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SEA Europe
Shipyards' & Maritime Equipment Association

Position paper



A EUROPEAN BLUE TECHNOLOGY FUND

Enhancing the added value of EU public investment towards a sustainable and digitalised blue economy and waterborne value chain

SUMMARY

- EU funding for the maritime sector is too fragmented and complex. This has been a deterrent to the development of impactful and innovative strategic technologies and flagship projects.
- The current EU maritime fund for 2021-2027 - the EMFAF - is not a game changer towards a sustainable and digitalised blue economy. Thus, it should be replaced by an effective and efficient Blue Technology Fund after 2027.
- The Blue Technology Fund should be geared towards the scaling-up of maritime technologies in support of a competitive and sustainable blue economy in Europe. To do so, it should bring key innovations to the market, grant strategic added value to Member States, and enhance manufacturing capability.

- **The need to remedy the fragmentation and complexity of the maritime funding landscape**

Public investment plays a crucial role in facilitating the greening and digitalisation of the blue economy and of the waterborne value chain. It serves as a catalyst for innovation and reduces the risk and cost of investment in new technologies that do not yet have a stable market but should bring strategic competitiveness and sovereignty to the EU. Ultimately, it supports the business case for carbon-neutral, sustainable, and digitalised blue economy and waterborne value chain in Europe, including dual-use technologies.

Significant financial resources are available under the EU budget and NextGenerationEU to support the green transition and digital transformation (data, cyber, IT, IoT, etc.). In particular, Horizon Europe, the Innovation Fund, and structural funds are key. Although these cross-sectoral programmes cover the blue economy and the waterborne value chain, there is a **complex landscape of funds with different management systems and procedures, but without overall coherence**. This makes it very difficult and resource-intensive for industry stakeholders to find their way. Thus, this fragmentation and complexity have been a deterrent to the development of impactful and innovative projects for which key players sometimes end up giving up.

In 2020, the European Parliament proposed the creation of an "Ocean Fund" financed by revenues from auctioning allowances under the Emissions Trading System (ETS), to make ships more energy-efficient and to support investment in innovative technologies and infrastructure, such as alternative fuels, smart energy management and green ports. Unfortunately, this proposal was not followed-up, and ETS revenues from shipping have been partly streamlined in the generalist Innovation Fund. This was a missed opportunity to boost the business case and innovation of the carbon-neutral, sustainable, and digitalised blue economy and waterborne value chain.

In the context of the preparation of the next generation of EU funding programmes post 2027, SEA Europe calls upon the European Commission to **remedy the current fragmentation and complexity of maritime funding**. Rather than small drops of maritime support across many funds, the maritime technology industry needs a dedicated maritime fund, thereby facilitating impactful investments in zero-emission, sustainable and digitalised vessels and technologies, in efficient production processes, in alternative fuels, and in up/reskilling workforce in the blue economy.

- **The current European Maritime and Fisheries Fund: a failure?**

In fact, there is already a European fund dedicated to the maritime sector: the European Maritime, Fisheries and Aquaculture Fund (EMFAF), covering the 2021-2027 period. It was preceded by the European Maritime and Fisheries Fund (EMFF), whose eligibility period spanned between 2014 and 2023. However, these funds called "maritime" predominantly support fisheries and aquaculture, actually a quite limited part of the blue economy. Indeed, 87% of the €6.1 billion euros budget of the EMFAF is delegated to Member States and supports almost entirely fisheries and aquaculture. Only a fraction of the remaining 13% - implemented by the Commission - supports a sustainable blue economy. The EMFF had a comparable distribution.

Thus, **neither the EMFAF nor the EMFF have proven to be game changers towards a sustainable blue economy**. Moreover, available public information on the implementation of the EMFF[1] as of 31 December 2022 (i.e. one year before the end its eligibility period) is worrying:

- only 67.2% of the €5.7 billion euros delegated to Member States to support fisheries and aquaculture were effectively absorbed,
- only €286 million euros were ring-fenced for projects related to innovation, with half of that amount in the aquaculture sector,
- data reported on the result indicators of the projects showed underperformance or status quo in 82.6% of cases, suggesting that EU public money did not deliver any positive change.

The upcoming ex post evaluation of the EMFF - to be delivered by the Commission by the end of 2024 - will provide a more comprehensive picture, but **SEA Europe is worried that the only EU fund dedicated to the maritime sector could possibly fail to meet its objectives while public support for maritime innovation is more necessary than ever**.

SEA Europe also questions the relevance of continuing the current model of a predominant fisheries/aquaculture focus complemented with a very small blue economy add-on. **The scope of a true maritime fund should indeed better reflect the economic and social share of the various sectors of the European blue economy**. Moreover, the green transition of the fisheries/aquaculture sector relies on the development of sustainable and energy efficient vessels and maritime equipment in these sectors.

[1] EMFF Implementation Report 2022, November 2023.

Therefore, SEA Europe calls upon the Commission to carefully consider the findings of the upcoming ex post evaluation of the EMFF and of the mid-term evaluation of the EMFAF, and to assess the current design of the EU maritime fund along the following parameters, in line with the Better Regulation principles:

- **effectiveness** (whether the EU action reached its objectives),
- **efficiency** (what are the costs and benefits),
- **relevance** (whether it responds to stakeholders' needs),
- **coherence** (how well it works with other actions),
- **EU added value** (what are the benefits of acting at EU level).

SEA Europe calls upon the Commission to **consult maritime stakeholders** (including SEA Europe) on the findings of these evaluations, and to collect their insights on the objectives and design of the successor of the EMFAF post 2027. In section 3 below, SEA Europe provides its preliminary assessment and proposals.

- **A European Blue Technology Fund supporting a sustainable and digitalised blue economy and waterborne value chain**

As explained in section 1, the fragmentation and complexity of the EU maritime funding landscape have hampered the development of innovative projects regarding the greening and digitalisation of the blue economy and of the waterborne value chain. To remedy this situation, SEA Europe calls upon the European Commission to **put in place a European Blue Technology Fund under the Multiannual Financial Framework starting in 2028, with a budget of €10 billion euros.**

Objectives

SEA Europe believes that this new fund should take over the EMFAF, and extend it to the following objectives:

- reinforce European maritime technological leadership on a global strategic scale, contributing to EU maritime sovereignty,
- help businesses investing in carbon-neutral, sustainable, and digital maritime technologies (from low TRL technologies to de-risking projects upfront investments),
- strengthen the resilience of the maritime technology industrial value chain,
- create future-proof jobs in the sustainable blue economy.

To achieve these objectives, SEA Europe recommends focussing financial support in 2 areas:

1. **bringing innovation to the market by up-scaling technology,**
2. **enhancing manufacturing capability** (including greening and digitalising ship production, and re/upskilling workforce).

The European Blue Technology Fund would complement Horizon Europe, which already has a maritime dimension with the Co-Programmed Partnership for Zero-Emission Waterborne Transport. Horizon Europe (and its successor) should continue to focus on research and development, while the Blue Technology Fund would support the scaling-up of maritime innovation from research to commercial readiness. In parallel, the European Commission should reinforce the maritime dimension in all relevant EU financial instruments (e.g. Innovation Fund, Connecting Europe Facility) to facilitate more impactful maritime investments, including in zero-emission, sustainable and digitalised vessels, platforms, technologies and ship production.

Moving away from a fisheries/aquaculture fund to a fund geared towards technology scaling-up and enhancement of industrial capability would not be to the detriment of fisheries and aquaculture. On the contrary, it would enable a more effective cross-fertilisation than under the EMFF and the EMFAF, which treated fisheries and aquaculture in silos, thus failed to connect them to market opportunities in the broader blue economy ecosystem. Therefore, the proposed new approach would directly benefit the competitiveness, energy efficiency, decarbonisation, and digitalisation of fisheries and aquaculture, thus their sustainability and profitability. It is precisely what the European Commission highlighted in its Communication on the Energy Transition of the EU Fisheries and Aquaculture sector[2]:

“There are concerns that the relatively high investment costs for adopting certain energy-efficient technologies and low-carbon propulsion technologies, compared to the revenues of the majority of vessels in the fishing fleet, may slow down the implementation of new technologies and innovations. This has in turn led to concerns about the lack of market opportunities to develop energy-efficient solutions and clean-propulsion technologies, which may hamper private investments. Given that most aquaculture companies in the EU are micro-enterprises, the same barriers apply to the adoption of cost-efficient power-management systems in aquaculture facilities and aquaculture-service vessels. The limited availability of commercially viable alternative energy sources and fuels also holds back the adoption of alternative propulsion technologies. Further developing the investment landscape is essential to attract new private investments to the sector, which is in turn essential for the sector-wide uptake of technologies for the energy transition.”

[2] Communication from the European Commission on the Energy Transition of the EU Fisheries and Aquaculture sector (COM/2023/100), February 2023.

Financial aspects and governance

The EMFAF budget for 2021-2027 amounts to €6.1 billion euros (in 2018 prices). SEA Europe calls for a **budget of €10 billion euros for 2028-2034, geared towards the scaling-up of maritime technology in support of a competitive and sustainable blue economy in Europe.**

In terms of governance, there is no need to reinvent the wheel, as the European Commission (DG MARE and CINEA) has extensive know-how in implementing the EMFF and EMFAF since 2014. However, SEA Europe recommends reshuffling the delivery model of the fund along the following logic:

- **50% of the budget should be implemented directly by the European Commission** through calls for proposals ("direct management"), while it is currently the case of only 13% of the budget. This management mode delivers more EU added value and avoids fragmentation, thus is relevant for big flagship projects developed by consortia.
- **The other 50% would be implemented by Member States and/or regional authorities** through multiannual programmes ("shared management"). It would be topped-up by national co-financing, which is a typical feature of EU structural funds. Projects supported under this management mode would be smaller, tailored to individual beneficiaries, and adapted to local specificities.

- **Next steps**

SEA Europe calls upon the Commission to launch a **broad consultation of maritime stakeholders on the future of EU maritime funding**, informed by the upcoming ex post evaluation of the EMFF.

SEA Europe is committed to present concrete proposals and roadmaps for funding in the framework of the co-implementation of the Transition Pathway for a green, digital, mobility and resilient EU industrial ecosystem published by the Commission in January 2024.