CLECAT
european association for forwarding, transport, logistics and customs services

NEWSLETTER

Issue 9
6 March 2020

Table of content

News from Brussels

THE FIRST-EVER EUROPEAN CLIMATE LAW PUBLISHED

On 4 March, the European Commission published a proposal for the first-ever European Climate Law, which aims to transpose into EU law the goal set out in the European Green Deal – i.e. for all the EU's economy sectors, including transport, to become climate-neutral by 2050.

With the European Climate Law, the Commission proposes a legally binding target of net zero greenhouse gas emissions by 2050. The EU Institutions and the Member States are bound to take the necessary measures at EU and national level to meet the target. This means achieving climate-neutrality for EU countries as a whole, mainly by cutting GHG emissions, investing in green technologies and protecting the natural environment.

The Climate Law addresses the necessary steps to reach the 2050 target:

- By September 2020, the Commission will review EU target for 2030 GHG emissions reductions. The new target will range from 50% to 55% compared to 1990, based on the comprehensive impact assessment. However, there has already been discontent in the EP that the 2030 target should be reviewed earlier, in time for the COP26 in November.
- By June 2021, the Commission will review, and where necessary propose to revise, all relevant policy instruments to deliver the additional emissions reductions for 2030. This includes a full review of legislation on the renewable energy and energy efficiency.
- The Commission proposes the adoption of a 2030-2050 EU-wide trajectory for GHG emission reductions to measure progress and give predictability to public authorities and businesses.

- The Commission wants a five-year review cycle starting from 2023, paving way to tightening emissions cuts every five years after 2030. This includes CO2 emission performance standards for vehicles, including trucks.
- The Commission also proposes using delegated act to review targets. Such measure would give the Commission the power to revise emissions goals without having to go through full negotiations with EU Member States and the EP. It is expected that this will not be taken lightly by the co-legislators during the negotiations.

The legislative proposal on the European Climate Law will now have to be examined by the Member States and the EP under the ordinary legislative procedure.

On the same day, the Commission published the inception impact assessments on the future Carbon Border Adjustment Mechanism and the review of the Energy Taxation Directive, two of the other important policy instruments under the European Green Deal. In addition, the College of Commissioners adopted a proposal to designate 2021 as the European Year of Rail to highlight the benefits for the climate of increasing the use of rail network, both by passengers and freight.

COMMISSION PROPOSES EUROPEAN YEAR OF RAIL 2021

On 4 March, the European Commission proposed to make 2021 the European Year of Rail, to support the delivery of its European Green Deal objectives in the field of transport. A series of events, campaigns and initiatives in 2021 will promote rail as a sustainable, innovative and safe mode of transport, highlight its benefits, and focus on the remaining challenges to create a true Single European Rail Area without borders. The main objective is to raise awareness of the challenges and opportunities and highlight the role of the Union in promoting shared solutions.

As part of the European Green Deal, the Commission is currently working on a strategy for sustainable and smart mobility that will address emissions from all transport modes. As a matter of priority, the Commission believes that a substantial part of the 75% of inland freight carried today by road should shift onto rail and inland waterways. The European Year of Rail in 2021 shall help to step up the pace of rail modernisation, which is urgently needed to make it a more popular transport mode. Moreover, 2021 will be the first full year in which the rules agreed under the Fourth Railway Package will be implemented throughout the EU.

The Commission's proposal on declaring 2021 the European Year of Rail now needs to be adopted by the European Parliament and the Council. A public consultation on the proposal has been opened for feedback until 1 May. A factsheet on the European Year of Rail 2021 is available here.

Source: European Commission

NEXT ELP EVENT ON THE GREEN DEAL AND LOGISTICS

European Logistics Platform

The European Logistics Platform is organising an event on the Green Deal and Logistics on the 24th March in Brussels hosted by MEP Karima Delli, Chair of the Transport Committee of the European Parliament.

At the upcoming event, two industry speakers will present their priorities and initiatives for greening logistics. Mr Daniel Mes, Member of the Cabinet of Vice

President Timmermans in charge of the Green Deal will provide a response and introduction from the European Commission.

More information is available here. Places are limited and reserved to members of the European Parliament and the European Logistics Platform.

POTENTIAL IMPACT OF COVID-19 ON EU INDUSTRY

The European Commission has launched dedicated webpages to inform the public about the COVID-19 outbreak and the EU's initiative to master this crisis. These pages can be accessed here. You will also find there a section dedicated to transport, which is available here.

The communication points out that in the area of aviation, under EU rules, Member States can take measures such as suspending flights from other EU Member States. Under Article 21 of Regulation 1008/2008: "A Member State may refuse, limit or impose conditions on the exercise of traffic rights to deal with sudden problems of short duration resulting from unforeseeable and unavoidable circumstances." Such measures should however: "respect the principles of proportionality and transparency and shall be based on objective and non-discriminatory criteria." Measures should be limited to what is needed to contain the spread of the communicable disease; however, criteria for deciding what measures to take should be coordinated across the EU. In particular, it is crucial to maintain transport connections needed to provide the health emergency response.

Road

DENMARK IMPOSES HEAVIER FINES FOR WEEKLY REST IN CABIN

As of 1 March, truck drivers in Denmark will be heavily penalised if they are caught spending their regular weekly rest of 45 hours in the vehicle's cabin. The driver will face a fine of 10,000 Danish Krone (app. EUR 1,300), while the haulier will have to pay 20,000 Danish Krone (app. EUR 2,600). This is a ten-fold increase as compared to the previous fine level.

The increased level of fines is part of the Danish government's work to prevent social dumping on the Danish roads. The purpose of the heavy fines is to curb unequal conditions of competition and improve the working environment of drivers by restraining illegal trucking, the Danish government indicated. In particular, there have been problems with foreign truck drivers who illegally spend the night in the truck without access to sanitary facilities.

The proposal, consultation answers and adoption text can be found here.

Air

AIR CARGO DEMAND DOWN 3.3% IN JANUARY 2020

On 8 January, IATA released its data for global airfreight markets, which indicates that the demand for air cargo in January 2020, measured in cargo tonne kilometres (CTKs), decreased by 3.3% year-on-year. Simultaneously, cargo capacity, measured in available cargo tonne kilometres (ACTKs), increased by 0.9% year-on-year. Capacity growth has now outstripped demand growth for the 21st consecutive month.

According to IATAs analysis, it appears unlikely that the COVID-19 outbreak influenced January's weak performance to a significant extent. Noting that Lunar New Year in 2020 was earlier than in 2019, the analysis claims that this distorted 2020 numbers towards weakness as many Chinese manufacturers would be closed for the holiday period. It is believed that the February performance will give a better picture of how COVID-19 is impacting global air cargo. While IATA has created an analysis of the financial impact of COVID-19 on the global air transport industry, this does not take into account the impact on cargo operations, as no estimates are available, yet.

Considering regional performance, European airlines posted a 3.7% decrease in cargo demand in January 2020 compared to the same period a year earlier - more than double the 1.3% drop in year-on-year demand in December. Seasonally adjusted demand also dropped sharply, disrupting the positive trend that started mid-2019. Capacity decreased by 3.0% year-on-year.

The full analysis is available here.

EC OPENS IN-DEPTH INVESTIGATION INTO ALITALIA LOAN

On 28 February, the European Commission opened an in-depth investigation to assess whether Italy's €400 million loan granted to Alitalia constitutes State aid and whether it complies with the rules on State aid to companies in difficulty. The opening of an in-depth investigation is a standard step, which provides Italy and other interested parties with an opportunity to provide their views. It does not prejudge in any way the outcome of the investigation. The Commission is working closely with the Italian authorities on the matter.

In late 2019, the Italian authorities announced that they would grant a new loan of €400 million to Alitalia to facilitate the streamlining of the company in order to attempt to sell its assets. The Italian decree authorising the loan was approved by the Italian government in December 2019 and converted into law by the Italian Parliament in January 2020. The decree also provides that the procedure enabling the disposal of Alitalia's assets must be carried out by 31 May 2020. A new sales process, carried out by the extraordinary commissioner, is expected to be launched shortly.

In this context, the Commission's in-depth investigation will provide clarity to Italy and the company as well as interested buyer(s), if the €400 million loan constitutes State aid and if it complies with EU State aid rules. The Commission's role under the EU Treaty is to help ensure a level playing field in the EU's Single Market to the benefit of European consumers and businesses. Interested parties may trigger State aid investigations by lodging complaints with the Commission. In this case, the Commission has received a number of complaints, alleging that the loan constitutes State aid that is not compatible with the applicable EU rules.

Source: European Commission

STUDY ON SAVINGS THROUGH SINGLE AVIATION MARKET

According to a study commissioned by Airlines4Europe (A4E) and carried out by the University of Bergamo, entitled 'Cost of Non-Europe in Aviation', which was published on 3 March, Europe's 25-year old single aviation market is incomplete, costing EU airlines, their passengers and society up to

€37 billion/year due to gaps in existing legislation and inconsistencies in the way EU aviation rules and processes are applied by Member States. The study suggests that half of these costs could be saved by implementing and updated Single European Sky (SES) regulatory framework.

The study looked at known bottlenecks in the current system as well as new areas that have not been previously quantified and found, *inter alia*, the following gaps: Lack of a Single European Sky, due to airspace inefficiencies and their related socio-economic costs (up to €17.4 billion/year); Unilateral aviation taxes which distort the EU's internal market and create an uneven playing field (up to €16.7 billion/year could be gained by abolishing them); Airport charges: More effective regulation and better enforcement of the EU's Airport Charges Directive could yield up to €2bn/year in savings;

CLECAT believes that the completion and also effective implementation of the Single European Sky needs to be prioritised, as a reform of the air traffic management to cope with sustained air traffic growth and operations under the safest, most cost-and flight-efficient conditions, is of utmost importance for the EU.

IATA REQUESTS GLOBAL SUSPENSION OF SLOT RULES DUE TO COVID-19

On 2 March, the International Air Transport Association (IATA) contacted aviation regulators worldwide to request that the rules governing use of airport slots be suspended immediately and for the 2020 season, due to the impact of COVID-19.

Airlines hold slots at coordinated airports and have to use them 80% during a season in order to maintain the same permission for the next season (commonly known as "use it or lose it" rule). In the case of flights to/from mainland China and Hong Kong, it was agreed by the EU slot coordinators that airlines could invoke the application of the Slot Regulation regarding "force majeure" and that they will not lose the grandfathering right for the next season, subject to some conditions. In the case of other flights, so far it has not been agreed among the EU slot coordinators to grant the same alleviation (see Council Regulation (EEC) No 95/93).

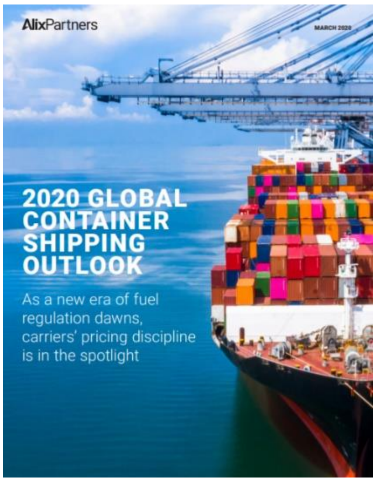
According to current information, the European Commission is rejecting for now demands by the airline industry to suspend slot rules for congested airports, arguing that there is not enough data yet to support a general suspension. However, any developments that could indicate a need for a broader dispensation at a global level, similar to SARS in 2003, when and if appropriate – will be reconsidered by the Commission on the basis of the evolution of the coronavirus outbreak.

Maritime

2020 GLOBAL CONTAINER SHIPPING OUTLOOK

Container lines are facing growing pressure to standardise surcharges, which have become ever more complicated with the introduction of IMO 2020, the IMO's 0.5% sulphur cap on fuel content effective January 2020, a report entitled "2020 Global Container Shipping Outlook" by Alix Partners found.

The bunker adjustment factor (BAF) has become even more complex with the introduction of IMO 2020, with each line having its own variation on a basic formula covering a range of areas including fuel price, ship size and trade. "The lack of transparency and standardisation of those variables is a constant irritant to shippers, freight forwarders and NVOCCs. It gives rise to the suspicion that some carriers are using the BAF as a revenue-raising tool as well as a cost-recovery and risk-sharing mechanism," the report highlighted, adding that "the uncertainty can lead to tense relationships that take a toll on both sides and add to the headwinds the container shipping industry faces."



As demonstrated by the report, there is no standard BAF formula in use across the board, nor is there any widely recognised mechanism to account for the effects of the various sulphur reduction methods on the type of fuel used and the amount consumed. According to Alix Partners, the frustration with the opacity around BAF charges will likely cause some of the shippers, freight forwarders and NVOCCs to propose their own formulas and press for adoption, thus driving the movement towards transparency and standardisation.

Moreover, the pressure of IMO 2020 is now being further compounded by the influence of the coronavirus, the report recognised. "IMO 2020 was already going to make this a year of huge disruption for the entire maritime industry," said Mr Marc Iampieri, the Managing Director for Transportation and Infrastructure at AlixPartners. "Throw in the coronavirus, the recent deterioration of some key financial measures and whatever other unforeseen disruptions lie ahead, and it is clear that preparing for the worst may be the best way to avoid the worst," he emphasised.

Brexit

UK TRADE AGREEMENTS POST BREXIT

On 2 March, the UK government published detailed information on which trade agreements the UK is negotiating, and which trade agreements have already been signed. The government announced that the UK's priority is to launch negotiations with the EU, the US, Australia, New Zealand and Japan.

The UK government made available a policy paper on the UK's approach to the future relationship with the EU and documents relating to the UK's trade negotiations with the US. The government has run consultations on potential future trade agreements with the US, Australia, New Zealand and a call for input on a potential agreement with Japan. The government has also established the Strategic Trade Advisory Group and a network of Expert Trade Advisory Groups to support the development of our trade policy and negotiations.

Until 31 December 2020, EU agreements can continue to apply to the UK. The UK is seeking to reproduce the effects of existing EU trade agreements for when they no longer apply to the UK (continuity agreements). It is also considering joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Agreements that have been signed are expected to take effect from 1 January 2021.

Source: UK Government

Customs & Trade

COMMISSION REPORT ON THE GSP

Recently, the European Commission released its third biennial report on the Generalised Scheme of Preferences (GSP). The GSP report documents how the GSP beneficiaries made use of the scheme in the period 2018-2019. The report is based on EU monitoring missions, the midterm evaluation of GSP, EU engagement with partner countries, international organisations, civil society and industry.

The report finds that countries are becoming wealthier and that a number of countries left the scheme due to reaching upper-middle income status. It also highlights that in terms of trade, the GSP has become more important, in absolute and relative numbers. Utilisation of trade preferences under GSP has gone up to 81.8% in 2018 (78.8% in 2016). For EBA (Everything But Arms arrangement), this was 93.4%. Benefits taken are largely in the garment sector, as export diversification remains a challenge. Within the period the report covers, the GSP status was withdrawn from countries which reached upper middle-income economy status for three consecutive years: Cameroon, Fiji, Georgia, Iraq, Marshall Islands and Tonga and Paraguay. Several countries lost beneficiary status due to entering into a preferential trade agreement with the EU: Cote d'Ivoire, Ghana, Swaziland, Georgia and Ukraine. GSP beneficiary countries that are classified by the World Bank as upper middle-income economies, during three consecutive years, lose their GSP beneficiary status. Accordingly, Nauru, Samoa and Tonga will be removed from the list of beneficiary countries from 1 January 2021. Other countries were classified as Upper Middle-Income Countries since 2018 (Armenia) and 2019 (Sri Lanka). Vietnam will lose GSP-beneficiary status two years following the upcoming entry into force of the FTA with the EU. However, operators will be able to use the GSP duties if these are more favourable.

The current GSP Regulation will expire on 31 December 2023. In order to allow economic operators and beneficiaries to adapt to a new regulation, the Commission has launched the preparations for the new regulation. It is intended that the new regulation will continue to pursue the same policy of fostering sustainable economic, social and environmental development of beneficiary countries, including the respect for good governance and human rights, with the primary goal of eradicating poverty. Public consultations will be undertaken in 2020.

Source: European Commission

THE GLOBAL CUSTOMS COMMUNITY CELEBRATES INTERNATIONAL WOMEN'S DAY

The World Customs Organization (WCO) joined the international community in celebrating International Women's Day 2020, with the theme "I am Generation Equality: Realizing Women's Rights." The WCO proactively promotes "Gender Equality and Diversity" and has included this topic in its capacity building agenda. Over the past few years, the Organization has stepped up its efforts – developing new tools and launching new initiatives.

"Gender Equality and Diversity" was one of the topics covered at the last session of the WCO Policy Commission in December 2019. As a result, WCO Members agreed to a number of actions to move the agenda forward, including the development of a WCO Declaration on Gender Equality and Diversity in Customs. The draft Declaration was discussed at the 11th Session of the WCO Capacity Building Committee in March 2020 and is expected to be adopted by the WCO Council in June 2020.

WCO Secretary General Dr. Kunio Mikuriya stated that "Women play a central role in economic and social development; hence it is essential that Gender Equality and Diversity be realized in Customs administrations, based on a gender equality policy." He added that "WCO Members are, therefore, encouraged to take stock of best practices and share them further at the international level to ensure a multiplying positive effect."

Source: World Customs Organization

Forthcoming Events

CLECAT MEETINGS

CLECAT-FIATA Joint Rail Institute
16 March 2020, Brussels

CLECAT Board Meeting
17 March 2020, Brussels

CLECAT General Assembly
17 March 2020, Brussels

CLECAT Road Institute
25 March 2020 (online)

CLECAT Maritime Logistics Institute
23 April 2020, Porto

CLECAT Customs and Indirect Taxation Institute
27-28 April 2020, Brussels

EVENTS WITH CLECAT PARTICIPATION

Future of MoS & the Maritime Dimension of TEN-T
12 March 2020, Brussels

ELP Lunch Debate on Green Deal and Logistics
24 March 2020, Brussels

TEN-T Days
13-15 May 2020, Sibenik

EP/COUNCIL MEETINGS

European Parliament TRAN Committee
16-17 March 2020, Brussels

European Parliament Plenary
9-12 March 2020, Brussels

European Council
26-27 March 2020, Brussels

EU Transport Council
4 June 2020, Brussels

Contact
Nicolette van der Jagt
Director General CLECAT

Rue du Commerce 77, B-1040 Brussels, Belgium

Tel +32 2 503 4705 / **Fax** +32 2 503 47 52
E-mail nicolettevdjagt@clecat.org / info@clecat.org
@CLECAT_EU
www.CLECAT.org

CLECAT
European Association for Forwarding,
Transport, Logistics and Customs Services