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## Brexit

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### STATE OF PLAY OF EU-UK NEGOTIATIONS

Between 18-21 August, the EU and the UK held the seventh round of negotiations on their future partnership, which reportedly were going 'backwards more than forwards'. The EU's Chief Brexit Negotiator Michel Barnier [reported](#) after another week of meetings that at this stage, an agreement between the EU and the UK seems unlikely.

During the seventh round of negotiations, the EU and the UK managed to make progress on some technical issues relating to, among others, energy cooperation, participation in Union programmes, and anti-money laundering. However, the question of a level playing field remained a stumbling block in the negotiations, together with other areas where progress was still needed. Those areas included, for example, fisheries, where the parties have made no progress whatsoever on the issues that matter; governance, where they are still far from agreeing on the essential issue of dispute settlement; law enforcement, where they still struggle to agree on the necessary guarantees to protect citizens' fundamental rights and personal data; and mobility and social security coordination, where the parties' respective positions also remain far apart.

The eighth round of negotiations between the EU and the UK will take place from Tuesday 8 September to Thursday 10 September 2020 in London.

The latest information regarding the progress of the EU-UK negotiations can be followed on the dedicated [Commission's webpage](#).

## PUBLIC CONSULTATION ON EXTENSION OF SLOTS WAIVER RULE

The European Commission has published a [roadmap and public consultation](#) on the extension of the slot-waiver rule to ease the impact of COVID-19 on airlines. The public consultation is open for feedback until 28 September.

In March 2020 the European Commission amended the EU Slots Regulation to waive the 80/20 use-it-or-lose-it rule for the allocation of slots until the end of the 2020 summer season in reaction to the drastic decrease of flight operations resulting from the COVID-19 crisis. The aim was to avoid that airlines would operate ghost flights to retain their historic rights on slots (grandfathering rights). Additionally, the amendment provided the possibility for the Commission to extend the period of the waiver by one or more delegated acts until 2 April 2021.

In assessing whether the waiver should be extended, the European Commission identified concerns over the timing of the surrender of unused slots. It noted that this could hinder the possible, temporary use of such slots by other operators, e.g. full-freighters. Additionally, it noted that this practice might prevent the best possible use of airport capacity, and potentially hinder competition between airlines.

Therefore, the Commission considers the possibility for more targeted, proportionate, and flexible rules, which cannot be achieved through the current blank waiver. CLECAT will discuss the issue with the members of its Air Institute at the upcoming meeting on 22 September, in view of defining a position.

## JULY AIR CARGO DEMAND STABLE, BUT CAPACITY REMAINS CONSTRAINED

The [data released](#) by the International Air Transport Association (IATA) for global air freight markets on 31 August shows that air cargo demand is stable but at lower levels than 2019. While there is some month-to-month improvement, it is at a slower pace than some of the traditional leading indicators would suggest. This is due to the capacity constraint from the loss of available belly cargo space as passenger aircraft remain parked.

The data shows that global demand in July, measured in cargo tonne kilometres (CTKs), dropped 13.5% year-on-year. This represents a modest improvement from the 16.6% year-on-year drop recorded in June. Simultaneously, global capacity, measured in available cargo tonne kilometres (ACTKs), decreased by 31.2% in July year-on-year, compared to the 33.4% year-on-year drop in June.

Belly capacity for international air cargo shrank by 70.5% in July year-on-year due to the withdrawal of passenger services amidst the COVID-19 crisis. This was partially offset by a 28.8% increase in capacity through expanded use of freighter aircraft.

In terms of regional performance, European carriers reported a 22.4% annual drop in international cargo volumes in July. This was a slight improvement from June's performance of -27.6%. Demand on most key trade lanes to / from the region remained weak. The large Europe–Asia market was down 20% year-on-year in July.



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# Maritime

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## HIGH CARRIER FINANCIAL PROFITS FORECASTED FOR 2020



The strict capacity management applied by container lines during the COVID-19 pandemic could see the sector as a whole more than doubling its full-year profit, despite a slump in volumes in the first half of the year, Sea-Intelligence [reported](#).

A new analysis of carrier performance reverses forecasts that warned that container shipping could lose up to \$23bn if a predicted 10% slump in volumes coincided with the collapse in rates that has previously accompanied downturns in the sector.

The worst-case scenario would have wiped out a decade's worth of profits, including the \$5.9bn operating profit carriers collectively made in 2019.

Since those earlier predictions were made, however, it has become clear that while volumes have fallen significantly, container lines' capacity management measures have not only seen rates maintained, but on many trades they have increased significantly. "The freight rate increase, as measured by the CCFI index, for the full period January-August 21 is now at 6.9%, only marginally less than two months ago," Sea-Intelligence said, explaining that "this is mainly due to rate levels also increasing last year, and hence making a less favourable year-on-year comparison." On top of the stronger rates, volume outlooks now appear less dramatic than they did in the first half of the year. "The third quarter of 2020 now faces a very marginal volume decline of 0.1%," the analyst said, forecasting that "if the current developments continue, we would be looking at a 2% volume increase in the fourth quarter."

The combination of stronger rates and lower operating costs had helped those carriers that have so far released their first half of the year results increase their profits by 160% on last year, Sea-Intelligence said. "If the carriers are able to maintain the rate increase seen in the first eight months of the year, they would end up with a profit of \$12.9bn," it said. "If the improvements seen by the major carriers in their published first-half results are indicative for the carriers that have not yet published results, and if they are able to maintain the same improvement momentum, the industry is looking at a profit level of \$15.4bn."

If rates reversed to the same level they were at in the fourth quarter of 2019, carriers would still see a combined profit of \$10.7bn, and a worst-case scenario, where lines engaged in a "typical" price war, would still see them maintaining a profit of \$3.8bn collectively. Given the unpredictable nature of demand during the pandemic, Sea-Intelligence has also modelled a 5% fall in volumes during the fourth quarter of 2020 that coincides with a price war. Even here, container shipping would still manage a \$2.6bn profit for the year.

Sea-Intelligence said there was "a very high likelihood" that carriers will emerge from 2020 with financial results better than in 2019. "We are now also at a point where even the pessimistic scenarios are indicating a profitable outcome to 2020," it said. This meant the pressure on the carriers to maintain capacity and rate discipline to avoid an outright financial disaster was no longer present, but this could also prompt an erosion of rates.



## CARRIERS START TO SCRAP LOW-SULPHUR SURCHARGES

Ocean carriers are starting to officially scrap the low-sulphur fuel surcharges introduced last year to mitigate the impact of the 1 January 2020 IMO 0.5% sulphur cap regulations on marine fuel.

In a customer advisory on Tuesday, CMA CGM [announced](#) that its low-sulphur surcharge (LSS20), in place since 1 December 2019, would no longer be applicable. “As from 1 October 2020, taking into consideration the current price of very low-sulphur fuel oil (VLSFO), this surcharge is not applicable,” it said. However, the carrier added that the surcharge “may come back later, as per our formula”.

Currently, VLSFO on the Rotterdam market is available at about \$320 per ton, compared to heavy fuel oil (HFO), only allowed to be consumed by ships fitted with exhaust gas cleaning scrubbers, at some \$275 per ton. At the time of IMO 2020 implementation, the price of VLSFO stood at about \$600 per ton, against the previous industry norm HFO, which bunkered at \$300. But during the height of the pandemic oil prices plummeted and the cost of bunkers fell to a low of \$190 per ton for VLSFO. The dramatic fall in fuel costs, coupled with hikes in freight rates, was the catalyst for an unexpected highly profitable Q2 for the majority of carriers, [reported](#) Loadstar.

Scrapping the low-sulphur surcharges is a welcome development, as maintaining them at the time when fuel prices plunged has been of concern to freight forwarders. In April, CLECAT has [expressed](#) suspicion that carriers have been using the fuel surcharges as a revenue-raising tool, as well as a cost-recovery during the COVID-19 crisis, and called for transparency and dialogue on fair bunker charging.

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## Rail

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### DG MOVE ON RAIL TRANSPORT IN 2019, 2020 AND BEYOND

On 2 September, CLECAT joined the presentation of Deutsche Bahn’s (DB) [Competition Report 2019](#). During the presentation, DB highlighted the importance of rail freight for the transport sector in the EU, by referring also to the supporting function which it is having during the ongoing COVID-19 pandemic. In view of growing transport needs, the importance of having a resilient infrastructure and the need to complete the rail network by 2030 were emphasised.

During the online event, Ms Elisabeth Werner, Director for Land Transport in the European Commission’s DG MOVE, spoke on the impact of COVID-19 on the railway industry. She commented on the positive impact that the creation of the Green Lanes had for rail freight, such as guaranteeing the movement of train drivers and operations for freight during the pandemic. She also referred to the [legislative proposal for a sustainable rail transport market](#) from 19 June, which intends to defer track access charges retroactively, in a time-limited manner, to support the rail industry.

Looking towards future challenges, Ms Werner noted that a number of bottlenecks, missing links, and the deployment of the ERTMS, as well as the possibility for fleet renewals and the modernisation of rolling stock, would need to be addressed as a priority. Ms Werner also referred to ongoing public consultations, such as the [Smart and Sustainable Mobility Strategy](#), the successor of the 2021 White Paper, for which CLECAT is preparing its input. Finally, Ms Werner also reported on the [progress of the TEN-T network](#), which showed a mixed picture for the railway sector. While compliance with electrification (89%), track gauge (86%) and freight axle load (81%) were positive, a lot of work would still need to be undertaken for train length (43%) and the ERTMS deployment (11%).



## DOWNWARD TREND IN EU COMBINED TRANSPORT VOLUMES

According to a report of the International Union for Road-Rail Combined Transport (UIRR), the transport volume of combined transport operations in Europe in Q2 2020 fell by almost 15% year-on-year. UIRR identified the ongoing COVID-19 crisis as the underlying reason for this decline and expects that the economic restrictions due to the current pandemic will continue to place a heavy burden on combined transport in the future. The sector is working hard to maintain its services and win new customers. However, the overall outlook of the actors in combined transport for the next 12-month period remains negative.

Source: [UIRR](#)

## CENERI BASE TUNNEL OPENED

On 4 September, the Ceneri Base Tunnel, a railway tunnel in Switzerland, was officially opened. The tunnel is passing under Monte Ceneri and bypassing the current high-altitude rail route through the Monte Ceneri Tunnel. The opening marks the completion of the New Rail Link through the Alps (NRLA). This forms the core of Europe's main north-south freight route extending from Rotterdam to Genova.

Earlier milestones on the NRLA were reached in 2008, when the Lötschberg Base Tunnel was opened, and in 2016, with the opening of the Gotthard Base Tunnel in 2016. The Ceneri Base Tunnel is considered the final link, which should clear the entire north-south axis for 4-metre height trains. This is expected to have a major impact on traffic from north to south Europe.

Source: [Railfreight](#)

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# *Sustainable Logistics*

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## PUBLIC CONSULTATIONS IN THE FIELD OF TAXATION

Over the summer, the European Commission has launched new public consultations on two initiatives that aim to maximise the impact of taxation in meeting the EU climate goals. The revision of the Energy Tax Directive (ETD) and the creation of a Carbon Border Adjustment Mechanism (CBAM) were identified in the European Green Deal as means to help with the transition towards a greener and more sustainable economy.

The revision of the ETD should overhaul the way in which energy products are taxed in the EU. This includes revising minimum rates for fuels and re-thinking current tax exemptions, to reduce the implicit subsidies for fossil fuels and certain economic sectors. The aim is to re-shape energy taxation in a way that encourages consumers and businesses to behave in a more environmentally way.

In parallel, the Commission believes that a CBAM for certain sectors would help to reduce the risk of carbon leakage. With such a tool, the price of imports would reflect more accurately their carbon content. This would ensure that the EU's green objectives are not undermined by production relocating to countries with less ambitious climate policies.





The public consultation on the revision of ETD is available [here](#) and runs until 14 October, while the one on the introduction of CBAM can be accessed [here](#) and is open until 28 October. CLECAT will elaborate on these issues together with its members of relevant institutes, in view of submitting the position of the freight forwarding and logistics industry.

## ALICE/AEROFLEX WEBINAR ON AERODYNAMIC AND FLEXIBLE TRUCKS

On 15 September, the Alliance for Logistics Innovation through Collaboration in Europe (ALICE) is hosting a webinar together with the AEROFLEX (Aerodynamic and Flexible Trucks for Next Generation of Long-Distance Road Transport) project.

The AEROFLEX project will develop and demonstrate new technologies, concepts and architectures for complete vehicles that are energy efficient, safe, comfortable, configurable and cost-effective, while ensuring that the varying needs of customers are satisfied by being flexible and adaptable with respect to the continuously changing operational conditions.



The aim of the webinar is to provide an overview of the project developments and provide the opportunity to get engaged with the project in its last year of execution. As such, it will provide information on the highlights, innovations, demonstration and assessment, including the potential benefits and limitations.

More information is available on the [event webpage](#). In case of interest, you can register [here](#).

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## Customs and Trade

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### EU AND US AGREE PACKAGE OF TARIFF REDUCTIONS

On 21 August, United States Trade Representative Robert Lighthizer and former EU Trade Commissioner Phil Hogan announced their agreement on a package of tariff reductions that will increase market access for hundreds of millions of dollars in US and EU exports. These tariff reductions are the first US-EU negotiated reductions in duties in more than two decades.

Under the agreement, the EU will eliminate tariffs on imports of US live and frozen lobster products. US exports of these products to the EU were over \$111 million in 2017. The EU will eliminate these tariffs on a Most Favoured Nation (MFN) basis, retroactive to begin 1 August 2020. The EU tariffs will be eliminated for a period of five years and the European Commission will promptly initiate procedures aimed at making the tariff changes permanent. The US will reduce by 50% its tariff rates on certain products exported by the EU worth an average annual trade value of \$160 million, including certain prepared meals, certain crystal glassware, surface preparations, propellant powders, cigarette lighters and lighter parts. The US tariff reductions will also be made on an MFN basis and retroactive to begin 1 August 2020.

Source: [European Commission](#)



## WTO INDICATES RECORD DROP IN GLOBAL TRADE



WORLD TRADE  
ORGANIZATION

On 19 August, the World Trade Organisation (WTO) indicated that world merchandise trade likely registered a historic fall in the second quarter of 2020, according to the latest reading of the WTO's *Goods Trade Barometer*, a real-time gauge of trends in global trade.

The WTO reports that even though some sectors have started to recover, indices for automotive products and air freight are by far the worst on record since 2007, while container shipping remains 'deeply depressed'. The current barometer reading of 84.5 is 15.5 points below the baseline value of 100 for the index and 18.6 points down from the same period last year. This reading — the lowest on record in data going back to 2007, and on par with the nadir of the 2008-09 financial crisis — is broadly consistent with WTO statistics issued in June, which estimated an 18.5% decline in merchandise trade in the second quarter of 2020 as compared to the same period last year.

The exact extent of the fall in trade will only be confirmed later this year when official trade volume data for the period from April to June becomes available.

Source: [World Trade Organisation](https://www.wto.org/)

## NEW RULES OF ORIGIN FOR PEM COUNTRIES

On 24 August, the European Commission adopted a package of proposals regarding new rules of origin for Pan-Euro-Mediterranean (PEM) countries. Changes include the elimination of cumulative requirements and thresholds for local value added; increased thresholds of tolerance for non-originating materials, from 10% to 15%; the introduction of "full" cumulation, under which the manufacturing operations needed to acquire origin for most products can be split among several countries; and the possibility of duty-drawback (repayment of duties on imported components) for most products to help EU exporters compete.

The package of proposals aims to increase trade between the EU and neighbouring countries in the PEM region. The new rules will apply alongside those of the [Regional Convention on pan-Euro-Mediterranean preferential rules of origin \(PEM Convention\)](#), pending the review of the Convention, which is currently under way.

The Commission proposals concerning the different PEM trading partners you can find [here](#).

Source: [European Commission](#)

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## General

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## PROGRESS ON TEN-T NETWORK

On 26 August, the European Commission published a [progress report](#) on the work done to implement the [trans-European transport network \(TEN-T\)](#). It concludes that significant progress was made during



2016 and 2017 (the reporting period), both with regard to technical compliance and financial investments.

The TEN-T network must comply with a series of EU requirements, for example on railway electrification. For most requirements, compliance is estimated at 81-100%. This achievement can be directly linked to the significant investment in the TEN-T network: more than €91 billion in the course of 2016 and 2017. The highest share of this investment (€80 billion), including EU co-funding, has been invested in the core network, with most going to TEN-T railways (including ERTMS), where funds are helping to close compliance gaps.

The report argues that the major challenges of the TEN-T infrastructure network can only be met with a sound mix of funding and financial instruments. It concludes that the years 2016 and 2017 were successful in that regard, with TEN-T having received increased funding from the [Connecting Europe Facility \(CEF\)](#), as well as benefiting from other EU means. The report also highlights the role of European TEN-T Coordinators in ensuring a sound, mature and visible project pipeline of more than 2.500 projects today.

Further progress is expected as the TEN-T deadlines of 2030 (core network) and 2050 (comprehensive network) approach. The European Coordinators will soon publish updated work plans for the core network corridors, indicating the challenges and steps for the development of the core network corridors by 2030.

The results of the progress report will feed into the ongoing [review the TEN-T Regulation](#). A possible proposal for a revision would follow by 2021.

## €1.5 BILLION EU COHESION POLICY FOR BETTER TRANSPORT NETWORK IN ROMANIA

The European Commission has approved an investment from the [Cohesion Fund](#) worth €875.5 million to build the first stage of the Sibiu-Pitești motorway. This will be the first motorway crossing the Carpathian Mountains, enabling unhindered connectivity in Romania on the Rhine-Danube corridor of the [Trans-European Transport Network \(TEN-T\)](#). The corridor shall provide an uninterrupted link across Romania, from the Black Sea port of Constanța to Nădlac on the Hungarian border, linking central and western Romania to the European motorways network.

According to Commissioner for Cohesion and Reforms Elisa Ferreira: “This project will solve a major bottleneck in the Romanian transport network. It will increase road safety, shorten journey times, and reduce costs for passengers and merchandise. It will have a very positive impact on the economy and on local people's quality of life.”

The project is expected to be operational as of 2026. The European Commission has also approved financing from the Cohesion Fund for a project worth €578.4 million to improve Romania's disaster-response capacity. The investment shall improve Romania's land-based, aerial and maritime response capacity through the purchase of new equipment as well as training of staff. It shall better protect the population in emergencies and help Romania to comply with international obligations and the national strategy on climate change and low emission economic growth.

Source: [European Commission](#)





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# Forthcoming Events

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## EVENTS AND MEETINGS

CLECAT Maritime Logistics Institute  
7 September 2020, **Online Meeting**

CLECAT Board/General Assembly  
10 September 2020, **Online Meeting**

CLECAT Air Logistics Institute  
22 September 2020, **Online Meeting**

CLECAT Supply Chain Security Institute  
22 September 2020, **Online Meeting**

CLECAT Customs and Indirect Taxation Institute  
24 September 2020 (TBC), **Online Meeting**

CLECAT Freight Forwarders Forum  
12 November 2020, **Location TBC**

CLECAT Board/General Assembly  
13 November 2020, **Location TBC**

## EVENTS WITH CLECAT PARTICIPATION

Ministerial Conference: Triggering greening and international competitiveness of shipping and ports  
7-9 September 2020, **Hamburg**

Hearing on the initiative for a Strategy for sustainable and smart mobility  
16 September 2020, **Online Event**

Rail Freight after the COVID-19  
15 September 2020, **Brussels**

European Port Forum  
18 September 2020, **Online Event**

Global Liner Shipping conference  
4-5 November 2020, **Online Event**

European Environmental Ports Conference  
4-5 November 2020, **Rotterdam**

Digital Transport Days  
1 December 2020, **Online Event**



## Competition Law in Transport

1 December 2020, **Brussels**

## EU MEETINGS

### Council of the European Union

#### Transport Council

28 September 2020, Brussels

#### Environment Council

23 October 2020, Luxembourg

### European Parliament

#### European Parliament Transport Committee

23-24 September 2020, Brussels

#### European Parliament Plenary

14-17 September 2020, Strasbourg

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