

IN CONVERSATION WITH EMANUELE GRIMALDI

# Charting a joint course

The time is now: July sees the maritime community come together at the IMO to agree on a regulatory path for concrete emission-reduction measures. Emanuele Grimaldi, chairman of the International Chamber of Shipping, and Patrick Verhoeven, managing director of the IAPH, discuss their organizations' united decarbonization journey

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**T**he first week of July has been a highly anticipated one in the maritime calendar: the 80th session of the IMO's Marine Environment Protection Committee (MEPC80) is meeting in London and the UN body's member states are tasked to adopt a strategy to reduce maritime emissions in the decades to come.

This time of year also marks 12 months for Emanuele Grimaldi, CEO of Grimaldi Lines, as chairman of the International Chamber of Shipping (ICS), which makes for a good time to review recent efforts to decarbonize the maritime supply chain in ports and in shipping.

"Ports and shipowners already have a symbiotic relationship and together will be integral to achieving decarbonization goals for the entire world. Ships are expected to transport approximately 50% of the new green fuels that other sectors will be using to decarbonize, and it is ports that will help to facilitate the trade of these green fuels, for example through refueling hubs for maritime transport," Emanuele told *PE&H*.

This is something the IAPH pays close attention to. "The transition to a zero-carbon energy landscape has profound implications for the business model of ports and shipping, not unsimilar to how containerization transformed our industry in the 1960s," said Patrick Verhoeven, managing

director of the IAPH. "This goes far beyond the fueling of ships, with new energy trade lanes emerging, connecting production centers of renewable energy in the Southern Hemisphere with consumption areas elsewhere. It means we'll need massive investments to create both new greenfield infrastructure and adapt existing fossil-based infrastructure in exporting and importing ports."

These new fuels are part of the IMO strategy to reduce emissions in 2050 by 50% of the 2008 baseline data.

However, the fourth IMO Greenhouse Gas Study published in 2020 warned that without further action, CO<sub>2</sub> emissions from international shipping are projected to be 90%–130% of those 2008 levels by 2050 for a range of plausible long-term economic and energy scenarios.

The industry is thus hard-pressed to find technological as well as regulatory measures to bring maritime transport in alignment with the Paris climate goal of limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C of pre-industrial times.

Ahead of the member states coming together at the IMO, the UN Conference on Trade and Development (UNCTAD) reviewed the proposed measures



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## “OPS facilities will not be stranded assets”

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IAPH

that will be discussed during the week-long meeting.

A favored one has been suggested by the ICS: an economic measure where CO<sub>2</sub> emissions are being taxed per ton to bridge the price gap between zero-carbon fuels and conventional fuels and that contributes to a research-and-development fund for alternative fuels and their infrastructure.

The suggestion – per se – is being favored by different stakeholders. Especially by ports, as two-thirds of new infrastructure investments to accommodate alternative fuels will have to be made on land.

However, the details of financing and the level of contribution per member state still need to be ironed out. The UNCTAD review states that the solution could indeed be an “IMO fund to help expedite the transition to zero-carbon emissions without any direct financial cost to states and with minimal administrative burden. The proposed levy-based economic measure is therefore considered to be a cost-effective measure, which will help facilitate successful delivery of the 2050 levels of ambition set out in the initial IMO strategy.”

At the same time, it suggests “that programs to be supported by the proposed IMO fund could be designed to identify mechanisms for reducing the cost of transportation to least developed countries and small island developing states, and other geographically remote locations.”

For the fund to be successful, it needs political will, Emanuele said. “ICS continues to call on industry stakeholders to speak to their own government contacts ahead of MEPC80 so that member states are fully aware of what is required for the industry to move forward. Getting something in place as soon as possible will reduce the investment risk, which is crucial to making tangible change,” the ICS chairman voices a call to action.

Then, “a system could be up and running as early as 2024 if IMO member states give the green light at MEPC80. MEPC80 will set the ambition but without measures, it will not be possible to achieve the goals. This is why we need governments to not only set the goal but also provide the tools to enable the goal to be achieved,” he continued.

For him, a successful outcome of MEPC80 would be a clear direction for IMO member states with increased ambition to achieve net-zero carbon emissions by 2050.

The IAPH supports the increased ambition and the need to have a combination of technical and economic measures to help achieve this goal.

“Although we remain neutral as regards to the type of market-based measure that will be adopted, we believe it is an essential instrument to facilitate a just and equitable transition through the collection and strategic allocation of the generated revenues to port-related investments for low- and zero-carbon fuels, in developing countries in particular,” said Patrick.

### Financial call

Part two of ICS’s regulatory decarbonization trajectory is a joint proposal submitted together with the IAPH to the IMO – also to be discussed at MEPC80 in July – on onshore power supply (OPS).

Uptake of this technology is being hindered as some ports argue there are not enough ships using it to make it a viable investment – costs on the port side vary from a quarter million to several million dollars – while some shipowners say there are not enough ports offering onshore power with equal expected costs for ships.

“It is a chicken-and-egg situation,” Emanuele confirmed. “The submission that we have co-sponsored with IAPH, Cruise Lines International Association and INTERFERRY aims to address this uncertainty from both the port and the ship side.” The proposed collection of data regarding the accurate power consumption by ships while berthed in ports is aimed to help these ports decide on both the investment needed in the appropriate OPS infrastructure and the expected added demands on the regional power grid. “Our submission also calls for part of the revenue generated by the economic measure to be adopted by the IMO as part of the basket of mid-term GHG reduction measures to be utilized to support and incentivize investments in OPS infrastructure in ports and on-board ships,” Emanuele said.

Patrick explained that “successful cases of OPS almost all involve public financing of infrastructure, at least partially, and regulation for ports, terminals and vessels, making both the provision and the use of OPS mandatory.”

He also knows why the adoption otherwise is slow. “A major reason why OPS is not deployed on a much larger scale yet is that there are doubts about whether OPS is a future-proof choice.” These doubts are based on the thought that climate policy will lead to emissions-free ships, with which OPS infrastructure will become less and less utilized and rapidly depreciates. “A recent study by CE Delft, however, found that there are several reasons, which make it unlikely that OPS facilities become stranded assets.”

He added that “cost advantages and the potential to address other pollutants are among those reasons.” This is crucial as “the study confirms that, in all scenarios of decarbonization of shipping, a significant share of maritime fuels will still be fossil-based by 2040. That is why we consider OPS to be a viable long-term solution for ships at berth offering significant air pollutants, noise and GHG emission reductions”.

Even though OPS might not be a widely supported practice, there are regional requirements for OPS like the ones in China, Europe, and the West Coast of the US. “It is therefore important to address any incomplete technical standardization issues with these installations, which the submission also calls upon the IMO to undertake,” said Emanuele. Indeed, in California onshore power has been regulated since 2014 while the European Union wants ports to offer connections in 2030.

### Sailing together

This is not the first time the ICS and IAPH have been cooperating and it will certainly not be the last. “Many of our challenges are mutual and can only be overcome by working together. The ICS and IAPH enjoy a strong collaborative relationship, evidenced through our partnership on the clean energy marine hubs. We look forward to forging ahead with our work on the hubs and accelerating the production and uptake of green fuels for the benefit of the entire world,” said Emanuele.

The initiative has the backing of five governments – the UAE, Panama, Norway, Uruguay, and Canada – and of the International Renewable Energy Agency and the Global Center for Maritime Decarbonization. The clean energy marine hubs will be formally launched at the 14th Clean Energy Ministerial in Goa in July. Emanuele is hopeful. “We are on an upward trajectory to achieve our goals.”

The coordinated efforts between governments and industry across the energy-maritime value chain are also hoped to be great opportunities for port authorities. “Countries failing to take first mover advantage in establishing a clean marine energy export or import hub are likely to lose out to regional rivals who do attract the investment and knowhow. This can also become a potential energy security risk,” said Patrick. “It will be the role of shipping and the ports that serve them to become the enablers of the energy transition by offering capacity to transport what is expected to be 50% of all global

zero-carbon fuels. For candidate countries this presents a golden opportunity to develop the hub concept as catalysts of economic growth and prosperity for their citizens.”

Emanuele agreed. “Over the past few years, I have noticed an increase in collaboration within the shipping industry but also between shipping and other players in the energy value chain. Shipping along with its stakeholders recognize that to decarbonize, we cannot work in silos anymore. Decarbonization is a global challenge bigger than any one industry or government so achieving our goals requires joined up thinking on a global scale.”

### Joining the club

Although the MEPC80 meeting is the big one in the maritime calendar, later this year, in November and December, the UN has invited the world to come to Dubai and discuss the impact of climate change on a global level.

Traditionally, shipping as one of the main trade transport facilitators will be present for the week-long talks, too.

“At COP28, we are hosting a major gathering on 10 December supported by the UAE’s Minister of Energy and Infrastructure. We are working with IAPH to ensure the outcomes of the World Ports Conference, which I look forward to attending in Abu Dhabi, will feed into the discussions during COP28,” said Emanuele.

“We are delighted that Emanuele will be joining IMO secretary-general Kitack Lim,

our president captain Subramaniam, and other leaders at the World Ports Conference in Abu Dhabi for a discussion on what shipping and ports can deliver to COP28,” Patrick responded. “It is a strong signal to the global business community and regulators that shipping and ports stand together, not just when it comes to decarbonizing the maritime sector, but also in facilitating the transport and distribution of zero-carbon fuels.”

Emanuele would like to see IAPH member ports at COP28 and extends another save-the-date to mark in the maritime decarbonization calendar. “COP28 will be a significant moment for our industry, and I look forward to sharing more details in due course. The events we are planning will provide a significant opportunity for the entire maritime sector to showcase what is already under way and to bring stakeholders together to set a course for a decarbonized sector. I look forward to seeing many of the IAPH members in Dubai on 10 December,” the ICS chairman concluded. ■

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ICS