

Europa Ship Plan: Sustainable Financing for Short Sea Shipping

The “Europa Ship” Plan aims to introduce a sustainable financing strategy for the renewal of the European Short Sea Shipping fleet (starting from the Mediterranean), by adding innovative and green characteristics to it. It is targeting the entire Short Sea fleet including freight and passengers short haul vessels (wet and dry bulkers, Containers, Car Carriers, RoRo and RoPax vessels).

The objective of the Plan is to:

- Unlock funding for new short sea vessel constructions
- Comply with the forthcoming environment requirements and regulations,
- Improve competitiveness for employment
- Serve the European goals.

In particular, the sustainability of the project will be feasible through decreased CAPEX and OPEX. It is foreseen that through economies of scale deriving from the standardization and acquired specialization in ships’ construction process, the ship building cost in some cases can be reduced up to 20% based on the Plan final characteristics. An average reduction of 15% is feasible for the whole Plan. Additionally the use of LNG as fuel creates positive future cash flows decreasing operating expenses as much as 25% and 50% compared to HFO and MGO use respectively.

Currently, we are assessing the potential of implementing a holistic approach, in order to provide answers to the conformity requirements of the new European Short Sea Shipping regulations. This approach takes into consideration the low bankability of the European Short Sea Shipping sector, along with the inability of the member states to provide enough funds or warranties. The intention of the project is to promote economic and sustainable solutions that will provide an overall optimization of the problem that EU faces. The implementation of the project is based and depends on innovative European funding tools (TEN-T, CEF, Juncker Plan and EIB SFT), while, at the same time, it ensures that it is a cost-effective solution that will jeopardize neither the funding, nor the implementing barriers.

Standardization of ships’ construction process can lead to a cost reduction of up to 15%.

The “Europa Ship Plan” in few words:

- ▶ A Plan initiated by the Hellenic Shortsea Shipowners Association.
- ▶ Based on the formulation of a Pool Coordinated by EUROPA VENTURE Ltd.
- ▶ Aiming to the renewal of the MED/European Short Sea Shipping fleet.
- ▶ Depending on existing or newly established European Innovative Financial Instruments & tools (TEN-T, CEF, Juncker Plan & EIB Shipping Financing Tool).
- ▶ Based on ships and ships’ equipment construction process standardization.
- ▶ Creating economies of scale reducing average production cost by 15%.
- ▶ Expanding risk sharing including shipyards and ship equipment manufacturers.
- ▶ Boosting European Industry and employment.
- ▶ Enhancing European Short Sea Shipping fleet’s competitiveness.
- ▶ In line with the LNG bunkering Project in the Mediterranean Sea (Poseidon-Med Global Project).

Europa Ship Concept

The central concept of the project is the standardization of the construction process of new ships and ships’ equipment, along with the economies of scale that will incur as a result of a large-scale construction process. The standardization process is based on the aggregation of ship-owners needs in pre-defined appropriate prototype classes of vessels. These various classes will be constructed in a number of preselected EU shipyards. In that way, all involved shipyards will be specialized on specific vessel classes thus achieving substantial efficiencies. The ships employed in European Short Sea Shipping will bear to the maximum extend common modules, parts and equipment, while their differences will be based upon certain details

according to the differentiation of the cargo in terms of type and quantity. The standardization foresees two classes per vessel type. According to the principles of Logistics, it is estimated that such a large-scale standardized production process will improve economies of scale and lead to an average cost reduction of 15%.

Europa Ship Financing

For the financing of the project, EU provides several existing and newly issued Innovative Financial Instruments. It is proposed to employ the recent Shipping Financing Tool (SFT) developed by EIB and utilize as a basic funding bearer the innovative TEN-T policy, or the most recent «Juncker Plan». Funding will include other funding sources as well, that will be targeted through a financial road show, by employing the «Triple A» rating provided by the TEN-T policy.

The benefits of the SFT for the Short Sea Ship-owners are very important. The limited bankability will no longer constitute a problem, and the loan terms will be significantly favorable as the loan interest will be very low and the leverage will be very high. Moreover, the estimated cost saving of up to 15%, compared to the typical construction cost of a single similar ship, along with the low financing cost, will constitute a crucial factor for risk mitigation, insurance of avoidance of disastrous risk, toxic situations and systemic risks.

*Shipping Financing Tool (SFT)
major funding tool for the renewal
of the European SSS fleet.*

The Plan of the European Short Sea Shipping fleet renewal and adjustment to the particular environmental requirements, it is possible to be ascertained through a DG-MOVE/EIB SFT, by using Mediterranean Sea as a test case. The Plan is expected to produce extremely positive results towards greening environment, improving of services, reducing of bottlenecks, increasing of employment and the reinforcing of the construction sector. It is of course in line with the goals of the European Union, the TEN-T and MoS policy and the Juncker Plan.

Europa Ship: A chance for SSS fleet renewal

The “Europa Ship” Plan may be the only chance for Short Sea sector fleet renewal and implementation of the environmental requirements as the sector is short of funding and up to now it was without the aid of the European policies and tools. The ships to be constructed, based on the fact that they will be 100% made in EU, may be the European answer to the problem. Without this project, the requirement for the ships adjustment will only result to export of European funds and increase of the Asian shipyards turnover. Therefore, this project is also an opportunity for the revival of the European Shipyards Sector, without any violations of the regulations of no-aid policy.

Furthermore, these ships will be considered as an exportable product themselves; given that their innovative construction process will make them competitive as they will be covering the majority of the compliance needs which are mandatory in various places around the world. Moreover, employment in EU is expected to increase, either through the increased need for crews and the resulting need for employees at the shipyards and the manufacturers of shipping equipment. Finally, part of the improvement in the economic terms of using ships for transportation will be transferred to the end-user, due to the reduction of the construction cost and the loan service cost, while it will assist in a modal transportation shift, from road to sea.

At this point, it is important to highlight the danger of the introduction of a double regime in the Mediterranean area after 2020, which will eventually jeopardize the competitiveness of the European Member States. These ships aim to improve the European Union transportation services and develop trading further. Therefore, the implementation of the “Europa Ship” Plan will be a satisfactory solution to the risk of potential reduction of transportation services due to the risk of diverting volumes out of the Mediterranean Sea to waters and ships that are not obliged to follow the policy of emission restriction.

The Europa Venture Ltd.

A crucial prerequisite for Europa Ship Plan approval is the coordinated form of the application for financing. The ship-owners willing to enter in to the financial scheme will form a pool coordinated by “EUROPA VENTURE Ltd”. This Special Purpose Vehicle (SPV) is created to serve the renewal of the European Short Sea fleet and it is symbolically established in Malta, the center of the Mediterranean Sea.

The “Europa Ship” Plan is considered as an extension of and is in line with the Poseidon-Med Project, which focuses into tracking technical and economic solutions for developing the use of LNG in the maritime sector, by considering LNG as the most appropriate solution for the shipping system of Greece, Cyprus, and Italy.

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