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FINANCING MARITIME DECARBONISATION Reflections on FIN-SMART Roundtable

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FIN-SMART Roundtable



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- A platform initiated by the International Maritime Organization (IMO), the European Bank for Reconstruction and Development (EBRD) and the World Bank Group that brings in maritime stakeholders from financial, public and private sectors
- The need for innovative and tailor-made financial solutions to foster sustainable maritime transport
- Aim is to speed up financial flows for sustainable shipping, especially in developing countries

27 October 2020
Commencement



9 July 2021
Presentation of Initial
Ideas



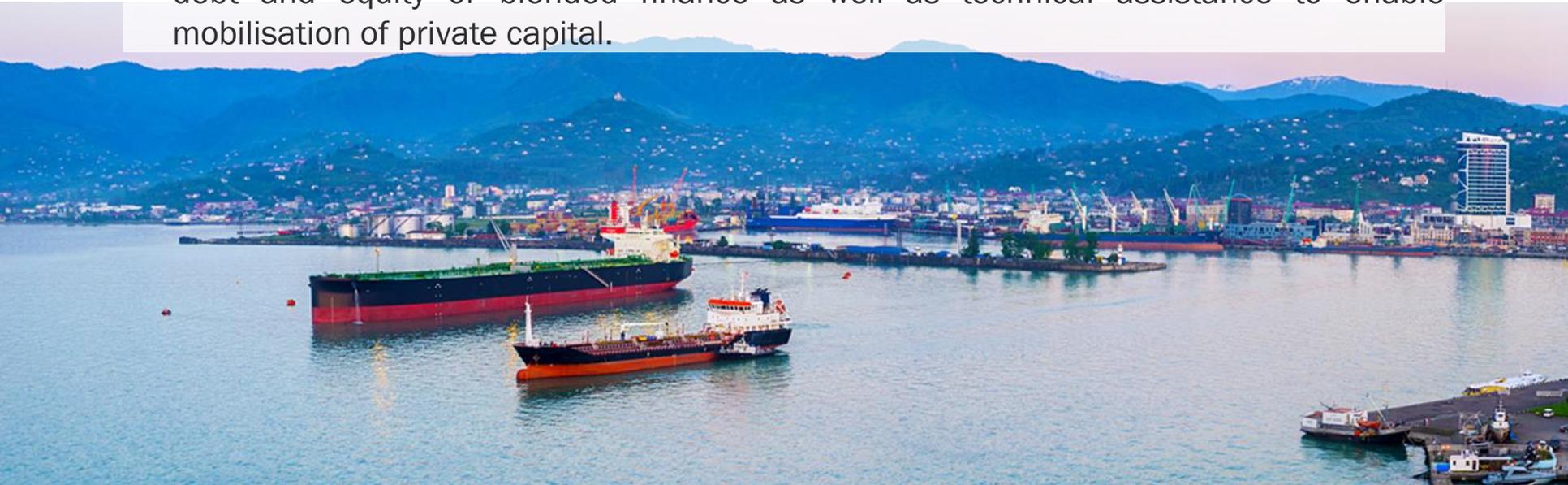
14 September 2021
How to finance
sustainable maritime
transport?

Decarbonisation of shipping: key conclusions



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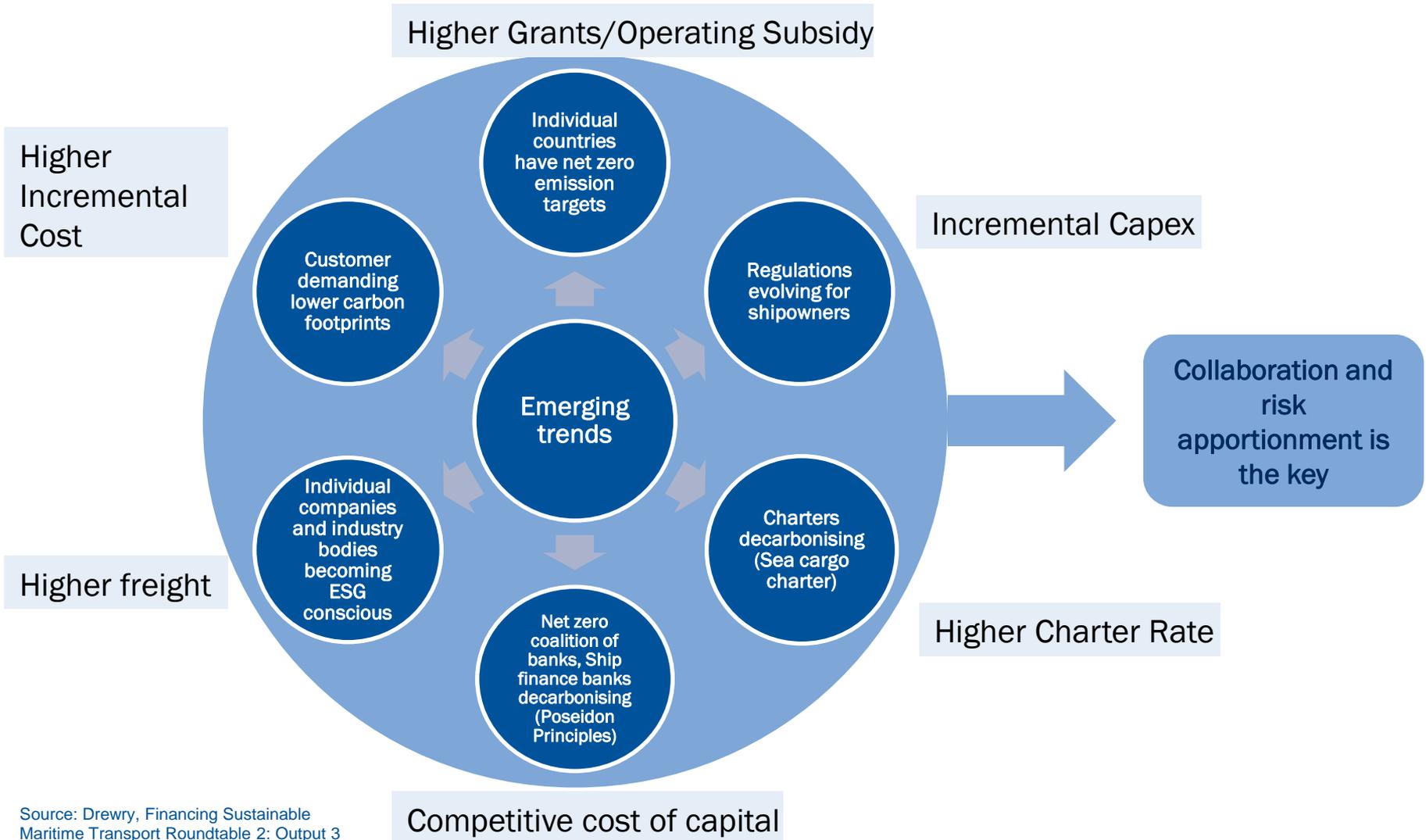
- **Collaborative effort of all the stakeholders and risk apportionment** across the entire value chain.
- **Commercial enablers** required to tackle three main commercial risks: employment risk, fuel availability and infrastructure risk and fuel price risk.
- **MDBs/NDBs and ECA** will need to **de-risk** the investment by providing a combination of debt and equity or blended finance as well as technical assistance to enable mobilisation of private capital.



Decarbonisation of shipping: risk apportionment



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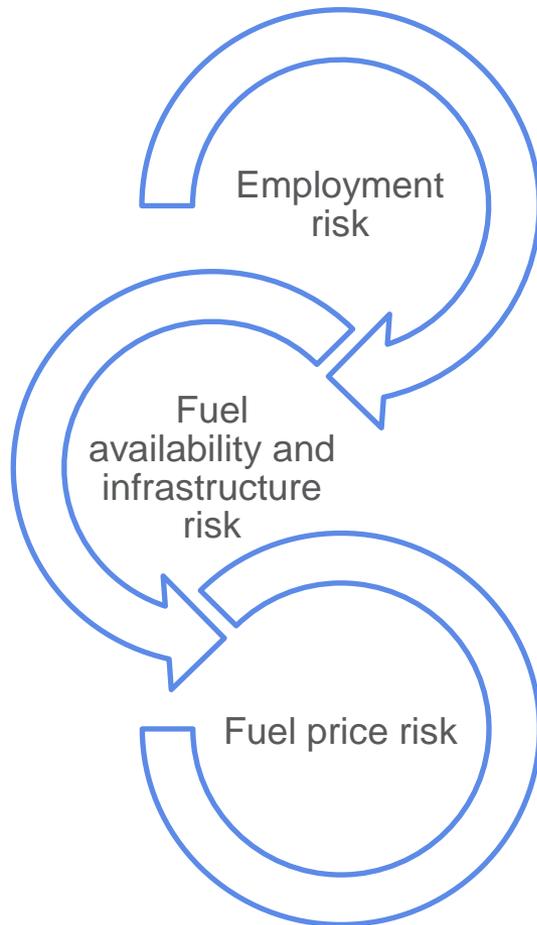


Source: Drewry, Financing Sustainable
Maritime Transport Roundtable 2: Output 3

Decarbonisation of shipping: commercial enablers



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- Employment risk, i.e. revenue risk can be mitigated by a long term time charter that is the prerequisite for shipowners to obtain financings.
- Fuel availability and infrastructure for bunkering as well as fuel price risk are the other important aspects for consideration to ensure operational continuity.
- A combination of long term vessel employment contract, fuel supply contract and fuel surcharge will generate stable predictable cash flows, which are absolutely essential for securing financing
- Creation of aggregation platforms, which will accommodate risk appetite of different players

Decarbonisation of shipping: role of MDBs



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- **Financing:** availability of private capital is limited for a high capex, high risk shipping sector, therefore MDBs are needed to step in to assist, especially the developing countries SIDS/LDCs. De-risking investment in is critical to crowd in investment from commercial banks or private players.

- **Policy dialogue:** Policy framework focussed on decarbonisation of the economy. MDBs are well placed to support developing countries to strengthen their domestic institutional and policy framework in a manner consistent with the global requirements:

- support in formulating strategies, policies and related initiatives such as policy reforms, sector strategies and energy transition.

- **Capacity building** among governmental, regulatory stakeholders and market players is also a prerequisite for decarbonisation.

What can be done?

- **Promoting decision making** at a local level to deliver quality, sustainable, market-based and demand-driven projects
- Ensuring the application of **environmentally sustainable solutions** in all projects, driving climate mitigation and climate adaptation initiatives
- Promoting **private sector participation** to drive efficiency and quality of services and infrastructure
- Enhancing **inclusion of local communities**.
- Introducing **innovative models** of solving sector challenges

Decarbonisation of infrastructure: key conclusions



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- The port industry has been steadily addressing the low hanging fruit - implementation of LED lighting, solar power for aids to navigation, and adoption of low emissions cargo handling equipment. Commercially viable ports have access to a wide range of sources to finance these investments.
- The situation for ports in LDCs and SIDS, in the case where ports are small and not commercially viable is more challenging. Port authorities may also face resistance to the imposition of user fees to pay for decarbonisation measures, including the development of necessary infrastructure.
- Creation of new fuelling facilities and implementation of smart grids remain more challenging and riskier.
- Ports in developing countries/LDCs/SIDS may need support from government or MDBs as internally-generated cash flows may not be sufficient.
- The concessional finance (hard or soft loan) or technical assistance support from MDBs and Climate funds are required for decarbonization in SIDS/LDCs to make the projects more affordable.

Examples of maritime projects with strong decarbonisation components



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1. **DCT Gdansk, Poland** – onshore power, electric - engine STS and RTG's. (Award: European Port Deal of the Year)
2. **Societe Nador West Med. Morocco** - EBRD assisted the Port in resources efficient solutions: solar panels, LNG powered trucks, electric - engine STS and RTG's.
3. **Ekol Ro-Ro Projects I and II, Turkey**, “Motorways of the Sea” alternative to land transport between Turkey and Europe, junior facility of up to EUR 4.5 million EBRD Green Logistics Program funded by GEF
4. **Uzmar Turkey**, Tier III compliant Tug Boat, R&D financing, Contributing to reduction of NOx emissions



Mainstreaming green financing in developing countries



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