

Dealing in efficiency

As the largest single investor in marine transportation in Europe, what does the shipping arm of the European Investment Bank want for its money?

“Efficiency,” says the EIB’s Head of Shipping Mark Clintworth. “Improved efficiency makes shipping cleaner and more competitive, and that helps clean up the environment. These are our goals.”

Focusing primarily on ports and infrastructure until about a decade ago, the bank decided it was time to get involved in “cleaning up shipping,” as Clintworth puts it. “We started looking more at shipping in 2006,” he tells. “Not just ships, but all aspects of the maritime industry, including R&D, technology, the environment, employment, everywhere we see potential for improving shipping to the benefit of society.”

Something old, something new

That starts with newbuilding of modern, more efficient vessels, but it doesn’t stop there. “We support the building of new ships, but right now the market isn’t absorbing too many

new vessels, so we are looking to support modernisation of the existing fleet through retrofitting, especially in the short sea segment.”

But like newbuilding, retrofitting too is being hit by the low price of oil and the general dearth of capital in maritime markets. “Our job then is to identify what is required for owners to meet new and pending regulations, and then use our own investments in these areas to try and pull commercial banking back into the market,” Clintworth explains.

“Working with shipowners, we are attempting to de-risk activities and trying to get more movement in the industry, particularly in retrofitting.” EIB shipping offers two major products: green shipping guarantees, and green shipping program loans. All told they will attempt to entice investments of around EUR 1.5 billion into the market by 2018.

“Improved efficiency makes shipping cleaner and more competitive.”



The European Investment Bank in Luxembourg

“These are not subsidies,” Clintworth clarifies. “Subsidies and grants are tools of the European Commission.” Rather, the EIB tries to offer more attractive loan conditions, mixing loss guarantees with lending liquidity.

Multiple targets

There are several areas EIB shipping targets for improving efficiency. One is the digital wave currently sweeping the marine transport industry. “Digitalisation of the sector can only result in further efficiency gains, which in turn will contribute to significantly improving environmental and safety aspects,”

Clintworth says.

Some of the EIB projects related to the digital economy include development of mobile networks, improving transmission networks with an emphasis on satellite communication, ICT applications and services for industry, and R&D aimed at improving broadband infrastructure.

Inland waterway transport is another prime focus area. The Rhine-Danube, North Sea-Baltic, and Scandinavian-Mediterranean corridors are of chief interest, all part of the EIB strategic transport policy. “There is room for cleaning up, but also for

growth. We are trying to get customers to invest, but quite honestly, there is relatively limited response.” For that reason the EIB has chosen to run pilot projects on the national level, starting with the Dutch government.

Clintworth refers to TEN-T 2016 days held in Rotterdam, featuring an Investors Conference on how to boost funding and financing in transport infrastructure. “Access to capital is a hindrance here as well. The EIB can only go to 50% of CAPEX, so commercial finance has to step in to provide full funding of projects.”



ABB's Ulrike Haugen in conversation with Mark Clintworth

Water is good for you

Getting more efficient ships on the water is one thing, but getting goods off trucks and onto more environmentally friendly ships often proves to be another. How does the EIB go about making that happen? “Again, it all hinges on efficiency. We encourage tighter regulation for road transport in order to level the playing field. At the same time we invest in ports and intermodal transport, including rail. The EIB can only follow EU policy, and that means creating greater efficiency however we can.”

Many see increased efficiency and modernisation as synonymous with job cuts, but Clintworth does not share that view. “Efficiency itself can create jobs, and often better jobs. Employment is essential,” he says, “but it has to be balanced with progress.”

He adds that ships are popular regulatory targets, with CO₂, SO_x, NO_x, particulates and ballast water regulations all gaining steadily more traction. The resulting cleanup could serve to strengthen water borne transportation in the long run, “But only if capital is available,” Clintworth reminds. “The Commission develops policies, the Parliament votes on them, and then it’s up to us to develop the tools to implement the policies. We have a mandate, but we are beholden to the same economic cycles that define the shipping industry.”

Half empty, or half full?

“In the medium to long term, I am an optimist,” Clintworth says. “We seem to have reached the bottom of the present cycle. Regulations and an aging fleet should correct overcapacity and strengthen the equipment supply industry. Oil is on its way back up, and this should stimulate increased investments in efficiency and abate-

ment technology. Meanwhile we will continue to attempt to help de-risk investments in the segment.”

While the European cruise shipyards are fully booked into 2020, EIB shipping is trying to target smaller yards in Europe for short sea work, specifically for retrofits. Both cleaner operations and cleaner fuels are in focus. “For example we are interested in stimulating the use of LNG as a fuel,” he says, “but LNG as a good medium term alternative, not as a long term solution.”

On perhaps a more long term note, he reports that customers have approached EIB shipping for assistance in financing battery and hybrid power. Here Clintworth points out such EU programs as InnovFin, specifically targeted at financing of innovative solutions. “Many of those who want to do change are smaller, but small is good if it brings change.” For them, InnovFin offers guarantees and loans targeted at enterprises of all sizes, from the smallest to the largest.

Mark Clintworth is currently completing his PhD in ship finance and risk, to further hone his skills in management and absorption of risk in the industry, and learn more about how shipping can better manage itself. The EIB’s role in this, he says, will continue to be reducing barriers to investment.

Summing up, Clintworth believes the European shipping community can be compared to a family, a complex and diverse unit, always with differences, but still sticking together. Together with institutions and commercial banks and lenders, EIB shipping strives toward a common mechanism, using an array of fiscal tools to keep people connected in the EU, and the EU connected with the rest of the world.

“Digitalisation of the sector can only result in further efficiency gains.”