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INDUSTRIAL MARITIME STRATEGY

Policy Recommendations to the EU

NB: This document expands the recommendations outlined in SEA Europe's Manifesto.

1. A competitive and resilient shipbuilding supply chain: Essential for Europe's economic security and strategic autonomy

A strong European shipbuilding industry and maritime equipment supply chain is **crucial for Europe's economic security**. It gives the European Union control over essential maritime technologies and thus the ability to build/construct ships and platforms vital for trade, (renewable) energy supply, and critical maritime and underwater infrastructure, such as offshore wind farms and underwater cables. It is essential to maintain shipbuilding capabilities and supply chain in Europe in order to prevent the entire European maritime sector to rely solely on China and South Korea[1]. Given the complexity of shipbuilding and its supply chain and the high investments required, lost markets are difficult to reclaim, creating a dangerous cycle of decline. Preserving and strengthening European shipbuilding capabilities is **key to Europe's strategic autonomy**. Europe needs a strong and competitive commercial shipbuilding industry in order to support and maintain its military shipbuilding, necessary for defense. In short, a strong high-tech European shipbuilding sector is key for Europe's security, resilience, climate adaptation, energy transition, and global influence.

The shipbuilding supply chain **works like an ecosystem**, with many interconnected parts that rely on each other. It requires **specialized capabilities and know-how** across areas like engineering, design, project management, and advanced technologies for propulsion, electronics, and safety systems. Shipbuilders need **skilled workers and precise coordination** between different suppliers. The equipment suppliers are often global leaders in their fields, and their competitiveness depends on good **access to global shipbuilding markets**. This means that the strength of the entire shipbuilding ecosystem, from material suppliers to shipbuilders, relies on the ability to operate and compete at global scale.

2. The ambition of the European maritime technology industry

The European shipbuilding industry and its supply chain of maritime equipment manufacturers – represented by SEA Europe – have a clear ambition: by 2050, we aim to compete successfully in all shipbuilding markets critical for Europe. To achieve this long-term goal, we plan to **gradually expand our industrial capacity and competitiveness by consolidating and reclaiming key markets across the European blue economy**. As a first milestone, we have set a target to build or retrofit 10,000 sustainable and digitalized vessels by 2035.

[1] Between January and August 2024, China secured 62% of the value of global new orders, and South Korea 20%.

The sustainable and digital transitions present a unique opportunity to outperform our international competitors in quality, efficiency, and safety if Europe has the right rules in place. **Our industrial recovery plan therefore centers on state-of-the-art vessels**, powered by the latest green and digital technologies. These advancements also strengthen exports and bolster our global presence – key elements in **setting the standard in the global market**. Europe therefore needs to **invest significantly in research, development, and innovation**.

Currently, our efforts are focused on specialized and complex ship types essential to Europe's domestic blue economy, rather than on large merchant vessels operating globally, like containerships, bulkers, and tankers, which are almost all built in China and South Korea. We also aim to reinforce Europe's leadership in marine equipment manufacturing (hence the supply chain), whose interests are also linked to large cargo shipbuilding now concentrated in Asia. European equipment suppliers should not become too dependent on delivery of technologies to Asian shipyards.

Our goal is not a trade war with Asia, but rather fair competition. We believe a global shipbuilding market dominated by shipyards in China and South Korea threatens the resilience of European shipping and other blue economy sectors by making them excessively depending on a limited number of suppliers. This constitutes a major risk in case of global economic disruption, for example in case of geopolitical tension or increased protectionism. A competitive European shipbuilding industry will provide European shipowners with a larger variety of maritime solutions for decarbonization and digitalization.

We recognize that competing on price with China and South Korea is challenging[2], if not impossible. While financial incentives can help narrow the price gap, **we aim to enhance our European competitiveness by excelling in reliability, quality, sustainability, digitalization, circularity, full cost of ownership (life-cycle cost), project management, and supply chain resilience**.

However, China's and South Korea's current market dominance limits the ability of the European shipbuilding industry to recover solely by its own efforts. Europe's shipbuilding sector has fallen below a critical mass, impacting the entire shipbuilding supply chain. Policy support is essential to enable new business opportunities. We are not asking for survival through subsidies; **we are calling on policymakers to foster market expansion, allowing our investments to yield productive, profitable results**. The upcoming EU Industrial Maritime Strategy should, therefore, focus on supporting business development, RD&I, investments in production processes of yards (yard upgrades), and technological advancement. It should also create the right framework conditions for a true business case for sustainable and digitalized vessels. Whenever public money is involved, it should be spent on European-controlled companies.

3. What do we want?

To address the longstanding market failures hindering our ability to reclaim markets, we need a business-oriented policy ensuring that Europe maintains a **critical mass of shipbuilding**

[2] The price difference is estimated at 30-40%.

capabilities. In the current world of geopolitical tension and huge societal challenges (not least climate change), **we require an actionable/practical roadmap focused on strengthening both the supply and demand sides of the maritime technology business**.

On the shipbuilding (supply) side:
To compete effectively, we need support for R&D, innovation, production/yards investments, infrastructure, and skills. This involves:

- Access to financing: Simplified access to both public and private funding sources, including from banks, investors, and capital markets.
- Regulatory support for innovation and manufacturing processes: A regulatory framework that promotes risk-taking in new technologies, facilitates smart production processes, and eases access to raw materials and skilled workforce.

On the shipowners (demand) side:
A regulatory framework should encourage the market to prioritize sustainable, digitalized, and circular maritime practices over traditional approaches. Currently, there is limited incentive for adopting sustainable propulsion systems and fuels under existing market conditions. Key requirements include:

- Incentives for shipowners: A coherent set of incentives to attract shipowners to place shipbuilding orders in Europe (EU+EEA) with European-controlled shipbuilding companies. While financial incentives are helpful, policy efforts should develop non-price competitive advantages, beneficial to both shipowners and shipbuilders. Furthermore, EU added-value and resilience criteria should be included in public procurement and licensing procedures related to strategic maritime projects and critical maritime and underwater infrastructure.
- Life-cycle benefits: Policies, such as the forthcoming EU Circular Economy Act, should take a life-cycle perspective into account, rewarding shipowners for choosing ships that are built by European-owned/controlled shipbuilding companies. Even if a ship is initially more costly, reducing operational and recycling expenses over the vessel's lifetime will make it cheaper in the end.

Furthermore, we need the EU to actively address distortions in global competition by **effectively ensuring risk assessment and mitigation** and using all the relevant trade policy actions to level the playing field, without adversely affecting European shipowners.

4. How can we achieve our objectives?

We advocate for a policy that supports European control over supply chains and technology while allowing the relocation of production where it is viable, competitive and necessary for economic security, and at the same time facilitating presence in the global market**.** Our industrial recovery plan will be gradually implemented. While our ultimate objective is to bring strategic ship markets back to Europe, we must recognize that equipment manufacturers depend on non-European shipbuilding markets. Additionally, European-controlled foreign production – which incorporates elements from European companies in design or equipment – cannot be completely reshored.

Our goal of building or retrofitting 10,000 sustainable and digitized vessels by 2035 should be pursued in **markets capable of guaranteeing both a substantial volume of production and technological advancements, whilst being strategic for European interests and economic security.** Therefore, we will prioritize investment in the following areas:

- **Strategic autonomy assets**: Encompassing naval ships, underwater assets, and patrol vessels, this sector is crucial for Europe's security amidst growing geopolitical tensions and threats. The efficiency and competitiveness of European military shipbuilding relies on strong commercial shipbuilding capabilities. There is a dynamic and essential cross-fertilization between the two segments.

- **Highly complex ships driving technological advancements**: Particularly in the cruise ship and superyacht markets, where Europe currently excels, driving excellence across the entire shipbuilding value chain. These very valuable and highly complex markets are vital to maintain Europe's technological leadership and facilitate new advancements and spill-overs to the entire supply chain.

- **Sustainable retrofit and conversion of existing ships**: This market is key to fulfil the EU sustainability criteria in the maritime sector to enhance the sustainability and efficiency of the merchant fleet. It is a strategic avenue for European shipyards and equipment manufacturers to engage in particular with large merchant ships, as new builds now almost exclusively occur in Asia. Competing effectively in this sector will strengthen our expertise in complex sustainable operations and position us to potentially reclaim portions of the large merchant markets in 10 to 15 years.

- **Sustainable and efficient European waterborne transport**: Markets like shortsea shipping, cabotage, regional and local passenger transport, and inland navigation can significantly enhance the sustainability and efficiency of domestic transport in Europe. These sectors also offer the potential to boost shipbuilding competitiveness by generating predictable, large quantities of small, complex cargo and passenger ships – including for energy transport – integrated with advanced technologies, clean propulsion techniques, and digital systems. To unlock this market, we require a robust modal shift policy that makes waterborne transport significantly more appealing than road transport. Expanding into this currently overlooked market will present economic opportunities for both shipowners and shipyards.

- **Resilience of Europe's maritime economy**: Specialized vessels and platforms like offshore supply and service vessels, cable-layers, dredgers, fishing vessels, research vessels, and icebreakers are essential to maintain Europe's maritime competitiveness, resilience, and sustainability. For example, dredgers maintain waterways and support climate adaptation by mitigating rising sea levels. Offshore supply vessels install and maintain offshore platforms, including wind farms. These sectors create opportunities to enhance shipbuilding and technological expertise across key segments of the blue economy, fostering diversification that is essential for the resilience of the shipbuilding industry. They also contribute to the creation of a strong European cluster supporting renewable energies at sea.