

## Water and Shippers' Council Minutes Wednesday 5 June 13.30 – 15.30 Hybrid/DFDS, Nordic House, Immingham, DN40 2LZ

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### Attendees

Logistics UK: Kevin Green, Nichola Mallon, Ellis Shelton, Josh Fenton, Alexandra Herdman  
Members: Sean Harfield, DFDS, Tim West, Wynn and Son, Neil Bulcock, BOC, Ryan Allander, Nestle, Bruno Manet, Nestle, Paul Dean, Holmen.  
External: Katrina Ross and Elise Nyborg, UK Chamber of Shipping

#### 1. Welcome and Housekeeping (see annex for conduct of meetings)

The Chair welcomed members and apologised for late start due to tech issues.

Members were reminded of Logistics UK's conduct of meetings.

#### 2. Introductions

All members and staff introduced themselves.

#### 3. Logistics UK's wider activities

Kevin Green, Director of Policy and Communications, gave an update on the various policy and public affairs activities that have happened in the past few months and explained that since the election was called, many of the planned meetings and sessions have been cancelled.

Kevin invited members to express interest in any future engagement with politicians including site tours.

Upcoming activity includes:

- Sharing our [National manifesto](#) with election candidates.
- Sharing insights from the Logistics Report 2024, to be launched at Multi-Modal.
- Press releases and media briefings on policy priorities.
- Policy priorities for the first 100 days of a new government and forthcoming spending review.
- Roundtable with Welsh Cabinet Secretary for Transport, Ken Skates.
- Meeting with Scottish Cabinet Secretary for Transport, Fiona Hyslop.
- Meeting with Natasha Asghar, Welsh Conservative Transport lead.

Members were invited to attend the following webinar hosted by Logistics UK.

**Quarterly Freight Insights Q1 2024**  
**Thursday 11th July - 11:00AM-12:00PM**

Join us for our second deep dive of the year into the freight sector. Set against the backdrop of global geopolitical volatility, a general election as well as changing climate, this webinar will be an opportunity to discuss how the current economic, political and environmental landscape has shaped logistics activity over the past quarter.

<https://events.teams.microsoft.com/event/d07b1958-f2a4-4403-9536-e8337626f944@14ef5e3a-e929-4359-88dd-bd0087fd5825>

**4. Border Target Operating Model (BTOM)**

Nichola Mallon gives overview of deadlines and changes to date and outlined changes on the horizon with phase three. Time is running out and business critical information and guidance remains outstanding, a situation which has been made more acute by the pre-election period and a pause on engagement by officials. The light touch approach on implementation is creating an unclear and unrealistic picture of operational and business readiness and members are reporting a lack of clarity and consistency to charging.

One member shared their experience so far and described it as mixed with a low level of checks - around 10-12 vehicles per week. They remain concerned about government IT system capacity and readiness.

Following a discussion among members, concern was expressed about the clarity and quality of information from government and the need for consistency in interpretation by authorities. Frustration was expressed that on the issue of pilots in particular, government is looking to businesses to set policy rather than road test it, and with deadlines fast approaching for the introduction of Safety and Security Declarations, businesses are struggling to be ready with such limited information from government.

Members feedback on priority asks of government:

- Improved communication from government. Clarity. A clear plan. Consistency.
- Need for greater clarity and consistency on the charging regime.
- Clear policy objectives, plans and pilots from government and pilots which businesses can real world road test.
- A look again by government at timescales for implementation which give businesses time to be ready.

**5. EU Emissions Trading Scheme (ETS) (14.10 – 14.45)**

Katrina Ross, Policy Director, Commercial and Governance and Elise Nyborg, Policy Advisor, Environment, gave a presentation on the EU and UK ETS.

**Slides will be shared with members.**

New government policy from EU and UK is coming in for heavy emitters. It has been a difficult ride for maritime on EU ETS. The process was very last minute. There were

only three weeks for the consultation, and this included a significant amount of technical detail. The EU ETS was always going to impact on UK operators due to proximity to EU.

This is only one element of many that is coming for shipping. The bedrock of the scheme is monitoring, reporting and verification.

EU ETS does not sit in isolation but fits within the 'Fit for 55' package.

## European Union's Fit for 55 package Measures impacting the Maritime Industry



Legislations	Purpose
<b>EU Emission Trading System (ETS)</b> Directive (EU) 2023/959 Entry into force: June 2023	Expands cap and trade of CO <sub>2</sub> (2024), methane, and NOx (2026) allowances in the EU to shipping. Portion of EU ETS revenues earmarked for shipping under Innovation Fund (IF) to support sector's energy transition.
<b>FuelEU Maritime</b> Regulation (EU) 2023/1805 Entry into force: January 2025	This is a new proposal to encourage the production and uptake of sustainable alternative fuels. It introduces requirements for ships to improve the GHG intensity of the fuel they use and to use OPS when at berth (demand).
<b>The Alternative Fuels Infrastructure Regulation (AFIR)</b> Regulation (EU) 2023/1804 Entry into force: April 2024	This scheme is designed to increase the availability of both alternative fuels within the EU and more climate-friendly electrical power supplies at ports. The maritime revision sets mandatory targets for the deployment of OPS by 2030 and LNG by 2025 in ports (supply).
<b>Renewable Energy Directive (RED III)</b> Amending Directive (EU) 2023/2413 Entry into force: November 2023	Sets out what fuels are considered 'renewable' and support for those fuels. This has been amended to adopt new renewable energy share and GHG emissions targets, including sector-specific targets.
<b>Energy Taxation Directive (ETD) – still under discussion.</b>	<i>This aims to bring the taxation of energy products and electricity in line with the EU's energy, environment and climate objectives. A revision has been proposed that includes fuels from the maritime industry. This also introduces the possibility of tax exemption for electricity provided to ships at berth.</i>

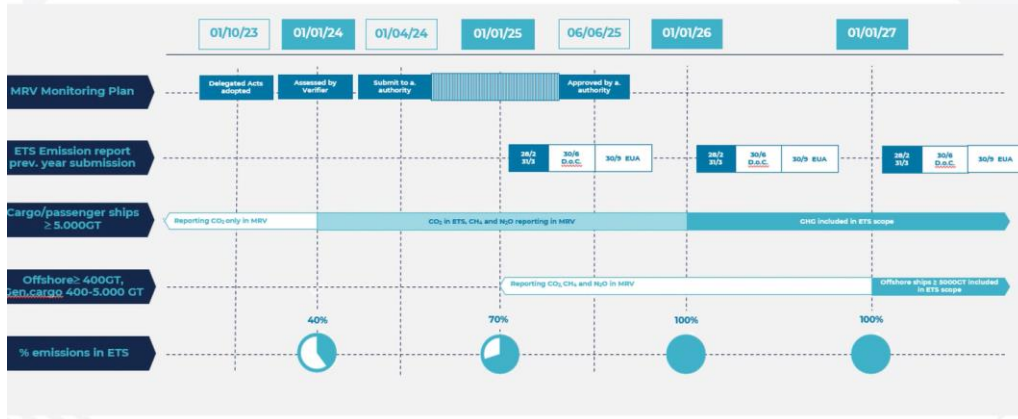
The ETS is focussing on market-based decarbonisation, whereas policies such as Fuel EU Maritime is about reducing the intensity of fuel use and increasing use of alternative fuels. Renewable Energy Directive is not shipping only but still relevant. CBAM will also have a big impact on shipping industry. They are all interconnected but distinct.

### Reporting

Report 2024 emissions in 2025 and pay 40%. This then increases to 70% then 100%.

## EU MRV and EU ETS – Key dates of implementation

UK CHAMBER  
of SHIPPING



## The Transshipment Ports Clause

UK CHA  
of SHIP

## EU ETS – “Transshipment Ports Clause”

To avoid carbon leakage, neighbouring transshipment ports\* are not considered as a port call. The European Commission published the first [list](#), identifying two ports, in October 2023. This list will be updated every two years.

No.	NAME OF THE PORT	COUNTRY
1.	EAST PORT SAID	EGYPT
2.	TANGER MED	MOROCCO

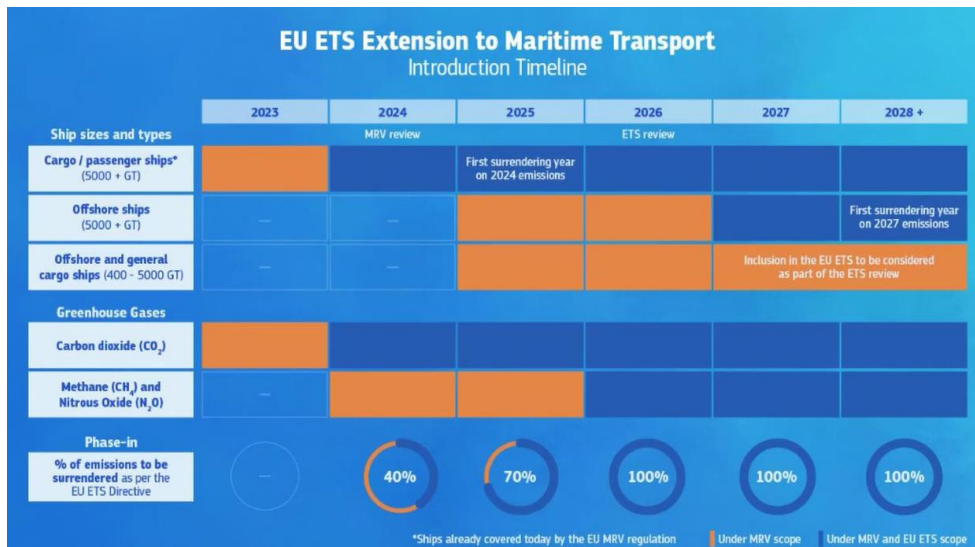
\*Three criteria must be met:

- ▶ The share of transshipment of containers exceeds 65% of the port's total container traffic,
- ▶ The port's location is outside the EU but less than 300 nautical miles from a port under the jurisdiction of a Member State,
- ▶ The port is located in a non-EU country for which that non-EU country does not effectively apply measures equivalent to the EU ETS Directive.

This is to prevent stops being used to prevent charges being considered from the original destination port.

The list will be reviewed and updated every two years. So far only the two ports of East Port Said and Tanger Med have been included.

Cost of units could rise as the scheme continues and there are fewer units to trade.



## UK ETS

### UK ETS Maritime

- ▶ **Background**
  - In 2019, the UK was the first major economy to legislate for **net-zero emissions by 2050**.
  - The UK ETS was launched on 1 January 2021 to **replace UK participation** in the EU ETS.
- ▶ **UK ETS Basics**
  - Modelled after the EU ETS
  - However, applies only within the UK.
  - Slightly more ambitious in terms of emission reductions.
- ▶ **Key Dates & Timeline**
  - Expansion to maritime sector planned from 2026.
  - MRV regulation to be revised to include sectors (offshore) not currently in scope.
  - Further consultation for details on implementation in 2024.

UK CHAM  
of SHIPPI

UK's cap is about net zero for 2050. EU's is focussed on the 55% reduction by 2030. UK ETS leaves options open for future interaction with EU ETS. Expansion to maritime sector planned for 2026 and consultation is expected.

## Current Overview

**Timeline:** 2026 for domestic maritime transport inclusion

**Scope:** Domestic voyages

**Basis:** Vessel activity data basis

**Threshold:** Vessels over 5,000 GT

**Emissions:** CO2 only

**Allowances:** No free emission allowances

**Point of Obligation:** Entity responsible under International Safety Management (ISM) Code

**Exemptions:** Government non-commercial activity.

**Revenues:** No earmarking or other such portioning of funds for maritime

### Defining 'Domestic' Voyages

- Journeys starting and finishing in UK ports, including single port journeys.
- Clarification is still needed for whether this would capture voyages between offshore installations.
- Further consultation on potential inclusion of emissions at berth or anchor.

**\*Note that threshold, emissions, point of obligation, and exemptions are all subject to potential change.**

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## Northern Ireland and Great Britain

- ▶ Given that the UK ETS would apply to domestic shipping only, there should (in theory) be no overlap with the application of the EU Emissions Trading System (EU ETS), which applies 50% to voyages to/from EU and non-EU countries, which include the UK.
- ▶ At present, 50% emissions coverage under EU ETS for vessels traveling between Republic of Ireland and the UK: i.e.
  - Journeys from Dublin to Liverpool would be subject to 50% emissions coverage as the UK is a 'third country' in relation to Ireland, an EU Member State.
- ▶ Potential for economic distortion between ports on the island of Ireland.
- ▶ Consequently, the UK Authorities intend to reduce emissions obligations on journeys between Northern Ireland and Great Britain by 50% - subject to detailed consultation in 2024.

EU ETS will start applying to certain vessels above 400 GT from 2027 and UK expected to follow suit. It will be staggered.

One member asked if there is a distinction between sea-going and inland for reporting? Has this been defined? Answer: this has not been announced but is likely to include inland and coastal, but is subject to consultation.

Members discussed that the costs have to be passed on. There should be an incentive for shippers/shipping lines to reduce emission/costs.

### 6. Safety Point

The Chair invited members to share any lessons identified virtually in interests of time.

**ACTION: Members to share any relevant safety points with Logistics UK.**

### 7. AOB

One member asked if anybody had any insights into US port strikes given this is an election year? Members may appreciate any update or insights.

**Action: Nichola Mallon to follow up and share feedback with Shippers' Council members.**

**The following items were taken in private:**

**8. All Modes Council – Half Day Conference**

Members discussed what would make such an event worthwhile.

Some constructive suggestions were made including:

Format:

- Breakouts for different groups because there is no one size fits all across the four modes. Most likely two modes will interact on a topic but not all four together.
- Not just a workshop, a longer event including a workshop.
- Make it a networking opportunity.

Location:

- Base it around a pre-existing event such as Multimodal Conference in June.

Topics:

- Base around policy
- Invite government/Ministers

Agenda items

- Speaker from another country/region to share how things work in their country? Introducing something new.
- Voice on policy
- Voice on systems

**9. In confidence session - shippers' industry roundtable discussion**

- Josh Fenton gave an update on Carbon Border Adjustment Mechanism (CBAM).
- The Chair gave an update on the EU Deforestation Regulation.
- NM gave update on Red Sea diversion. Members are aware of new surcharges potentially emerging. There is increased congestion at Singapore as well as in the Mediterranean.
- Member updated attendees on the situation with Israel, to say that it is getting a lot better for shipping.
- ETS is a very complicated issue. Simplified slides to explain what it is, would be helpful.

**Action: Nichola Mallon looking to generate this.**