



MAERSK



**Ahead of the Tide:**

Maersk's European

Policy Vision

for 2024-2029

# Introduction

In Europe, we have over the past five years, witnessed substantial advancements, catalysed by effective crisis management and the adoption of forward-thinking green regulations.

Maersk very much welcomes this leadership. We cannot become complacent but have to build on the past years. This year, the coming European Elections and the appointment of a new European Commission bring a new crew onboard the European ship, setting the course for the next five years. This pivotal moment marks a time of renewal and fresh perspectives within the European Union's governing bodies. It represents a critical juncture at which a steady hand is needed to enforce adopted measures, but bold ideas and innovative solutions should also be brought to the forefront of the EU's agenda.

In this period of change and opportunity, Maersk remains committed to excellence, innovation, and leadership. We have successfully initiated the green transition within shipping and logistics, yet there remains a critical need for regulatory frameworks that facilitate the shift from fossil to green energy and ensure equitable global trade.

We trust you will find our policy visions for the next five years both insightful and forward-thinking. Happy reading!

## Table of contents

1.	Climate Action: Staying the course.....	03
2.	Fuelling the green transition.....	08
3.	Enhancing Ecosystem Health: Strategies for Circular Practices and Sustainable Ship Recycling.....	11
4.	Landside transportation's path to energy transition.....	13
5.	Employment opportunities and seafarers' rights.....	15
6.	Enhancing Supply Chain Security Amid Global Conflicts.....	17
7.	Safeguarding European Competitiveness through partnerships.....	20

# 1. Climate Action:

## Staying the course



The European Union has over the past five years been a regulatory trailblazer when it comes to decarbonisation. The Fit for 55 package and the 2040 climate target have charted a clear path to bringing supply chain emissions to zero.

In 2023, Maersk made significant strides towards its climate goals set in 2022, aiming for net zero emissions by 2040 across its operations and customer solutions. A key highlight of the year was the introduction of the Laura Maersk, the first container ship powered by a dual fuel engine capable of utilising green methanol which her Godmother, European Commission President Ursula von der Leyen, christened in September. This vessel not only signifies the beginning of Maersk's transition to a fleet of green ships but also underscores the industry's shift towards sustainable solutions.

Maersk's efforts extended beyond its maritime operations, encompassing its entire value chain. Initiatives included terminal electrification, the adoption of electric vehicles for logistics, and the development of low-emission warehouses. Furthermore, Maersk distinguished itself by being the first in the industry to have its 2030 and 2040 climate targets validated by the Science Based Targets initiative (SBTi), ensuring alignment with a 1.5°C and net zero pathway.

## Deregulation ≠ lowering ambitions

With European companies such as Maersk making substantial investments in the green transition, a lowering of Europe's climate ambitions would be extremely detrimental. Commercially speaking any regulatory U-turn on European Union's Emissions Trading System (ETS), FuelEU Maritime or AFIR would undermine willingness to invest and accelerate energy transition.



Maersk welcomes the EU's strides to simplify and render more accessible EU funding, but simplification and deregulation should not be confused with lowering climate ambitions. Maersk is genuinely concerned with some of the signals from leading Member States, which have already led to lowering the ambition of the energy transition in for example heavy-duty vehicle policy, where we view direct electrification as the only viable pathway.

## Enforcement and strengthening of the EU Fit for 55 rules

Maersk supports the EU's Fit for 55 framework and is preparing for the concrete implementation of the rules. This requires substantial work. It is important that such rules do not become mere compliance exercises, but are used as tools to reduce our greenhouse gas (GHG) footprint. The coming years will certainly uncover a number of practical challenges and alignment requirements between several pieces of EU legislation (not least ETS for shipping and FuelEU Maritime), but Maersk is confident that these can be overcome and addressed upon revision in 2026.

## New fuels require new methods of assessment

Maritime fuels are at the heart of global shipping operations and play a crucial role in the decarbonisation of the maritime industry. The inclusion of shipping into the ETS puts a price on greenhouse gas emissions from the combustion of fuels. Maersk sees this as a step in the right direction. The ETS also rewards the use of fuels that meet sustainability requirements with a zero-rating of the CO<sub>2</sub> emissions.

However, the current binary approach means that there is a lack of incentive to fully embrace the uptake of renewable and low-carbon fuels across maritime operations as the price only reflects emissions from combustion of fuels and excludes emissions from production or transportation of the fuels. The current method also means that fuels with no emissions from combustion, such as ammonia, are currently exempt from ETS contributions, even if the production of these fuels can result in considerable GHG emissions. This issue can and should be solved by incorporating Life Cycle Assessments (LCAs) for maritime fuels into the ETS as part of the 2026 review.

By integrating LCAs into the ETS, financial incentives would be aligned with environmental objectives, significantly reducing emissions while maintaining the strength and efficiency of the maritime industry. Moreover, it would send a message to fuel producers that the market demands sustainable solutions. This would also eliminate administrative burdens and reduce complexity by aligning the ETS and the FuelEU Maritime Regulation. FuelEU Maritime indeed adopted an LCA approach from its outset, a direction Maersk firmly supports as the most appropriate path moving forward.

Moreover, the 2026 ETS review should also integrate all relevant greenhouse gases into the ETS, as it today only focuses on CO<sub>2</sub>. This will future proof green fuel choices and is crucial to ensure the transition does not inadvertently shift from one greenhouse gas to more potent ones, such as methane or nitrous oxide.



### Using the Renewable Energy Directive as a lever for production of green marine fuels

The Dutch market mechanism scheme, known as the "HBE system," is a successful and pioneering approach for EU Member States to align with the Renewable Energy Directive (RED) goals. The system champions the adoption of sustainable and certified biofuels across all transport modes, including maritime, and is set to embrace the enhanced objectives of RED III under the FitFor55 initiative.

The emphasis on sustainable and certified marine biofuel uptake, led by the Netherlands, is crucial for the shipping industry. The Dutch HBE system has confirmed Rotterdam as a European green bunkering hub and achieved significant GHG emissions reductions, with some analysts claiming that over 77% of the GHG savings of the maritime industry is attributable to the system. Maersk encourages the EU to consider the HBE system (and any future versions hereof) as a blueprint for applying the RED effectively, fostering substantial GHG reductions and advancing the decarbonisation of shipping.

## Charging ahead: How ETS inclusion could electrify container terminal transformation

Container terminals are crucial parts of global supply chains, making them integral to decarbonising supply chains. By targeting these hubs of activity, we can amplify the impact of emissions reduction efforts across entire supply chains, fostering a more sustainable logistics ecosystem. Additionally, their proximity to populated areas make their decarbonisation integral to improving local air quality for the people of Europe.

Today, there is insufficient external incentive to reduce emissions from container ports. This problem could be solved by including container ports in the European Union's ETS as part of the 2026 review.

Adding a cost for carbon emissions would make it financially attractive to invest in cleaner equipment, sparking innovation and leading to more sustainable operations.

Including container terminals in the ETS by 2026 could align financial benefits with environmental goals, helping to greatly reduce emissions while keeping the maritime industry strong and efficient. It also sends a clear signal to equipment suppliers that green solutions are needed. This step would help make competitiveness and sustainability go hand in hand in the container terminal sector.



## An end-date for fossil fuel-only newbuilds



Today, most ships calling European ports use fossil fuels. Ships have a long lifetime, with many vessels sailing the seas for 25-30 years. Therefore, changes to the composition of the fleet serving European ports require time and investments in new green fuels and the green vessels that can use them.

Currently nearly 60% of the new container ship capacity on order for delivery before 2030 is designed to use green fuels. Over the past four years, there has been a considerable increase in the number of green vessels on order, enabling the fleet to gradually become greener.

However, this also means a substantial amount of the vessels being delivered before 2030 remain fossil fuel-only vessels and will sail the seas 25-30 years from now. Therefore, we propose setting an end-date for building new vessels that can only use fossil fuels.

While such an end-date should ideally be global in nature, Europe could introduce a regional version. This measure should target vessels built after a certain date that can only use fossil fuels and ban these from calling European ports. This will help shipowners and energy providers make investments in new ships and fuel supply infrastructure to accelerate the energy transition.

## International leadership: we are only at 20% of the journey

While Fit for 55 sets a groundbreaking precedent, it only partially addresses the shipping industry's decarbonisation needs as only 20% of global shipping calls the EU. It is therefore paramount that the European momentum is carried forward at the International Maritime Organization (IMO).



Here, the European Commission and EU Member States must take the lead in securing the adoption of ambitious and impactful mid-term measures including a global GHG pricing mechanism entering into force by 2027 and an end-date for the production of fossil fuelled vessels.

Maersk, along with industry peers in the World Shipping Council, has proposed a Green Balance Mechanism (GBM) a market-based mechanism to bridge the gap between green and fossil fuels and deliver on the IMO's targets for decarbonisation. Based on a Well-To-Wake analysis it proportionally rewards the use of truly green fuels and penalises fossil fuels closing the price gap from the outset, without major inflationary disruptions. Additionally, the GBM establishes a framework for equitable transition, particularly benefiting developing nations by facilitating their energy transition without disproportionate burdens, thereby promoting a global leap towards sustainable maritime energy use. We hope that the EU will stand behind this ambitious proposal.

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### Maersk Recommendations:



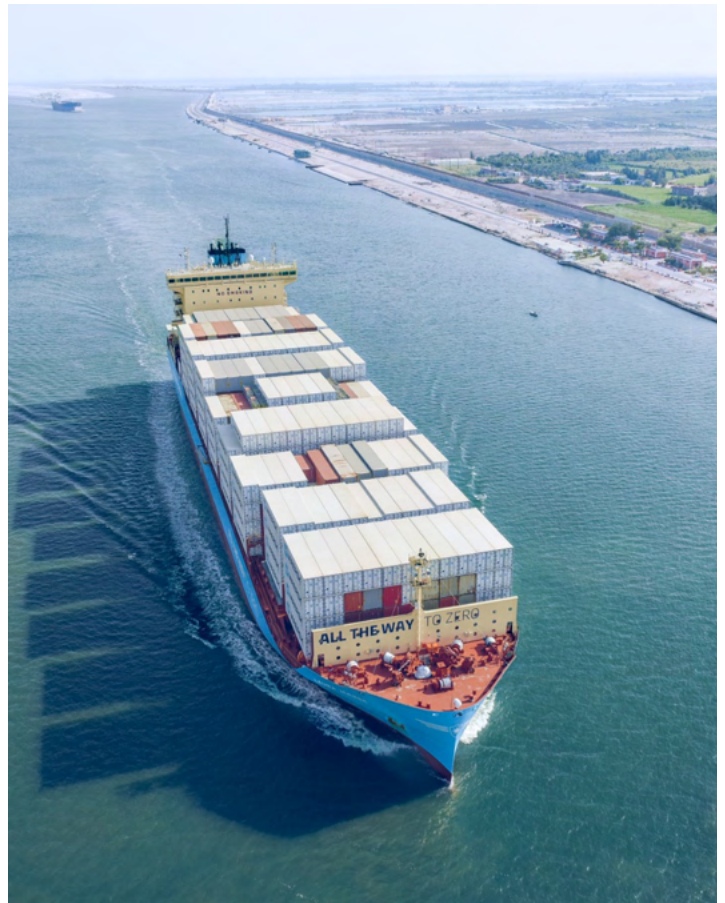
- Maintain the Fit for 55 level of ambition, enforce and implement.
- Add container port terminals to ETS, encouraging cleaner equipment, innovation and more sustainable operations.
- Introduce an end-date for fossil fuel-only newbuilds in Europe.
- Support ambitious mid-term measures at IMO including a pricing mechanism such as the Green Balance Mechanism and a global end-date to new fossil fuel only vessels.
- Revise the EU ETS to secure full alignment with FuelEU Maritime and accurately price GHG emissions by including all relevant GHGs and LCAs.
- Promote the implementation of RED III as seen in the Netherlands.

## 2. Fuelling the green transition

### Bridging the price gap

Europe has made significant progress in reducing the climate footprint of shipping, with the adoption of legislation that introduces a price on emissions and requires shipping companies to use more green fuels. However, the green transition stalls if the necessary green fuels are unavailable.

There are two main challenges to scaling up green fuel production. Firstly, the current output of green fuels is markedly low, necessitating a significant increase to meet the needs of newly commissioned eco-conscious vessels. Secondly, the cost disparity between fossil fuels and their green alternatives remains substantial, impeding the shift towards cleaner energy sources. Bridging this price gap is crucial to expedite the maritime industry's green transition, a task that presents considerable challenges but also promises substantial rewards, including job creation, investment opportunities in Europe, and a more sustainable global trade ecosystem.



As part of the Fit for 55 package, the European Union has included shipping in the ETS from 2024, however this does not lead to a reduction in the price of the greener alternatives. However, the introduction of a financial mechanism could mitigate this disparity by drawing inspiration from the ETS's existing provisions for Sustainable Aviation Fuels (SAF).

The mechanism uses allowances to cover part of the cost difference between conventional aviation fuels and SAF. This encourages airlines to use greener fuels by reducing the price difference between fossil and green fuels. The mechanism is designed so that the greenest fuels receive the largest offset of the cost and a similar design could increase the uptake of green fuels in shipping. As part of the inclusion of shipping in the ETS, up to 20 million allowances are already reserved for promoting green initiatives in the maritime transport sector. If these allowances were used to bridge the cost gap between fossil fuels and their green equivalents, the green fuel production could be kickstarted at scale in and around Europe.



## Navigating the Green CO<sub>2</sub> Supply Challenge

The usage of green or biogenic CO<sub>2</sub> has become a key topic and challenge which may not have received sufficient attention at EU level. While a strong focus has been on carbon capture, little work has been done on the usage. The production of green methanol, a pivotal component in the maritime industry's transition is contingent upon the availability and cost-competitiveness of biogenic CO<sub>2</sub>. This naturally occurring CO<sub>2</sub> is limited in availability. The dispersion of biogenic CO<sub>2</sub> sources, primarily small and scattered, compounds the issue with elevated transportation costs, underscoring the necessity for a coherent strategy to ensure a stable supply at competitive costs.

Alternative solutions have emerged to address the scarcity and logistical hurdles associated with biogenic CO<sub>2</sub> including the utilisation of geogenic CO<sub>2</sub> from cement plants, and innovative technologies like Direct Air Capture (DAC) and Direct Ocean Capture (DOC). These alternatives, coupled with the concept of a book-and-claim system, present viable pathways to augment the CO<sub>2</sub> supply needed for green fuel production. The book-and-claim mechanism, in particular, offers a novel approach to address physical supply chain limitations, enabling the certification of CO<sub>2</sub> emissions reductions across different locations and thereby facilitating the broader adoption of green methanol.

For the European Union to maintain its trajectory towards clean energy leadership and support the maritime industry's decarbonisation efforts, a regulatory framework that encourages the diversification of CO<sub>2</sub> sources and the adoption of carbon capture and utilisation technologies is imperative.

## Enhancing EU Competitiveness through Green Funding Initiatives



As Europe strides towards becoming a global leader in the transition to green fuels, it faces formidable competition from China's advancements in green technology and the United States' Inflation Reduction Act (IRA), which simplifies application processes and incentivises the shift of production facilities to the U.S. The EU, lacking the federal structure and tax system comparable to these global competitors, faces unique challenges in fostering an environment conducive to the development and commercialisation of green fuels. To enhance its competitive edge, the EU must change from a regulatory-centric approach to one that equally emphasises rewards through strategic funding initiatives.

The EU's commitment to becoming a green technology frontrunner necessitates a recalibration of its funding mechanisms to embrace a higher risk appetite, acknowledging that not all projects will reach fruition. Moreover, the establishment of a one-stop-shop for EU funding is critical to streamline the application process, making it more accessible for companies in the green fuel sector. Simplifying access to funding will accelerate the development of green technologies and ensure that Europe remains an attractive hub for investment and innovation.

Furthermore, the EU should reconsider its funding framework to support the nascent European green fuel industry. This entails transitioning from "one-off" funding for pilot projects to providing sustained financial support over the crucial development phases of this emerging industry. Such a strategic shift would guarantee that funding is not merely a temporary boost but a steady foundation that nurtures the growth of the green fuel sector, ensuring its competitiveness on the global stage.



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### Maersk Recommendations:

- A mechanism to reduce the cost difference between fossil and green fuels based on the existing rules for SAF allowances used in aviation.
- A non-binary regulatory framework in RED, FuelEU Maritime and ETS that allows the differentiation of CO<sub>2</sub> origins that reflects different shades between black and green to minimise uncertainties and unnecessary complexity in the production of green fuels.
- Including a wider range of CCS and CCUS technologies in existing legislation to further incentivise production and increase the viability of carbon capture for use in green fuels.
- A practical approach to the use and certification of CO<sub>2</sub> through the creation of a CO<sub>2</sub> market or a book-and-claim system between CCS and CCU.
- A one-stop-shop for funding which ensures an easier access to EU funding.
- A revision of the EU's approach to funding whereby the new framework ensures that the funding is catered to creating a whole new European industry of green fuels by securing that the funding is not "one-off" for innovative projects but longer and accessible over the period of time.

# 3. Enhancing Ecosystem Health: Strategies for Circular Practices and Sustainable Ship Recycling

## Biodiversity and logistics

Addressing the critical issue of biodiversity and the environmental impact of logistics activities should be on the agenda of the Commission. Work at IMO on the prevention of the accidental loss of containers at sea, which poses a significant threat to marine biodiversity should be supported. Moreover, responsible management of plastic pollutants, notably through the enhancement of storage practices for plastic pellets onboard ships should also be addressed.

Biodiversity remains a challenge for many companies and it is often a question of where to start and what can be done. The European Union could facilitate such work by securing that biodiversity initiatives are brought higher on the agenda and best practices are exchanged. This could be done by for example including biodiversity as a topic in the European Sustainable Shipping Forum.

## Ship Recycling Regulation in need of thorough revision

The impending revision of the European Union's Ship Recycling Regulation (SRR) presents a much-needed opportunity to address a framework which has not enhanced the sustainability and circularity of the maritime industry. As regulations evolve, they should serve not only as a framework for compliance but as a catalyst for innovation and capacity building in the ship recycling sector.

Maersk is convinced of the need for inclusion of recycling facilities in non-OECD countries on the EU's approved list when they follow the standards established by Europe. This elevates global recycling practices and fosters a competitive playing field where excellence in environmental stewardship is rewarded irrespective of geography. In the coming years, the need for safe and environmentally sound ship recycling is expected to increase



significantly, also for larger (post-panamax) vessels. This is in part due to European and IMO legislation on decarbonisation. Having enough recycling capacity (both for volume and size) is imperative to accelerate the transition to green vessels.

At the global level, the ratification of the International Maritime Organization's Hong Kong Convention (HKC) on Ship Recycling, which becomes effective in 2025, is welcomed by Maersk. This convention sets the stage for international collaboration and standardisation in ship recycling practices, although revision to reflect science and recycling industry advances in sustainable recycling practices is needed. The European Union will have a key role at IMO to push for an ambitious revision of the HKC.

Maersk champions the recognition of recycled steel from ships as green steel, a move that would significantly contribute to the circular economy by reducing the environmental footprint associated with new steel production. Today, there is unfortunately no definition or global standard for green steel. We urge the European Union to facilitate the development of unified standards for green and sustainable steel, along with a certification framework that is broadly recognised. This initiative would align environmental and innovative production benchmarks, making it simpler for sustainable steel to be accepted and utilised globally.



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#### Maersk Recommendations:

- Embed biodiversity as a key topic in the European Sustainable Shipping Forum to allow for information sharing and understanding of this important topic.
- Approve recycling sites outside the EU when these meet the same requirements as EU sites. This also creates an incentive for sites outside the EU to improve standards increasing their ability to recycle EU flagged vessels and will aid the transition of the maritime industry towards using greener vessels.
- Take a leading role in securing a global approach to ship recycling by revising the HKC.
- Encourage the recycling of steel to avoid the greenhouse gas emissions associated with the production of more steel. Starting with taking the lead globally on standards and definitions of green steel.

## 4. Landside transportation's path to energy transition

In road transport, advances in electric vehicle technology have unlocked new possibilities to reduce the greenhouse gas emissions and improve air quality. However, the shift to electricity is hampered by a number of barriers.



The transition to electric heavy-duty vehicles (HDVs) is key to decarbonise landside transportation. This shift, however, is hampered by the significant limitations of the grid infrastructure. Maersk is prepared to invest in electric trucks and charging stations, but faces substantial barriers in integrating these into the existing grid. For example, in an important market as Germany, connecting to the grid can take up to 12 months. This underscores the urgency of addressing this issue with funding and support for utility providers. This funding and support should be an enabler for utility providers to invest in grid upgrades proactively ahead of short term confirmed demand. Grid infrastructure is thus one of the largest risk factors for decarbonising HDVs in Europe at pace. It is essential to foster an environment that broadly enables electrification across multiple industries, which will inevitably compete for the same limited grid capacity.

Moreover, policy measures are needed to secure the phase-out of fossil fuel-powered HDVs. Maersk advocates for clear policies that either implement a carbon tax or set a definitive deadline for the cessation

of fossil fuel vehicle production. Such measures not only accelerate the green transition but also provide the necessary regulatory certainty for companies to make informed investments in green technologies and drive down cost of the energy transition for the consumers.



The current development of public charging infrastructure for HDVs faces a lack of investment in electric trucks, matched by inadequate charging networks and vice versa. While the Alternative Fuels Infrastructure Regulation (AFIR) is a positive step towards establishing the required infrastructure, its implementation differs between Member States, with many lagging behind. A robust and widespread public charging network is essential for the adoption of electric HDVs particularly for long-haul road transportation. For urban and regional distances grid capability, as described above, remains the largest risk.

Finally, the focus on electrification of HDVs must be maintained. Alternative fuels must be prioritised for harder-to-abate sectors like shipping and aviation for all sectors to reach to targets of the Green Deal. Electrification of trucking is fully achievable and in order to enable the sector to make the right investment decisions, regulation to push energy transition for HDVs must steer clear of green fuels incentives.

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### Maersk Recommendations:



- Funding and collaboration with utility providers to improve grid for charging across the EU.
- Policy measures to secure end of fossil fuelled HDVs, for instance a carbon tax for HDVs or an end date for production of fossil trucks.
- Stronger enforcement mechanisms to ensure that Member States meet their obligations in AFIR.
- Policy measures to prioritise electrification of trucks and keep green fuels out of scope for HDV regulations.

## 5. Employment opportunities and seafarers' rights



### **The European Clean Technology Hub as an employment opportunity**

The EU is on the brink of becoming a global leader in clean technology, leveraging the significant economic potential this sector holds. The economic benefits of this transition are vast, promising not only to spur GDP growth but also to create a substantial number of jobs and reduce the cost of living.

The 2023 Competitiveness Progress Report by the European Commission underscores the EU's pivotal role in clean energy research and the high competitiveness of its clean energy technologies, despite facing challenges such as rising energy and material costs. However, the journey toward becoming a clean technology hub comes with challenges. The EU faces a growing dependence on imports for certain technologies, alongside skills shortages and the necessity for ongoing innovation and investment. The report further indicates that in 2023, nearly 4 in 5 small and medium-sized companies in the EU face difficulties in finding workers with the right skills, emphasising the need to bridge the skills gap in the clean energy sector.

To seize the opportunities presented by the clean technology revolution, the EU must address these challenges through focused investments in education, research and development, and infrastructure.

### **Enhancing Seafarers' Welfare and Skills: A Comprehensive EU Strategy for a Sustainable Maritime Workforce**

Enhancing the labour conditions and overall welfare of seafarers necessitates a comprehensive and inclusive approach, integrating measures that span from improving life onboard for all to facilitating onboard communication. For Maersk, it is essential to tackle issues like bullying, harassment, and poor mental health and here existing frameworks and campaigns, such as those developed through the WESS project, which aim to foster safer and more supportive working environments onboard are a good starting point. If we cannot secure a safe and inclusive workplace, particularly for our female seafarers, we will never make this profession sufficiently attractive. Moreover, addressing the skillset evolution required for the maritime sector's ongoing transformations underscores the need for updated training and educational initiatives.

Maersk recognises the pivotal role of the social dialogue at EU level for seafarers. Engaging in dialogue between shipowners, seafarers' organisations, and relevant EU bodies is crucial for addressing the challenges faced by maritime professionals. This collaborative approach ensures that policies and practices are not only effective but also equitable, reflecting the diverse needs and voices within the maritime community.

Finally, the EU must lead internationally for the continuous update of the Maritime Labour Convention (MLC) to ensure it remains a comprehensive bill of rights for seafarers.

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#### **Maersk Recommendations:**



- Encouraging active social dialogue at the EU level to ensure that the voices of seafarers are heard and considered in policy-making processes.
- Bullying and harassment on-board must be evaluated and addressed.
- Sharing best practices for mental health support to enhance seafarers' well-being.
- Providing reasonable internet access onboard, aligning with MLC, 2006 mandates, to improve seafarers' quality of life.
- Updating training programs to align with the industry's green and digital transitions.
- Increasing efforts to promote gender diversity and inclusion within the maritime sector.
- Keeping the Maritime Labour Convention (MLC) current with global maritime labour challenges and changes.



## 6. Enhancing Supply Chain Security Amid Global Conflicts

### Resilient supply chains and situation in the Red Sea

In today's interconnected world, the increasing dependency on global supply chains renders them more susceptible to disruptions caused by conflicts and geopolitical tensions. The importance of secure maritime routes for Europe's supply of goods and energy has been underscored by the war in Ukraine and attacks on merchant vessels in the Red Sea. These disruptions highlight the critical need for concerted efforts to ensure the security and reliability of shipping lanes that are vital to the global economy.

The Red Sea's strategic significance as a major trade route between Asia and Europe, facilitated through the Suez Canal, cannot be overstated. However, the necessity for ships to reroute due to security threats in this area not only inflates operational costs and environmental impact but also places additional strains on the seafarers, who face extended periods at sea under heightened risks.



This situation created a shock to global supply chains, in part due to the absence of readily available vessel capacity to address this sudden demand. Despite a significant order book, the phased introduction of new tonnage will only materialise later, exacerbating the capacity constraints in the short term.

Normalisation of the situation in the Red Sea is paramount for Maersk, but in order to be able to send seafarers through these waters safely it will require a substantially different risk picture than the current one.

Maersk welcomes the US led Operation Prosperity Guardian as well as the EU's Operation ASPIDES as key enabler of coordinated protective naval presence in the area. Such operations will likely have to extend over a significant period of time and demand close international coordination not only between participating nations but also with the merchant marine sector. Finally, and in parallel, diplomatic work addressing the root cause of the attacks is also needed.

### Maersk Recommendations:



- Support for US-led Operation Prosperity Guardian and EU's Operation ASPIDES as crucial for ensuring naval protection in strategic maritime areas.
- Anticipation of long-term engagement with these operations, we see the necessity for sustained protective presence.
- Maersk calls for extensive international cooperation among participating nations and integration with the merchant marine sector for effective operation.
- There is also a need for emphasis on diplomatic efforts to address the underlying causes of regional conflicts and threats to maritime security.

### Contraband and drug trafficking



At Maersk, amongst other global logistics companies as well as within law enforcement, we are witnessing an alarming and steady increase in contraband trafficking all through supply chains. This trend is evidenced by the rising number of seizures made by authorities. The increase in these seizures can unfortunately not solely be attributed to stronger and better collaboration between private actors and customs authorities.

Lower cost of production of drugs, increase in drug consumption not least in Europe and ability to exploit weaknesses in the supply chains have also been contributing factors.

Maersk is deeply concerned with the growing impunity enabling illegal gangs and drug cartels to nefariously exploit the global supply chain. This creates an ever-present threat to our employees, our customers and society at large. Drug Trafficking Organizations (DTOs) are increasingly using bribes, coercion, and violence as core parts of their operations.

As long as DTOs are allowed to exploit international supply chains, the legal, operational and commercial elements of security risk will remain constant for Maersk. As an integrator of international trade, the risk to Maersk follows the entire journey of the container. From the point of loading by the customer to final delivery to the customer in the supply chain network. As such, the risk posed by drug trafficking, to employees and daily operation to each entity is significant throughout the cargo's journey.

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### Maersk Recommendations:



- **Develop Secure Anonymous Reporting:** Collaborate with the WCO to create tools for sending intelligence to authorities without traceability.
- **Ensure Employee Safety:** Duty of care is crucial; avoid overburdening specific roles to prevent vulnerability to infiltration.
- **Remote High-Risk Functions:** Utilise technology to move sensitive authority functions from high-risk areas.
- **Advance Container Security Tech:** Recognise limitations of current methods and ensure technology allows for rapid authority response.
- **Conduct Background Checks:** Strengthen port security by vetting personnel to reduce contraband risks.
- **Introduce Whistleblower Tools:** Enable anonymous tips to authorities to help uncover illegal activities.
- **Standardise EU Port Security:** Implement EU-wide measures for consistent port protection against smuggling and other threats.

# 7. Safeguarding

## European Competitiveness through partnerships



### Expanding EU trade through FTAs

Increasing geopolitical tensions, protectionist policies, and supply chain disruptions challenge the resilience and competitiveness of the EU. This has shown the need to enhance the efficiency and resiliency of global supply chains, calling for closer collaboration between the EU and its partner countries.

Maersk urges the European Commission to expand current and forge new Free-Trade Agreements (FTAs) with key partners that enable low tariff trade and the promotion of direct investments, developing both Europe and partner countries in line with the EU's strategic goals on security and economic matters.

FTAs are catalysts for the creation of trade corridors and therefore, improving trade policies that embrace the Global South would enhance collaboration with partners of growing importance to the EU. Specifically, we advocate for expedited conclusion of trade negotiations with India, Mercosur, and Indonesia that aim for comprehensive coverage including:

- 'Trade in Goods' offering high preference margins for many products while eliminating non-tariff barriers, particularly on agricultural goods, boosting trade volumes.
- Measures to decrease tariffs and dismantle technical barriers in the automotive sector, including a push for the acceptance of UNECE regulations as equivalents to national standards, facilitating smoother international trade.
- An appendix on maritime services, designed to guarantee unrestricted and non-discriminatory access to international maritime markets for both parties.

Additionally, we propose restarting trade-negotiations with the US, aiming for a more limited agreement than previously envisaged to both streamline transatlantic trade and bolster economic integration between EU and the US.

### Actively leveraging the EU neighbourhood policy

The EU's Neighbourhood Policy can foster trade, investment, and development by enhancing political, economic, and social ties that facilitate easier access to EU markets for neighbouring countries. Strengthening these relations ensures a stable neighbourhood that both benefits EU's neighbours through economic growth and job creation and contributes to the EU's own security and economic interests.

Maersk encourages more strategic focus and funding to be directed towards Global Gateway and enhancing the collaboration between the Commission and the private sector, including using Global Gateway to foster stronger partnerships with neighbouring countries on decarbonisation of supply chains e.g., by investing in green energy projects in Egypt.

### Balancing Act: Navigating China's impact on the EU transportation and logistics industry

Despite much talk about de-risking, friend- and near-shoring, China is expected to retain its large share of global exports in part by growing market share in markets in the Global South. While acknowledging the necessity of addressing trade deficits, Maersk cautions against the indiscriminate use of protectionist measures.

Limiting access to EU ports of Chinese cranes, as is proposed elsewhere, will not prove particularly effective and superior alternatives are possible. While the cranes will be built in China, the software controlling the cranes is developed by EU suppliers, thus separating the steel from the cloud. This does not constitute a security risk. Likewise, Chinese entities taking minority shares in EU ports, similar to what EU companies do in China, should not give rise to concerns as long as shares do not lead to veto rights or access to privileged information.

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### Maersk Recommendations



- Expand FTAs: Focus on the US, India, Mercosur, Indonesia and focus on goods as well as ensure open access to maritime markets.
- Simplify access to funding and political support under Global Gateway with an aim to work jointly with partner countries for the development of green energy and fuels.
- Focus EU infrastructure investments in a few, strategically selected geographies that form complete trade corridors such as the Lobito Corridor and Middle Corridor.
- Leverage Single Market for growth as a key selling point in FTAs.
- Enhance the Green Energy Single Market: Address grid infrastructure, promote cross-border energy flow.



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