

Address given by Mr Hans van der WERF
Secretary General of the CCNR on the occasion of the
EBU Seminar “Greening the corridors”
in Brussels on 10 April 2013

Dear Ms Chair, dear Commissioner Kallas, director Paquet, members of the EP, ladies and gentlemen:

Time has come, indeed, to deepen the discussion on greening and the options IWT has to reinforce and to consolidate its position as a sustainable mode of transport. Greening is a timely issue for IWT, also in view of the corridors composing the European network of waterways. The EBU may be congratulated on this choice, as in the months to come, important decisions will have to be taken.

Today's seminar is therefore an excellent occasion for exchanging views, ideas, and discussing the constraints, or barriers, on the way towards an IWT that also in the future assures its destiny of a sustainable mode of transport.

It is my sole intention to contribute to the discussion; by no means my intervention reflects a or the position of my organisation, the Central Commission for the Navigation of the Rhine.

Although much has already been studied and evaluated, important questions remain open and need further analysis before decisions may be taken.

Let me roughly present a state of the art.

- There is, or at least seems to be, a general awareness that IWT is losing progressively the advantage it still has on the other modes in terms of atmospheric emissions. This counts for the competent authorities as well as for the industry itself.
- All stakeholders have demonstrated their interest to work on new standards for engine emissions, in order to keep pace as IWT with the neighbouring modes of transport and to be able to respond to the present and future societal claims.
- On the level of the design, the standards to be adopted and the instruments, the tools to be privileged, consensus has not been reached yet, although the range of options seems to be narrowing progressively.
- But a final decision on the application can only be taken when it has been made sufficiently clear that the shipping industry disposes of a corresponding absorptive capacity, technically and, first of all, financially.

This state of the art has been developed on the acronym of the opera of Verdi, AIDA,
Awareness, interest, design, application.

Of course, any resemblance between our issue and the plot of the opera, and in particular its dramatic end, is pure coincidence.

Nevertheless, I consider the choices to be made, merely the strategy to be defined, as part of a plot, of a story that takes into account the lines of realistic scenarios for the implementation phase of greening standards and technology in IWT.

Therefore, I have developed my contribution on the basis of three entrees:

- The market situation;
- The options for greening by means of referential European standards and new combustion technologies;
- The framework for the implementation and possible facilities to be provided for.

Market situation

After almost 5 years since the shock-like slowdown of the economic activity and in spite of the global recovery of transport demand from 2009 on, both segments of IWT find themselves still in a difficult situation. The short-term perspectives are rather gloomy, it is the expectation that in the dry-cargo sector, recovery might come towards 2017; the tanker business will be able to recover progressively, at the latest by the end of 2018, when the single hulls will have been phased out.

Both sectors are faced with endogenic elements regarding the supply-demand equilibrium:

- A temporary overcapacity in the tanker fleet,
- A more structural overcapacity in the dry-cargo sector.

In a context where new events of a general nature influencing the economy may occur, the overall outlook remains rather pessimistic and will not provide the confidence that is necessary for steady growth. Therefore the question arises, whether the surplus capacities should be eliminated, as was successfully done in about a similar economic context in the 90ties?

Firstly, it should be noted that the situation in the two sectors is not the same. Both see their survival during the coming 4 to 5 years largely depend on external factors like the water level in the Rhine and similar effects on supply or demand. But then, the tanker sector seems to be more fit to maintain a somewhat acceptable freight level than the dry-cargo sector.

Over the years, the tanker sector has far more consolidated its constellation of shipping companies, brokers and agents, and the remaining independent fleet. At least compared to the difficult 90ties, it shows significantly more economic efficiency.

For sure, the transition in a double-hull fleet, necessitating important investments, but also the direct implication of the demand side industries in the safety of the operations, have contributed to a much more quality-driven sector. The overall framework conditions at least focus on standards and their application. These include maintenance, qualified personnel, and so on, and concern all players. Hence, the capacity to achieve corresponding freight levels on the market, in spite of the temporary surplus capacity, seems to be greater.

Could such an approach also be the key for the dry-cargo sector? It may be doubted whether the capacity measures of the past are still fit for the present, with its 27 member states European Union, its free market principle and the hardly homogeneous inland fleet. Not to talk about the time lag between initiative and execution, or the financing in times of budgetary restraint.

Therefore, my question is whether the IWT branch should not adopt a quality-driven approach for its policy to stabilise and later on consolidate the sector, instead of pursuing a doubtful capacity-oriented strategy. Quality should thereby not be oriented only on the safety aspect, but in particular in the dry-bulk sector, also and for all, include the logistics: intelligent loading and unloading, forward and backward integration into the chains, additional logistic high-quality services. And it should focus on the demand side of the market, rather than on the supply side as has often been discussed.

It remains the conclusion that for the short term there is no real economic perspective of a massive and fleet-wide adoption of greening measures. Towards the end of the decade one might expect improvements, enabling the sector to prepare for the deadlines set for the next decade, for instance those in the port of Rotterdam.

Greening: impact assessment

The interval that is needed for a full recovery of the IWT industry before it is in a position for new in-depth investments may as well serve for the technological development and for the preparation of the regulatory framework for implementation. Four to five years for development and marketing of smart systems in particular for retrofitting, including also LNG, is certainly not too long. Indeed, the horizon of 2018 might well serve as a reference for the upcoming new and reinforced standards for IWT.

An interesting aspect of the recent impact assessment is the effect of the greening measures in different vessel classes in terms of business economic impacts and benefits for society.

Over the last 20 years the fleet of inland vessels has been largely modified. Under the influence of a stronger competition from rail, further economies of scale have been realised by means of a substantial growth of the segment of 110 m vessels and of the new class of 135 m vessels. As a consequence, average tonnage of the fleet as well as productivity has increased substantially, whereas the fleet may be subdivided in two segments, with a cut-off for the length of 110m. The latter segment has the greater throughput of the overall transported volume.

It is expected that the segment of larger vessels and push boats will continue to grow. For these vessels, the adoption of greening measures can have positive business impacts and the societal benefits are evidently higher than in the case of smaller vessels.

Should such conclusions not give way for a differentiated approach? Or, the other way around, is it justified, in terms of a sustainable development, to initiate measures of which the societal benefits may be questioned?

Greening: policy ideas

Differentiation means adopting distinct strategies for the two segments of the fleet that allow, under the present circumstances, to attain more rapidly the objective of a global greening effect of IWT.

It is in the case of large vessels and push boats, that greening has the highest ecological benefits as well as possible economic gains. A modernisation strategy consisting of more demanding emission standards and tighter transitional provisions would thus be appropriate. As a result, greening and fleet modernisation will be fostered at the same time.

By contrast, in the case of smaller vessels, negative business impacts as well as much lower societal benefits call merely for a non-interference strategy. The tightening of emission standards could thus be less marked. As a result, owners of small vessels could benefit from the less tight regime, but an already on-going adjustment process can be expected to continue.

As a matter of course, investments costs will be high for the modernisation of the fleet of larger vessels, whereas they will be low for the non-interference strategy of smaller vessel. Accordingly, owners of larger vessels will require investment support, whereas no or only little investment support would have to be provided to smaller vessel owners.

Greening: financing fleet modernisation

So, how to finance investments by owners of large vessels and push boats in cleaner engines? Today, it is not my ambition, nor my competence, to propose a finished menu, but – as you can see –some useful ingredients may be given.

First of all, the economic crisis in inland navigation needs to be overcome; it is too early for a fleet wide modernisation and greening.

For times of poor economic results, the IWT sector has already prepared itself in the past by building up a reserve fund that still amounts to 35 million euros. When should this money support the development of inland navigation if not in the context of the situation?

In the impact assessment it was estimated that the greening of the fleet of larger vessels and push boats would require up to around 1.7 billion euros. However, not all vessels will undergo transition to higher emission performance. This reduces the gap between available credit financing and investment costs. To close the remaining gap, additional financing is needed. Besides low equity capital, EU programmes and national funds as well as loans from business banks will have an important role to play.

Conclusion

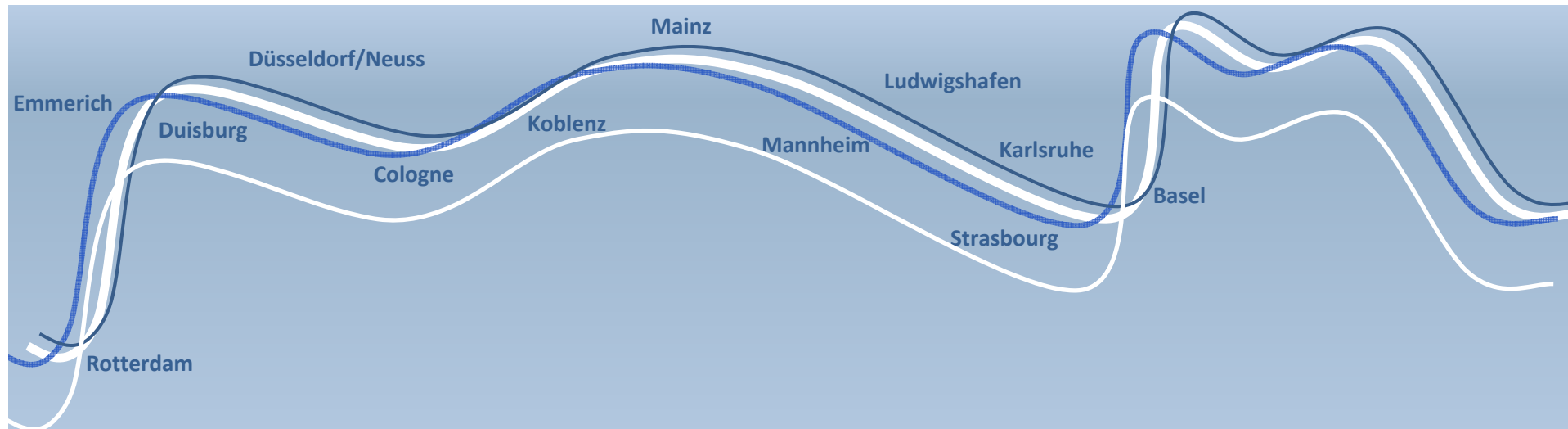
To sum up, I would like to underline that greening represents both an economic challenge and opportunity for inland navigation. Greening can go hand in hand with a desirable, quality-oriented modernisation of the inland navigation fleet. To support this development, distinct strategies for larger and smaller vessels could be considered. The modernisation of large vessels and push boats could be financed by favourable investment loans, while smaller vessels could benefit from a non-interference strategy.

In the larger context, greening is a key component in the sustainable development of inland waterway transport. Given the rising demands concerning the sustainability of transport solutions, the next years will be crucial for the future of inland navigation. What will inland navigation look like in five years? What will be achieved?

A “vision 2018 for sustainable development” can serve as a common frame for the actions to be taken within the next five years. In its role as a platform with round tables throughout the year and a congress in December this year, the CCNR invites you to contribute to such a vision 2018. The idea is easily described:

The vision will be ambitious, but feasible. The vision will be shared by both public authorities and stakeholders in inland waterway transport, making it a common vision for the sector. All three pillars of sustainable development will be considered in the vision – environmental, economic and social issues, which we will develop in close cooperation with our privileged partner, the European Commission.

Greening will certainly be a very important part of this vision. I am looking forward to your contributions and would like to thank you for your attention.



SETTING THE FRAME FOR THE GREENING OF INLAND NAVIGATION

Hans van der Werf
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Central Commission for the Navigation of the Rhine

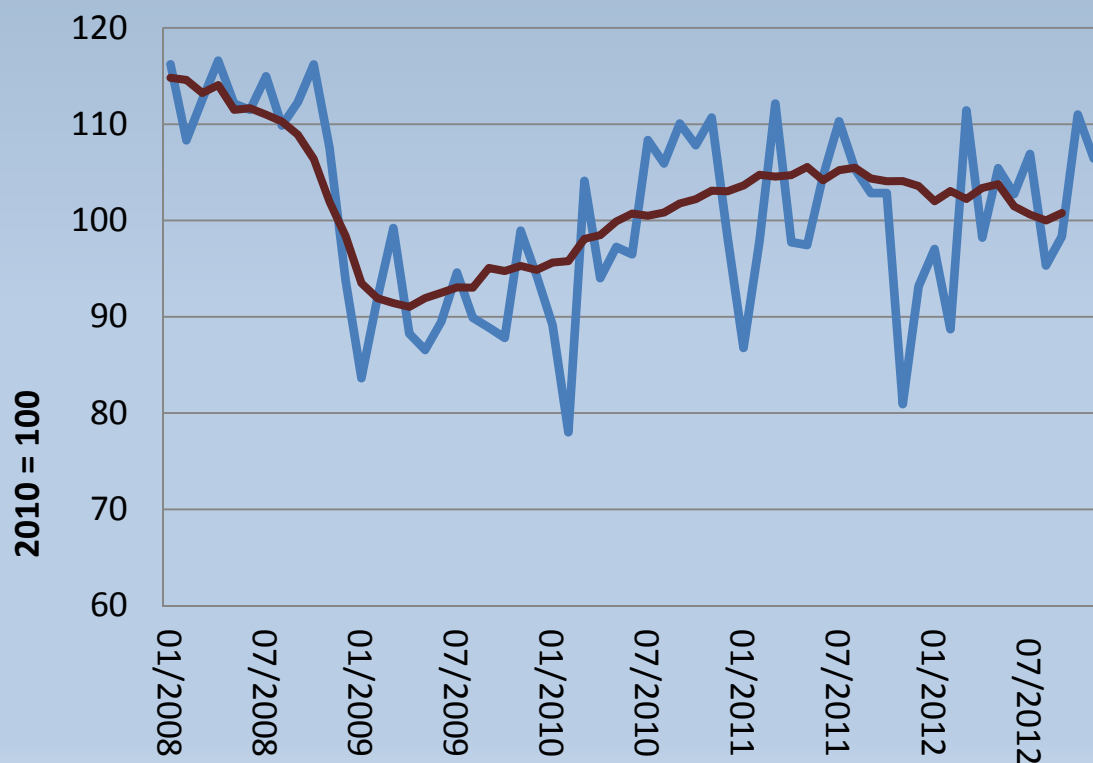
EBU Seminar “Greening the corridors”, 10 April 2013





Economic situation:

Transport on the Rhine and industrial production in the EU



— Transport on the Rhine
— Industrial production in the EU-27

Economic recovery stopped at the beginning of 2011

Outlook for the near future rather pessimistic:

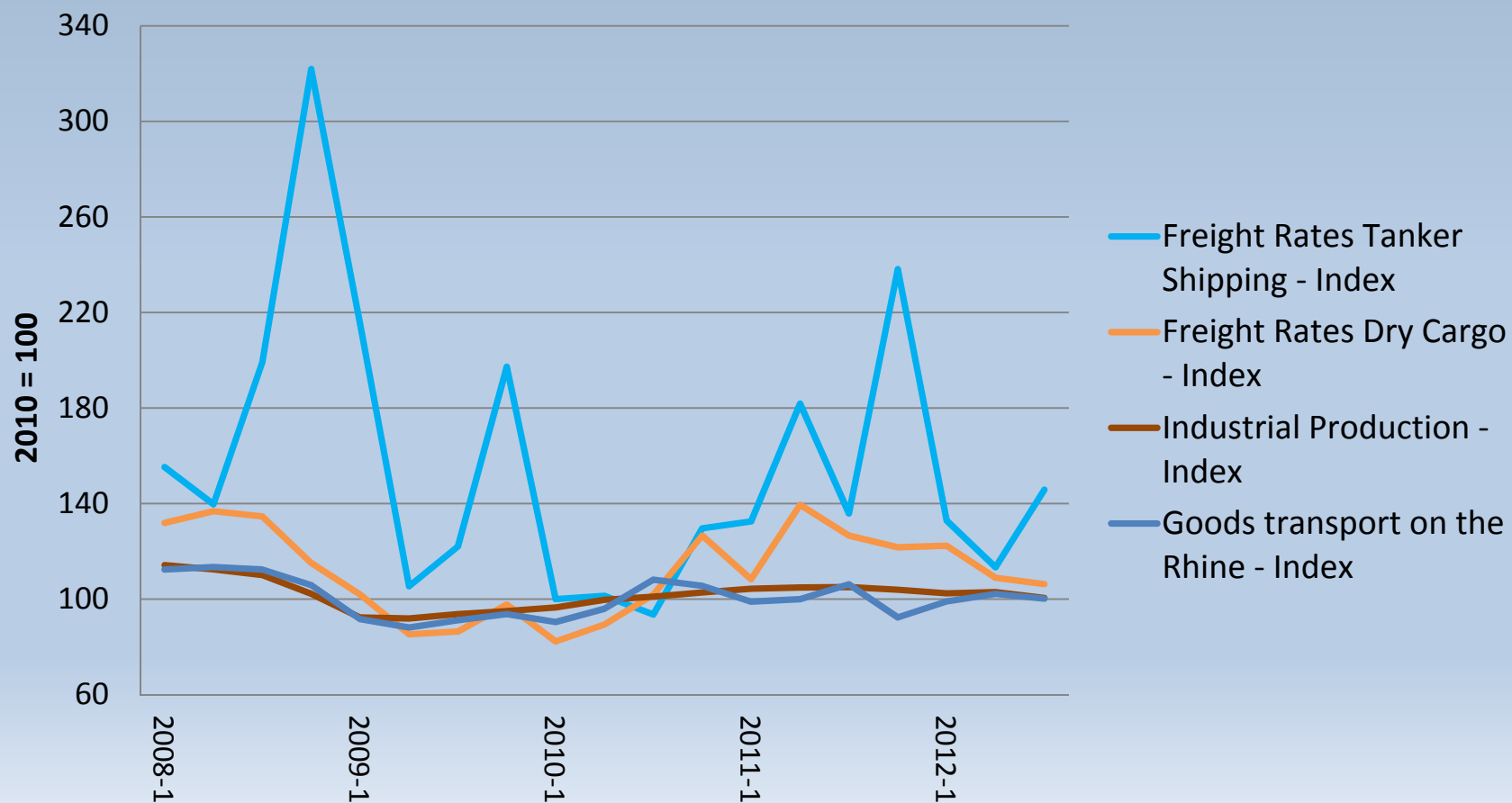
- No growth foreseen for 2013-2014
- High risks ahead (economic crisis not over)

Source: Eurostat; destatis; Calculation CCNR



Economic situation:

Freight rates, goods transport on the Rhine and industrial production in the EU*



Source: Eurostat; Rabobank; Panteia; calculation CCNR.

*smoothed data, due to calculation of quarterly data based on monthly data



The “market paradox” of profitability: Tanker shipping and dry cargo shipping

▪ The “paradox” |

- Both dry cargo shipping and tanker shipping hit by the economic crisis
- Tanker shipping has to shift from single hull to double hull vessels
- But: Indications that financial position of companies in tanker shipping is on average better than in the dry cargo sector

▪ Suggested explanation |







- Higher barriers for market entry in tanker shipping (due to high safety standards) create a quality-orientated market niche
- Market niches help to avoid ruinous cost and price competition
- Focus on quality-approach in transport services is stronger in tanker shipping



How can dry cargo shipping be segmented and create market niches?



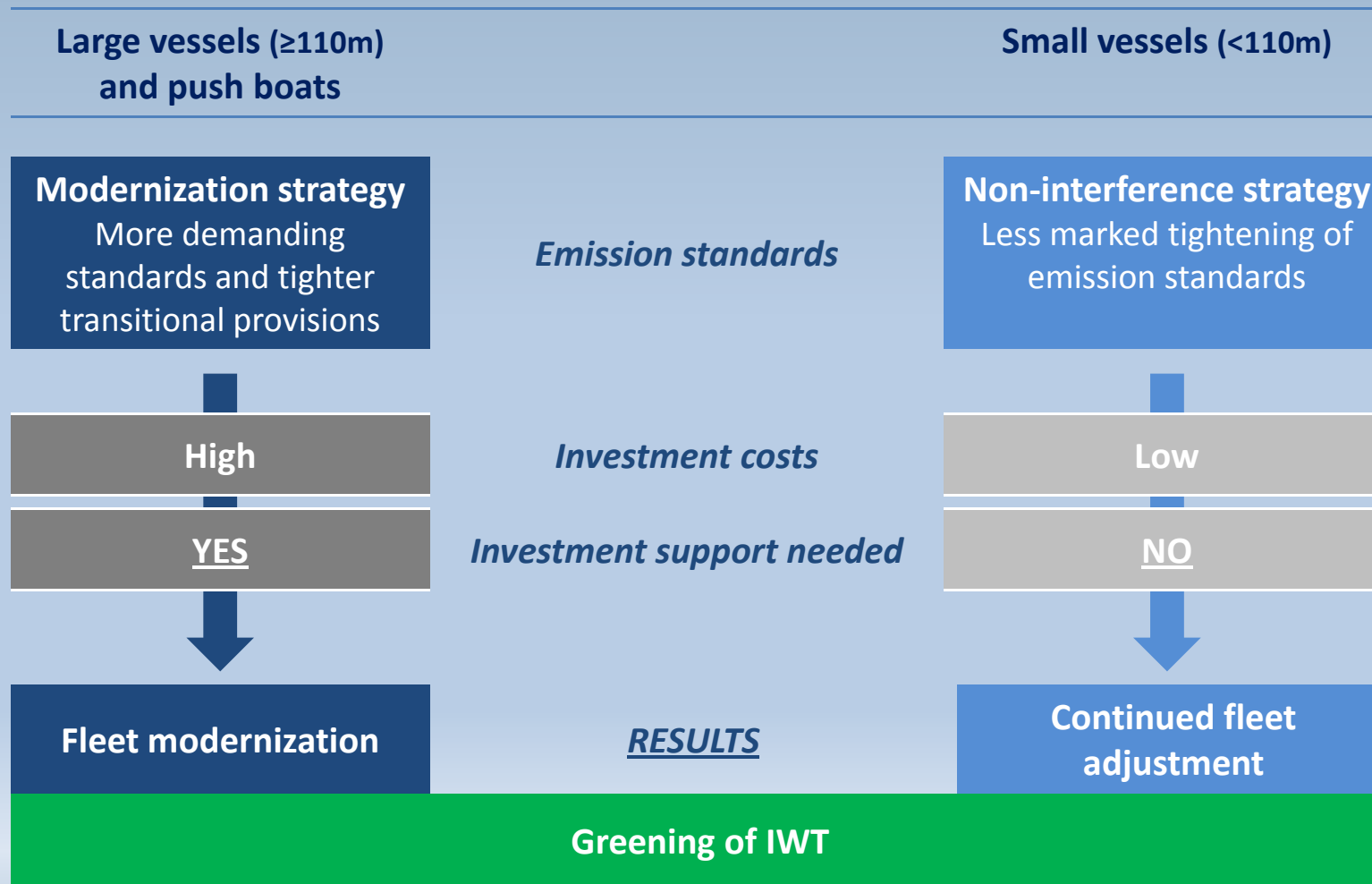
Greening: Impact assessment

Large vessels ($\geq 110\text{m}$) and push boats		Small vessels ($< 110\text{m}$)
+ 22% 	<i>Number of vessels in Europe 2012-2030 for business-as-usual</i>	 -40%
In most cases positive (LNG) 	<i>Business economic impact of higher emission standards</i>	 Negative
High 	<i>Benefits of higher emission standards for society</i>	 Low

 **Differences suggest a differentiated approach** 



Greening: Policy ideas

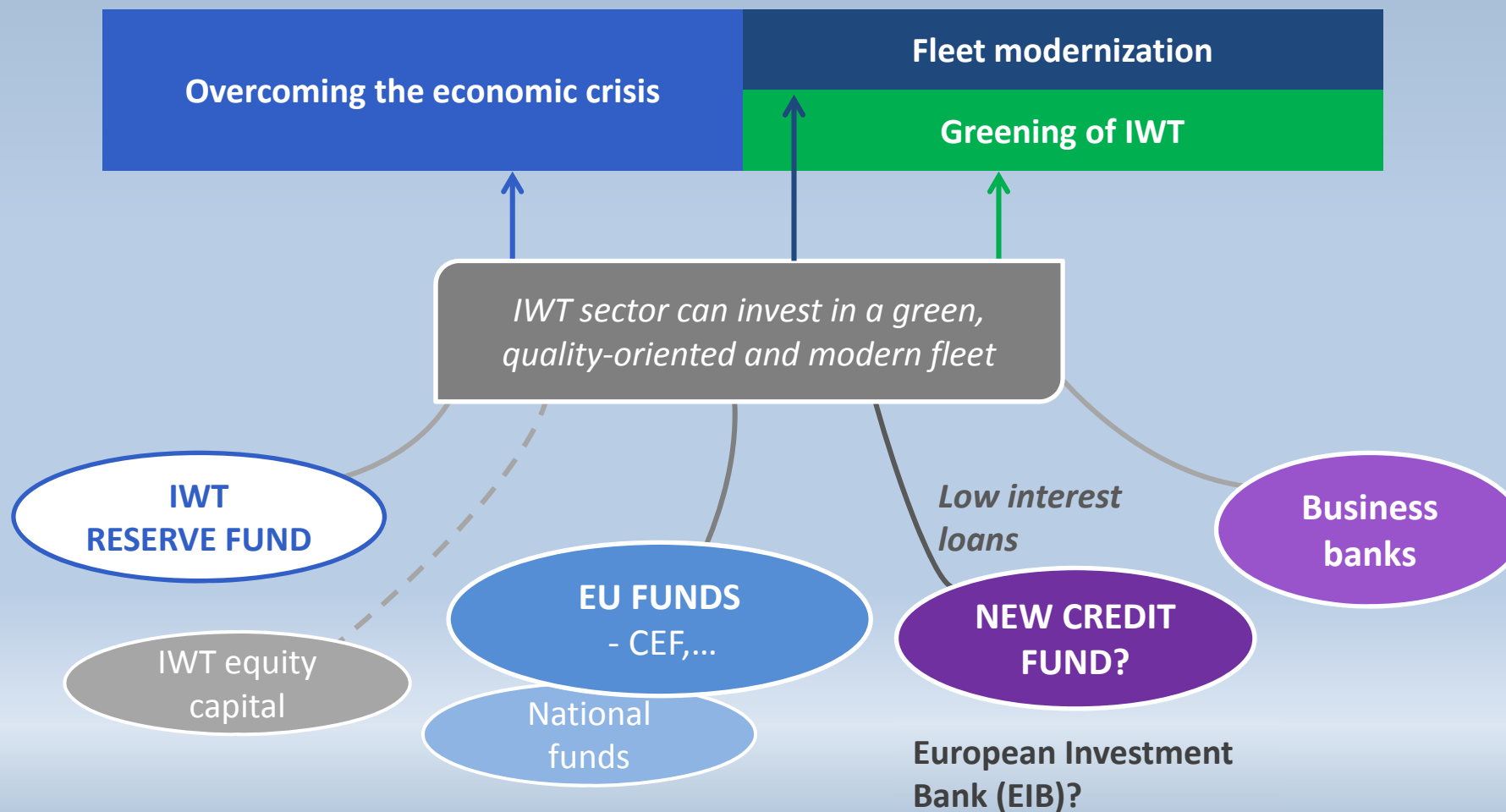




Greening: Financing fleet modernization

(larger vessels and push boats)

Environmental and economic policy goals



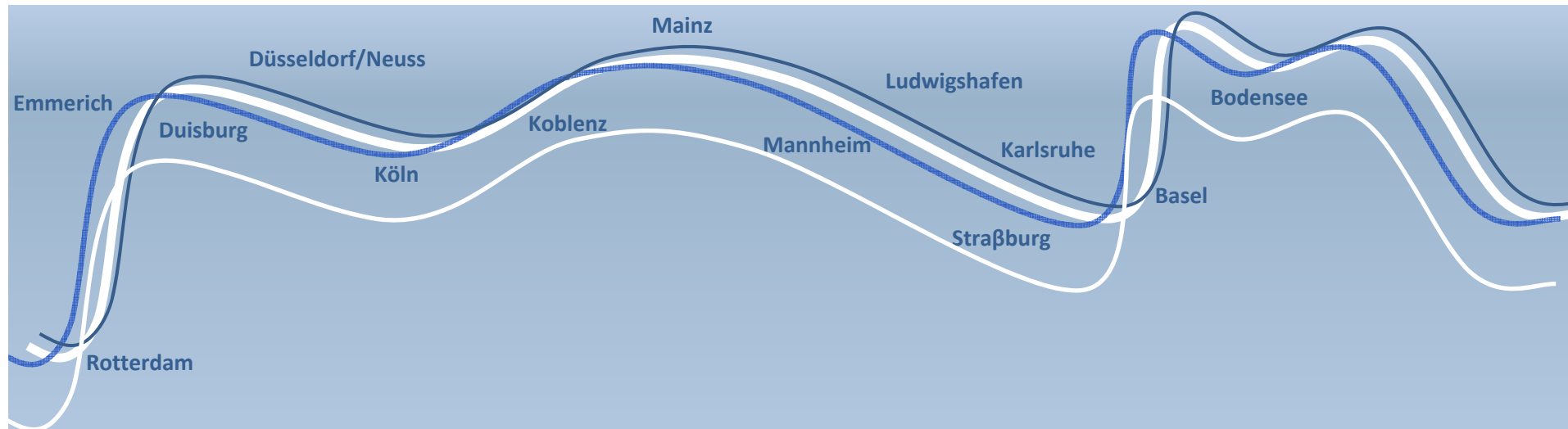


Conclusion

- **Greening as an economic challenge and opportunity** |
Quality-oriented modernization of IWT fleet
 - Distinct strategies; investment loans based on reserve fund
- **Greening and sustainable development of IWT** |
Next years are crucial for the future of IWT
 - **Towards a “vision 2018 for sustainable inland navigation”**



Ambitious, but feasible
IWT authorities and stakeholders
Environmental, economic and social issues



THANK YOU FOR YOUR ATTENTION!

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