demands and promoting a cutting-edge industry

4. Ensuring access to and exploring possibilities for financing

The maritime sector heavily relies on capital-intensive investments, the required and envisioned greening of shipping will add to that. Environmentally friendly shipping requires significant investments in innovative, clean, and safe fuels and propulsion technologies as well as in training for new skills. Although fossil fuels today are still less costly, shipowners are already investing in the transition to alternative fuels to align with the broader IMO- and European goals of reducing greenhouse gas emissions and improving environmental sustainability in the shipping sector.

However, the costs that come with greener ships and fuels due to risks across the maritime industry remain significant.

The shipbuilding sector faces severe challenges as the initial costs are high and the construction phase is long. Moreover, there is a high default risk given the substantial sums involved and the cyclical nature of the industry and the complex nature of shipbuilding contracts including risk-sharing mechanisms that complicate financing arrangements.

It has become challenging for yards and shipowners to obtain the extra capital needed to produce, buy, retrofit or operate innovative and environment-friendly ships. As alternative fuels are still not available nor easily usable (in quantities and distribution due to some infrastructural bottlenecks) in all ports, and pricing of the fuels is not only higher but due to the developing market still unstable, shipowners must invest in expensive sustainable technologies which elevate the commercial risk of investing at scale. At the same time, various Asian countries continue to expand their market share through favourable financing for newbuilding orders and retrofits. Moreover, Chinese, Japanese and Korean banks offer very attractive ship finance and favourable financial incentives to shipowners, whilst keeping the ownership of the vessels, which they lease to shipowners (including European shipowners).

We acknowledge that the discussion on the future European funding will be held within the negotiations on the upcoming MFF post 2027. Current programs must respect the ceilings and existing financial means of the current MFF. Additionally, a possible role of the European Investment Bank in addressing the financial challenges of the maritime industry could be explored while safeguarding EIB's financial sustainability.

We ask the Commission to:

- Use existing (public-private) financial programmes within the limits set by a reviewed EU and WTO framework, and by setting incentives for shipowners for projects to build and retrofit vessels in Europe with green and environment-friendly ambition and as an important stimulus for shipbuilding in Europe. Explore ways to incentivise the demand for and the production of sustainable alternative fuels to reinforce the demand for green shipbuilding projects in Europe. Continue exploring additional regulatory measures and measures that increase private investments aimed at mitigating the price difference between fossil fuels and sustainable alternative fuels to support the market ramp-up of alternative fuels and to help shipowners in the clean transition.
- Without prejudice to the next Multiannual Financial Framework, explore ways to develop a defence programme that brings together military mobility and the various aspects of strengthening the European defence industry (R&D, procurement, production capacity, and resilience). Explore financial instruments within the existing financial means that provide competitive financing options for European shipbuilders where justified due to market distortions.
- Without prejudice to the next Multiannual Financial Framework, explore ways to provide adequate support R&D in shipbuilding technologies.