COAST GUARD SUBCOMMITTEE TALKS DECARBONIZATION

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Mitigating the negative effects of climate change has been a signature issue of the Biden Administration, and if Thursday morning's hearing on the decarbonization of the maritime industry is any indication, it will also be a top priority of the House Transportation and Infrastructure Committee's Subcommittee on Coast Guard and Transportation. The hearing entitled "Practical Steps Toward a Carbon-Free Maritime Industry: Updates on Fuels, Ports, and Technology" was the first significant oversight hearing of the new session to dive into the issue of how to forge a path toward a greener maritime industry.

In their prepared remarks, the panel of witnesses highlighted trends in the industry and efforts on the global stage to combat climate change, encourage waterborne transportation as a safer and cleaner freight option, and illustrate strategies for stimulating investments in new technologies. But just as important as the testimony given by the panel of industry experts are the questions posed by the Subcommittee, which give us a glimpse into the priorities of the Members of Congress with the most oversight power over the maritime industry.

Thursday's discussion touched on topics that included: how to get vessels to participate in speed reduction programs, ensuring equity for port communities, streamlining regulatory processes, and identifying synergies between offshore wind and wind propulsion technology for vessels. But at its core, the hearing was punctuated by four core themes: federal investment in ports and shoreside infrastructure; developing an active U.S. presence in international standards-setting; assessing and investing in research and development of alternative fuel technologies; and determining the costs associated with complying with new standards.

INVESTING IN A CLEAN MARITIME FUTURE

Robust federal investment in grant programs was widely cited as one of the most effective ways to stimulate and encourage participation in industry-wide decarbonization. Full Committee Chairman Peter DeFazio noted in his opening statement that the U.S. would need to lead with investments in grant programs like the Port Infrastructure Development Program (PIDP).

Industry witnesses repeated these sentiments throughout the meeting. Port of Hueneme CEO Kristin Decas spoke of the need for federal investments in the places where they are needed most and creating a blueprint for capacity evaluation and investment execution. Glosten President Morgan Fanberg noted how foreign competition is being funded at much higher levels and that in response, the U.S. would need a bold national strategic plan led by the U.S. Maritime Administration and the Department of Energy, with targeted government assistance in areas like shoreside electric infrastructure. International Council on Clean Transportation Program Director Dan Rutherford also noted the clear need for investment in areas like port electrification.

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In addition to calls for support for programs like the PIDP, new Subcommittee Chairman Salud Carbajal cited his recently introduced legislation that would double funding for the Maritime Administration's Maritime Environmental and Technical Assistance Program, which has promoted the development of new emissions reduction technologies.

In response to a question about how Congress could help advance and encourage coastwise domestic vessels to adopt these technologies, Mr. Fanberg noted that previous projects involving the electrification of ferries were great examples of how the federal government can use grant funding for retrofitting existing vessels. Similarly, Congressman Rick Larsen touted provisions in last year's Invest in America Act, which would have included funding for low- and no-emissions ferries.

LEADING THE TECHNOLOGY REVOLUTION

Another important theme in Thursday's proceedings was innovation and how the U.S. government could stimulate advances in innovative alternative fuel technologies. Chairman Carbajal proclaimed in his opening statement that we must find ways to promote American innovation. Chairman DeFazio continued this theme in his remarks by calling for the U.S. to lead the world and be an exporter of these technologies.

Advances in the adoption of zero-carbon fuel technologies will be limited by the availability of carbon-neutral fuels, according to Maersk Line representative Dr. Lee Kindberg, who called for more focused research and development as an industry. Mr. Rutherford followed this argument as well, noting that biofuels and liquefied natural gas (LNG) would not be sustainable bridges to a zero-carbon future and that the use of battery-powered vessels for short-sea shipping and the development of hydrogen fuel cells would be more practical short-term investments. The necessity for leadership in Research & Development was also a chief concern of Chairman DeFazio, who questioned the limited availability of biofuel alternatives, and Ranking Member Gibbs, who suggested that there may be more opportunities in the ether related to biofuels.

The witnesses resisted Chairman Carbajal's offer to name the zero-carbon fuels best suited for vessel operations in each respective trade, but Mr. Fanberg did suggest that battery technology might be the most appropriate for shorter vessel routes and that hydrogen solutions could be seen as an effective alternative in cargo handling operations.

Congressman Lowenthal also looked to the panel to offer recommendations on how Congress could help industry bolster efforts to produce more carbon-neutral vessels. Dr. Kindberg noted that industry should be letting fuel suppliers know that demand for renewable fuels is prevalent.

COLLABORATION WITH INTERNATIONAL PARTNERS

Another core issue of Thursday's discussion was the need for U.S. engagement with the international community, and more specifically, alignment with the International Maritime Organization (IMO). In this regard, World Shipping Council President John Butler urged the Subcommittee to support greater engagement with the IMO on international standards, and specifically to express support for an industry proposal currently under consideration by the IMO that would establish and fund the International Maritime Research and Development Board (IMRB). As envisioned, the IMRB would support and coordinate industry-funded research and development efforts for decarbonization of the global shipping industry. Dr. Kindberg also offered strong support for the IMRB proposal.

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Ranking Member Gibbs asked the witnesses what would happen if market-based measures alone were relied on to drive research and development without the IMRB. Mr. Butler stated that the IMRB or a similarly well-funded effort was necessary to jumpstart the technological advancements and foster investment certainty, and without that, adoption of carbon-neutral fuels by the maritime industry would take much longer.

Looking for an industry perspective, Chairman Carbajal questioned why Maersk had been developing plans that exceed IMO standards, to which Dr. Kindberg responded that the company was increasingly taking the lead from its customers, cargo owners, and shippers who support decarbonization efforts. Kindberg also emphasized the need to actively engage with international stakeholders, including especially for the U.S. to play a more active role at the IMO in setting the international framework and goals on a global scale and establish mechanisms that encourage and reward early actors in the decarbonization effort.

ECONOMIC IMPACTS FOR INDUSTRY

In addition to the technological, logistical, and regulatory hurdles that will need to be addressed to make a full transition to zero-carbon maritime fuels, the associated costs remain a primary concern. These concerns were echoed by Subcommittee Members on Thursday, including the opening statement of top Republican Bob Gibbs, who voiced consternation over the potential outlays for retrofitting vessels, suggesting that the cost could be borne by importers and exporters, with considerable downstream repercussions.

Gibbs pressed this issue later in the discussion, asking how meeting IMO targets would affect existing vessels. Mr. Butler noted that the cost would depend largely on what technology and fuels are adopted and that there are still many unknowns. Congresswoman Nicole Malliotakis shared similar concerns, questioning whether compliance with IMO targets would have an economic impact on vessel owners and shippers. Butler agreed that there would not be a no-cost transition.

A zero-carbon maritime industry is still in its aspirational and conceptual stages, but Thursday's hearing provides an early glimpse into how the conversation could develop in Congress. Additionally, the first oversight hearing of the new session being tailored to decarbonization efforts shows that this is the highest priority for the new Chairman, matching the level of interest shown by the Biden Administration. As concepts become legislation and proposals become regulation, the industry as a whole would be well-advised to be a participant. As talks develop in Congress and international efforts proceed, the K&L Gates maritime policy, energy, and environmental teams will be following up with another installment in this feature on decarbonization.

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