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# EU Shipping Competitiveness Study

## International benchmark analysis

Study commissioned by the European Community Shipowners´ Association

Executive summary, March 2025

# Summary and conclusions

## The European shipping industry is a strategic and economic pillar of the EU, but international competition has increased significantly. It is key, especially in light of the green and digital transition, to keep the European shipping industry competitive.

The European shipping industry is a relevant contributor to the EU economy, accounting for an estimated 685,000 jobs and adding roughly EUR 54 billion annually to the EU gross domestic product (GDP). On the global level of shipping, the EU is still a large player compared to most regions in the world.  Whilst the EU represents around 15% of the global GDP, the European shipping fleet is one of the largest in the world, representing around 35% of the world fleet in terms of global tonnage across all segments.

Given the current ongoing global crises and increasing uncertainties, it is important to view the shipping sector not only as a business entity, but also as a geopolitical asset and a stabilizing factor in the region. European shipping, in particular, has played a significant role in maintaining the EU's position as a leader in international supply chains. According to the European Commission, almost 90% of the EU’s external freight trade is seaborne. Europe also plays a key role in the energy security of the continent as almost half of gas imports and almost 90% of crude oil imports to the EU are carried out by sea. The European shipping fleet represents 26% of liquefied natural gas (LNG) carriers, 35% of tankers and 20% of LPG carriers globally.

In addition to supply chain security, trade plays a strategic role in securing Europe's competitiveness and growth. International trade accounts for 59% of the global GDP in 2023. In comparison, the EU is significantly more reliant on trade, which represents on average 96% of the EU’s GDP, compared to key economies like China (37%) and the US (25%).

The European shipping industry represents a strategic asset for Europe, now more so than ever, facilitating the export and import of goods, food and energy, and ensuring the economic and geopolitical security of the continent.

In the past, various factors have contributed to making the EU an attractive location for shipping activities, including well-established frameworks and policies. These include competitive fiscal and social measures, supported by the EU Maritime State Aid Guidelines (SAGs), competent flag administrations and a highly skilled workforce. These SAGs and the tonnage tax (TT) regimes can be considered a major reason for keeping a healthy shipping industry in Europe, in addition to the region’s strong maritime history.

Commissioned by the European Commission, former European Central Bank President Mario Draghi presented his vision on “The Future of European Competitiveness” in a dedicated report published in September 2024[1]. The report highlights the importance of maintaining the competitiveness of the EU shipping industry and emphasizes that “the Guidelines on State aid to maritime transport has been key for the industry to become world leader”.

However, the report also quotes available data which showcases that, while the European fleet is growing in absolute terms, the global share of European ownership is declining due to strong competition by global non-EU shipping centres, which offer attractive conditions and a competitive business environment. Asia-based competitors gained ground to the detriment of the EU-controlled fleet, which has proportionally declined from 40% down to 35% of the global fleet.

In 2017, Deloitte published an international benchmark analysis in the form of the “EU Shipping Competitiveness Study”. In this report, the EU maritime industry was compared to a group of selected leading international shipping centres. The study aimed at assessing the attractiveness of these regions and evaluating the long-term competitiveness of the EU as a hub for shipping and the broader maritime economy.

[1] The Draghi report on EU competitiveness (n.d.).

Since the previous study was conducted, significant shifts have taken place both at EU and international levels. The global political and economic landscape has changed, and climate and environmental legislation has gained higher priority. Asian countries which compete with the EU, have introduced very ambitious industrial policies to support the competitiveness of their shipping industry on top of the competitive tax regime.  Overall, the EU faces even fiercer international competition as a preferred location for shipping activities today than ever before. Various global shipping centres outside the EU are actively developing maritime clusters and employing innovative, and in parts aggressive, measures to attract shipping companies. This has resulted in a competitive advantage for companies operating in these regions.

To properly assess these changes, we have now fundamentally updated our study. This includes a revision of the benchmark with multiple new indicators and an expansion of its scope to include Singapore, Hong Kong (HK), Dubai, Shanghai, New York, and London as the “best in class” shipping centres around the world.

**Our comprehensive benchmarking has once more identified Singapore as the top shipping centre at international level. In comparison with “best in class” centres from our benchmark, we have also identified specific policy gaps and improvement opportunities for the EU shipping industry.**

As in the previous study, the comprehensive benchmarking analysis shows that Singapore is the top performer among the covered shipping centres, with the exception of availability of professional services (second to London) and availability of finance (third to New York and Shanghai). Singapore's success is attributed to its forward-looking, reliable, and supportive strategy, driven by an efficient national administration that prioritizes business-friendliness. The ease of doing business in Singapore is considered a significant political priority and is supported by a business-friendly and a flexible administration. Singapore excels in taxation and fiscal incentives, offering low effective taxation rates and various incentive schemes. The country also provides generous training grants for maritime employees and tax exemptions for seafarers. It has flexible guidelines and instruments in line with the international conventions, making it an attractive choice for shipowners. Singapore's registry offers excellent service and adheres to international conventions without introducing additional national requirements. It also performs well in logistics, ship management, maritime insurance, legal services, and arbitration. Singapore ranks first overall in regulatory, economic, and political factors, except for international influence and cost of living.

Comparing the “best in class” results from our benchmarking, we have observed a number of gaps in the EU policy framework, which vary in size and also in importance. Overall, they indicate why competition has increased and the European shipping industry is under pressure today. While the current EU policy framework has the effect of facilitating a competitive EU shipping sector, we also recognise that there are significant areas where improvements could be made in comparison with the policies of other jurisdictions included in the benchmark.

The principal framework for the EU's maritime policy is set out in the 2009 Communication from the European Commission and the 2015-2016 “Mid-term Review of the EU’s Maritime Transport Policy until 2018 and Outlook to 2020”, which outline the main strategic goals for the shipping sector and the corresponding legislative initiatives. The EU strategy aims to improve the competitiveness of the European shipping sector while upholding environmental and safety standards, leading to economic growth and employment. It seeks to create stable and fair global conditions for shipping and maritime industries, addressing areas such as human resources, research and innovation, quality shipping, and EU involvement in international organizations like International Maritime Organization (IMO), International Labour Organization (ILO), and World Trade Organization (WTO).

However, implementing higher environmental and safety standards can increase operational burdens and costs for EU-based shipowners, posing challenges to the goal of enhancing competitiveness. Additionally, new policies, although not always specifically targeted at the maritime industry, have had an impact and significantly increased complexity. These include, but are not limited to, the Renewable Energy Directive (RED), the "Fit for 55" package which includes the Emission Trade System (ETS) and FuelEU Maritime, the Net-Zero Industry Act (NZIA), the Organisation for Economic Co-operative and Development (OECD) Pillar Two framework, Basel III regulations, the Corporate Sustainability Due Diligence Directive (CSDDD) or the Corporate Sustainability Reporting Directive (CSRD).

The upcoming EU Clean Industrial Deal and Member States recognising the need for a competitive, forward-looking, and future proof maritime industry as a crucial element to support Europe’s competitiveness, highlights the maritime industry’s vital role in striking a sensitive balance between competitiveness and the transition towards sustainability. A strong and forward-looking European shipping industry will remain crucial in sustaining Europe’s competitiveness on a global scale.

## Policy recommendations include a focus on maintaining the competitive tax regime, reducing the administrative burden, facilitating investments and improving access to finance, and aligning EU legislation with IMO and ILO regulations.

Despite the EU's ability to maintain global competitiveness in maritime trade, our findings also show that EU shipping is facing greater challenges in 2024 than it did in 2017. The decline of the EU share of the global fleet, although the tonnage of the fleet is increasing, showcases the magnitude of the challenges. The EU has established a comprehensive fiscal framework, with competitive tonnage tax regimes in most Member States. This has allowed for a “level playing field” in terms of fiscal competitiveness among other shipping centres in our benchmark.

However, certain EU policies have effects that diminish the appeal of the EU for shipowners and shipping activities. These shortcomings have been identified and compared with benchmarked international shipping centres, highlighting areas for improvement.

The main recommendations aimed at improving the competitive standing of the EU emphasize the importance of maintaining the Maritime State Aid Guidelines and building a strong European maritime cluster and a future-oriented, and comprehensive EU maritime strategy.

Additionally, our key recommendations address the importance of creating a more business-friendly environment by reducing administrative burdens. We also emphasize the significance of closing the investment gap by facilitating better access to public investments for clean fuels and technologies, as well as access to adequate financing. Finally, enhancing upskilling and reskilling provides an opportunity for the maritime industry to develop a competitive edge in attracting well-qualified people.

1. **Developing a forward-looking European maritime strategy**

Mario Draghi's 2024 report on European competitiveness recommends the creation of a new "Competitiveness Coordination Framework" to enhance EU-wide coordination and replace existing overlapping instruments. In line with this, the new European Commission under Ursula von der Leyen has announced their goal to create an EU industrial maritime strategy in September 2024, in order to enhance "the competitiveness, sustainability and resilience of Europe's maritime manufacturing sector". We strongly support this approach, particularly as the Maritime Sector faces intense international competition and holds high priority for the EU due to its vital role in various industries, energy security, trade and supply chain security, as well as defence and military resilience. Given the increasing geopolitical uncertainties in recent years, a modern maritime strategy should reflect the sector's heightened strategic importance. It is crucial to develop a comprehensive globally oriented shipping and maritime policy to guide the EU's activities and leverage the strengths of the EU shipping community as a whole.

A new European maritime strategy could ensure the international competitiveness of European shipping, facilitate cooperation between EU maritime centres, promote the EU shipping cluster, and focus on the synergies between different centres of excellence.

As such, the cornerstone of a European maritime strategy could be to maintain the State Aid Guidelines for Maritime Transport 2004 (SAGs) and, thus, a level playing field between the EU and non-EU maritime centres. The Draghi report similarly points out that "*the support via the Guidelines on State aid to maritime transport has been key for the industry to become world leader*". Similarly, we recommend maintaining the SAGS in their current form, in order to prevent shipping companies from moving away from the EU. Without this taxation level playing field, the competitiveness of European shipping would be significantly undermined. As the Draghi Report highlights in a key finding: "The shipping industry is highly mobile and the related assets, considered both taxable entities and as companies, can move out from one country to another over the course of weeks".

With a strong shipping industry, Europe should be viewed as one unified centre with players covering various aspects of the maritime industry such as services, clean fuels, clean technologies, legal services, port infrastructure, and insurance. To encourage knowledge transfer and expertise, industry-specific cooperation, research, and training could be facilitated, and regulations simplified and harmonized.

2. **Aligning and simplifying the regulatory and policy environment and reducing administrative burden**

The EU could prioritize regulatory simplification to ensure alignment with the international regulations at IMO and ILO level. If the EU opts for own regional standards, the economic impact must be assessed, and measures should be taken to assist EU-based shipowners in adjusting to the new regulations to maintain competitiveness. Instead of regional regulations, the EU could use its international influence and leverage its strong role in IMO and ILO to promote globally aligned standards. Based on the historic IMO agreement of July 2023 to reach net-zero Greenhouse Gas (GHG) emissions from international shipping by 2050, the IMO is preparing measures to implement these targets. The alignment of the EU legislation with the future IMO instruments will be essential to ensure a level playing field in the sector.

Naturally, administrative burden could be minimized, and support could be provided during the application or during the implementation of standards, in order to ensure legal certainty and avoid disadvantaging especially smaller shipping companies. Access to public funding for example through the Innovation Fund for the dedicated maritime calls or through the European Investment Bank remain difficult for small and medium -sized enterprise (SMEs), due to the administrative burden the applications require. Close consultation among member states should be pursued to maintain fair competition and a level playing field. The European Commission recognises the challenge stemming from extensive administrative burden. In their recent communication on the Competitiveness Compass they highlight that regulatory simplification to reduce overall administrative burden by 25% and 35 % for SMEs should be a horizontal action and regulatory principle in order to ensure a business friendly environment and hence Europe's global competitiveness.

Additionally, the EU can support the modernization and digitization of member states' flag registers, reducing operating costs for EU-flagged ships and enhancing service quality. Digitalisation also can reduce administrative burden for seafarers working on board and on shore, hence improving attractiveness of their job profile.

3. **Closing the investment gap: supporting public investment and facilitating access to finance**

The energy and digital transition of shipping requires immense investments. It is recommended to implement measures that guarantee access to adequate public and competitive private financing in the EU, which is vital for the competitiveness of shipping companies in Europe vis-à-vis their global competitors. Strengthening ship finance in Europe will also benefit the European maritime industrial cluster by supporting the development of innovative technologies and clean fuels in Europe.

A separate study has shown that the EU shipping sector faces “unique challenges that necessitate dedicated financial instruments.” The maritime industry is keen to invest in decarbonization solutions and technologies, but the costs to do so are high, asking for a more integrated and supportive financial framework. As a first step, an online portal of available financing instruments, tools, and products relevant to supporting investments in the shipping sector specific to decarbonisation has been launched, with an overall view to increase transparency and support the sector’s competitiveness in the global market.

Furthermore, strengthened ship finance could be achieved by spending the revenues from the EU ETS on energy transition-related activities to decarbonise the shipping sector at the EU and the Members States’ level. The earmarked revenues for the maritime sector under the Innovation Fund could be used to bridge the price gap between conventional and clean fuels and to support investments in clean technologies providing an additional incentive for suppliers to scale up industrial production in Europe. It is also recommended that additional funding instruments are introduced (such as the mechanism of Auctions-as a-Service) which allows Member States to use EU ETS national revenues to top up EU funds.

To ensure better access to banking finance for European shipping companies, the prudential regulation and risk related requirements could be reviewed. All finance – including sustainable finance tools - instruments could be designed considering the distinctive features of shipping and its needs.

European ship financing opportunities could be enhanced through a diversity of financing and funding tools involving capital markets and private investors to enable better risk sharing of innovative and transitional projects. This is key to enable the banking sector to enhance the competitiveness of the European fleet and finance the green transition of the sector. It is also recommended to expand the financing landscape, allowing and encouraging traditional banks to provide asset-backed ship loans, and exploring alternative financing instruments like leasing.

Additionally, it is crucial to improve financing conditions, particularly for small and medium-sized enterprises, as equity requirements have become more challenging. Efforts should be made to counter the influence of non-European sources of finance and fill the financing gap. The Draghi report highlights that “a number of third countries (e.g. UK, in Asia, in the Middle East, and in North America) offer a generous business environment. For example, China offers attractive leasing for shipowners, while EU commercial banks have slowed their support due to strict prudential requirements”.

**4. Promoting upskilling and reskilling under a European framework**

The overall labour shortage in Europe is affecting multiple areas of employment, especially in more physical professions. It is evident that there is a considerable shortfall in the availability of labour in the transportation sector, including in shipping.

In addition, upcoming clean fuels and digital technologies will require new and additional skills, education, and operational training for seafarers. The energy and digital transition will require to upskill and reskill an estimated 800.000 seafarers in the next 10 years internationally and according to the Draghi report, 250.000 seafarers in Europe alone.

The need to invest in new skills for this industry transition should be recognised. Funding options at EU and member state level such as upskilling funding, grants, or cost offsetting-training programs could be explored both at European and member state levels.

It is equally important to enhance collaborative efforts to develop short-, medium- and long-term strategies to address labour shortages and to avoid skills shortages in the maritime industry. A more comprehensive approach to maritime skills training could be addressed through a unified framework that covers the diverse needs of the maritime sector. This encompasses a range of disciplines, including management, finance, law, and environmental, social and governance (ESG) skills, collectively strengthening the overall cluster. However, with regard to the training and certification of seafarers, it is important to support the international framework of the IMO Standards of training, certification and watchkeeping for seafarers (STCW) Convention, 1978, which is currently being updated, and to avoid regional standards that could jeopardize the employability of third-party country seafarers on board EU flagged vessels. Additionally, the introduction of an up-to-date framework for the mutual recognition of certifications in the EU is recommended.