

REPORT

Meeting: **Energy Transition Workshop - Financing**

Parties: **Fisheries and aquaculture stakeholders, Advisory Councils, the Commission, European Investment Bank representatives**

Date: **28 November 2023**

Location: **Brussels, online**

Moderator: **Stephen Davies**

Rapporteur: **NSAC Secretariat**

The first workshop of the **Energy Transition Partnership** aimed to map current challenges and identify potential solutions to financing the energy transition in the fisheries and aquaculture sector. In February 2023, the Commission published [its Communication on energy transition](#), covering governance framework, research and innovation, people and skills and financing. The Commission has also developed **Guidelines on financing opportunities for the green energy transition of fisheries and aquaculture**, providing access to information on available funding for **innovation, installation of energy-efficient equipment, energy management, industry infrastructure, and training and capacity-building**. The Commission noted that this is a “living” document and will be continuously updated with stakeholder feedback. The document is currently available in physical copy, but will soon be available online on [ETP website](#).

The outcome of the discussions held in this workshop will inform a **summary paper** that will be used as input for the design of the **Roadmap for the Energy Transition in EU fisheries and aquaculture**, which was announced in the Commission Communication and it to be delivered in 2024.

After the context was set and some EU funding opportunities presented ([InvestEU Green Transition](#), [BlueInvest](#), [European Investment Bank](#)), a presentation was held on the EMFAF, which is set to finance test phases as well as mature technologies in relation to energy transition (ET). It focuses on catering for risk-averse investments. Two main investment streams are covered here:

- Assessment and development of **new technology** (energy efficiency audits, feasibility studies, test and trial, dissemination and transfer)
- Investment in **mature technology** (installing energy efficiency engines and improving efficiency techniques, increase in volume of vessels to install new engines – BUT only for <24m)

The difference between EMFF and EMFAF was underlined: while EMFF provides a list of prescribed measures, **EMFAF is a lot more flexible**, and is not prescriptive apart from aspects that are not eligible for financing. EMFAF conditions are:

- First acquisition of a vessel
- Replacement or modernisation of engine
- Increase in gross tonnage to improve safety, working conditions and energy efficiency.

Access to EMFAF is through EMFAF managing authority of the Member State. **Loans, guarantees, equity or a combination** of these is provided. There is also a small EMFAF budget for direct calls through CINEA. Support beyond EMFAF is Horizon Europe, Innovation Fund, BlueInvest, Modernisation Fund, EAFRD, ERDF, etc.

It was noted that potential investors are interested in organisation's team composition, business model, knowledge of the target market, sustainable competitive advantages, Return on investment (ROI) etc. The fisheries sector is currently under the investors' radar due to its **small market share**, its **complex infrastructure**, and **regulatory uncertainty**. The European Investment Bank representative noted that there are no operations on ET for fisheries in EIB yet, but they are willing to look into it. He believed that is a **huge potential** that needs to be tapped in, but only when the **policy-makers send positive signals**, which is currently not the case. It was added that ET is not only about decreasing emissions through modernisation but also through **improving the state of fish stocks** (improved stock would translate to less effort for the same amount catch).

The perceived risks in ET are the **unintended increase in effort due to increased capacity**. One of the projects presented on introducing hydrogen to a fishing vessel ([Piloty project](#)) concluded that while **energy savings of 10-15%** were secured due to installation of hydrogen engine, the **gross tonnage increased**, significantly **reducing the speed** of the vessel. The transition to hydrogen has also proven very costly due to a complete retrofit required for placement of a new engine. The new engine also took about 30% of additional space in vessel hold, meaning that the **fishing capacity effectively decreased**.

The first breakout session was dedicated to **challenges in ET**. A discussion was held on the essential role of both private and public funding, especially on public funding's role in spurring private investments. Identified challenges were:

- Lack of bankability¹ of the fishing sector / guarantees are needed.
- Lack of a clear project to present to financiers (i.e. which technology to invest in)
- ET investments too large for EMFAF
- Lack of clarity on policies and mixed policy signals at national level
- Fishing industry not expected to be the first mover, anticipating moves by other players
- Problems with demonstrators: pilots in training (on i.e. hydrogen vessels) as it is currently not possible to buy new vessels for commercial purposes due to capacity ceiling regulation
- Access to information
- Eligibility criteria for funding
- Lack of fisheries sector's prospects

¹ Capacity to demonstrate return on investment.

- Lack of technical administrative support for SSF
- Prioritisation short-term vs. long term measures
- Cost of money – high interest rates
- Taxonomy regulation – clear guidance needed, currently it is not clear which sectors are considered sustainable.

The NSAC enquired whether the EIB has considered **Energy Performance Contracting (EPC)**² in fisheries. The EIB representative responded that this is currently used in the construction sector to improve energy efficiency of buildings, but that it could in principle be explored for the fishing sector. There is a need for a public guarantor (state, municipality, EU). **Sustainability certification** (i.e. MSC) was deemed crucial for energy performance contracting. The challenge is that criteria for sustainability in terms of emissions need to be established and made available to investors, which is currently not the case. The Secretariat is currently **exploring the EPC possibilities** for the sector.

The challenges in attracting private funding were **regulatory barriers, attractiveness** of the sector, **lack of information** and **hurdles in innovation**:

- The sector too small to attract investors
- Lack of a good business plan
- Tailor-made solutions are needed, which is more costly
- Lack of policy support/general direction/positive signals
- Different vessels, different solutions, different levels of profitability
- Uncertainty (environment, sector, political)
- Identifying the needs of the sector
- Political will translates to mobilisation of operational funding;
- Fisheries sector/some sub-sectors not very conducive/attractive to private investments
- EU food production not a political priority
- The role of public sector to mobilize private funding is not realized.

The second breakout session focussed on **solutions**. Short-terms and medium to long-term measures were identified:

Short-term actions:

² Energy Performance Contracting (EPC) is a form of 'creative financing' for capital improvement which allows funding energy upgrades from cost reductions. Under an EPC arrangement an external organisation (ESCO) implements a project to deliver energy efficiency, or a renewable energy project, and uses the stream of income from the cost savings, or the renewable energy produced, to repay the costs of the project, including the costs of the investment. Essentially the ESCO will not receive its payment unless the project delivers energy savings as expected. The approach is based on the transfer of technical risks from the client to the ESCO based on performance guarantees given by the ESCO. In EPC ESCO remuneration is based on demonstrated performance; a measure of performance is the level of energy savings or energy service. EPC is a means to deliver infrastructure improvements to facilities that lack energy engineering skills, manpower or management time, capital funding, understanding of risk, or technology information. Cash-poor, yet creditworthy customers are therefore good potential clients for EPC.

- Training and capacity building
- Investments in EE
- Mobilize research in alternative fuels
- Improve public image through communication to enhance the attractiveness of the sector

Medium and long-term measures:

- Ensure legal certainty through policies (CFP, EMFAF)
- Enhance investments in port infrastructure
- Enhance investments in alternatives to fossil fuels

Information on ET can be found through **Energy Transition Partnership**, where exchange of good practices is fostered through the platform and events, the platform also serves as **one-stop-shop on funding mechanisms**. **Advisory Councils** were underlined as effective platforms for exchange of views and best practices. **Producer organisations** were equally stressed as important vehicles for sharing information. In addition, banks are hubs for obtaining information on available financing instruments.

Based on this workshop, **a roadmap** will be produced by the end of 2024. The next workshop will take place on **28 February** with a focus **on innovation and research**, followed by a **workshop on skills in April 2024**. A call will be launched to gather candidates to constitute an ETP “support group”.