

## Use and carriage of HFO in the Arctic – PPR 7 agenda Position paper by Royal Arctic Line (the Greenlandic national carrier)

### ROYAL ARCTIC LINE

We are the Arctic. And proudly so. It is in our name, and operating in the Arctic is in our mission to provide life-critical services to and from Greenland, a responsibility we undertake every day, throughout the year and we have done so for more than 240 years in various forms.

The last review of the socio-economic impact of a HFO ban in Greenland is expected in the coming days, and with that we will see a final position on the HFO carriage ban from the Greenland Self-Government Authority. We wish to highlight the need for applying a balanced approach to this question to secure funding for other SDG initiatives in higher need, and with a higher return to society than an unbalanced carriage ban.

### ROYAL ARCTIC LINE A/S POSITION ON USE AND CARRIAGE OF HFO AS FUEL IN THE ARCTIC

A carriage ban of HFO for own use will have a very high socio-economic impact for Greenland, based on what we see as hundreds of millions of Danish kroner over time for which very little if any economic value is gained. It will lead to a general increase in logistics costs to/from Greenland of between 5% to 8%. We have full transparency into this via our single life-line concept to this already very marginalized market. While we certainly take an active stand on emissions reduction and also invest in same, and while we also support a partial HFO carriage ban for most parts of Greenland, we see a need for a more holistic solution for Greenland in general.

The additional costs of a HFO ban should always be viewed under the economic law of limited resources. Therefore it should always be weighed against the strongest other alternative SDG projects, which are also in need of funding, and which could potentially provide a much stronger SDG impact if similar resources were available.

We believe that the liner service to and from Greenland is of similar life-critical nature for the fragile economy of Greenland as seen for carrying HFO as cargo.

We therefore support to ban carriage of HFO in the Arctic for own use **PROVIDED as a minimum that**

A) Ships equipped with closed loop scrubbers can continue to use HFO in Polar Waters to/from Nuuk until at least 2040 to safeguard investments currently being delivered

B) Should a HFO carriage limit be set for HFO for own use on ships, **it is vital that this limit is no less than 700 metric tons of HFO** onboard the vessels arriving in Nuuk in order to secure a safe planning of passage. This limit is based on recent recalculations and replaces all other limits previously mentioned.

This, we believe, is a balanced approach, protecting the interest of a minority population, while contributing best possible to a global effort to minimize risk of pollution.

## BACKGROUND

Royal Arctic Line is a company descending directly from the regular state-owned commercial operations in Greenland that began in 1776. We are the life-line to and from Greenland, enabling the small societies of Greenland with its 56,000 people to become a part of the world while supporting a unique life-style. We sail and operate in Arctic waters every day, throughout the year and have done so for more than 240 years. During the summer time all over Greenland, during winter time we operate where ice allows us to do so. We also have annual sailings to the Antarctic. We believe we have a unique experience to serve as a backdrop for expressing our position.

The official Greenlandic position has not yet been decided. The position is pending a political review of the social impact based on new data. The last review of the HFO social impact in Greenland is expected in the coming days, and with that a final position on the HFO carriage ban from Greenland.

A carriage ban of HFO for own use will have a very high socio-economic impact for Greenland. The operating cost for Royal Arctic Line would be severely affected by forcing us to use much more expensive fuel options on non-polar code legs. A ban on carriage for own use will lead to a general increase in logistics costs to/from Greenland of between 5% to 8%. In simple terms it will amount to DKK 570 to 855 million during 15 years of expected minimum life-time of current new ships. This is a staggering amount for the Greenlandic economy of 56,000 people. We find it difficult to see any economic gains from this cost which could otherwise be channeled into socio-economic or other necessary development. We have full transparency into this via our single life-line concept to this already very marginalized market.

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We are as concerned as anyone else about climate change and active pollution in the form of emissions. Greenland is one of the most important windows of the world when it comes to witnessing climate change. We have invested in polar code classed ships being delivered as we speak with emission technology in the form of closed loop scrubbers for this very reason. We also consider it feasible to ban carriage of HFO for own consumption for remote parts of Greenland, but not for the main Greenlandic hub in the capital of Nuuk to which a clear majority of all Greenlandic cargo is shipped to and from.

The need to balance conflicting goals are inherent in both the task of implementing the mission of the IMO as well as in addressing the UN SDGs. All of us seek solutions that can be implemented evenly and effectively. Being a concession based operator for Greenland and thereby a true life-line for the Greenlandic society as a whole, this dilemma is also inherent in our very own purpose: We dedicate ourselves to create the most effective logistics infrastructure for the people of Greenland while working in accordance with our obligation to secure a sound stewardship of our environmental impact. We do this in order for Greenland to partake in a sustainable economic development through creation of the most effective options for Greenland to participate in direct global trade.

Logistics infrastructure is a global matter. Economy of scale is a major driving factor for achieving effectiveness of all transportation and thereby the climate footprint of same. With 56,000 people as our traditional home market client base, all economy of scale must be achieved by enlarging the market space and reduce the need for sub-optimized solutions on the North Atlantic. For this reason we are now also beginning to service other markets in the North Atlantic (Iceland and Faroe Islands to Scandinavia). The

concern is that we will be sailing on other fuels side-by-side with carriers on the North Atlantic that are allowed to use HFO. Banning carriage of HFO for own use will thus create an uneven playing field in comparison with other operators, effectively depriving a level playing field for Royal Arctic Line, the Greenlandic carrier within the Realm of Denmark, in the North Atlantic competition.

By focusing our life-line services on being able to integrate with and standardize towards the global liner network we are creating the most promising platform for true Economy of Scale for the limited Greenland trade. This we believe will create efficiencies with an overall positive impact on overhead and the environment, provided that the economic efficiencies can be pursued in balance with the environmental concerns and social impact on the mitigation of environmental impact.

Our services are life-critical to the Greenlandic society. We use the most modern fleet on the North Atlantic service with ships that are just about to enter our service. We are Polar Code compliant and our general transatlantic service only sail to a port (Nuuk) which is free from winter ice.

At the same time we see that the ban for HFO carriage is limited to a carriage ban for HFO for own use. HFO as cargo is excluded from the ban. We believe that the liner service to and from Greenland is of similar life-critical nature for the fragile economy of Greenland as seen for carrying HFO as cargo.

Primarily for these reasons we only see global value destruction for the Greenlandic society as a whole in case the ban of carriage for use is implemented.

## ROYAL ARCTIC POSITION

We therefore support to ban carriage of HFO for own use in the Arctic **PROVIDED as a minimum that**

A) Ships equipped with closed loop scrubbers can continue to use HFO in Polar Waters to/from Nuuk until at least 2040 to safeguard investments currently being delivered

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Royal Arctic Line A/S

Nuuk, Greenland, February 6, 2020