EuDA Annual Conference - 21 November 2024
Summary & Key Messages
Making Waterborne Infrastructure Projects Sustainable

Conference's Summary:

Following the global commitments taken in 2015 in Paris and the increased awareness of the need to take immediate action, many initiatives have been taken by International Organizations and European Institutions alike to tackle the most pressing negative externalities[1] from economic activities around the world. Among these externalities, we find the various forms of pollution in the air, water or soil, including noise pollution. If left untackled in the medium to long term, these pollutions can further harm nature and degrade its systems, through for instance eutrophication, acidification, climate change.

Besides the environmental aspects, sustainable development approaches and policies also integrate social (and societal) as well as economic dimensions. In the EU, on the one hand, major disruptions in supply chains were caused by the COVID pandemic and highlighted the crucial role played by waterborne transport system and the strategic necessity to keep it fully functional. On the other hand, the war in Ukraine emphasised the danger of overdependence on too few energy suppliers. Offshore energy infrastructures are therefore considered more and more strategic for Europe's energy independence as well as for the greening of its energy blend.

The OECD and the European Commission have taken key initiatives that aim at improving the sustainability of waterborne (transport and energy) infrastructure projects. At global level, the OECD Blue Dot Network proposes a voluntary framework to promote quality infrastructure projects around the world. Under the Green Deal, the EU has developed a regulatory framework for sustainable finance targeting the 'green transition' of industrial activities and companies towards sustainability. In this framework the EU imposes mandatory annual reporting on the sustainability performance of companies. Under the Green Taxonomy, the EU also specifies criteria for classifying the level of sustainability of economic activities as well as the progress in their green transitioning. As these initiatives target the financing of infrastructure projects, key players in the financial markets were asked to present their views.

During the 2024 EuDA Annual Conference, representatives from the OECD and the European Commission made keynote addresses in which they presented their respective initiatives to improve the sustainability of waterborne infrastructure projects and their state of play. Representatives from the Banking and the Financial Audit Industries, as well as from the Dredging Industry then presented their views, current experience and future expectations regarding the economic activities involved in waterborne infrastructure projects. During the open discussion, constructive and meaningful exchanges took place between the speakers and the audience.

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[1] ***Externalities*** *are initially unforeseen side effects or consequences of industrial (e.g. production) or commercial (e.g. consumption) activities that positively (creating a benefit) or negatively (creating a cost/damage) affect other not directly involved or related third parties (including natural habitats)* ***without this being reflected in the cost of the goods or services produced by these activities****.*

EuDA's 2024 Annual Conference

Making Waterborne Infrastructure Projects Sustainable

Programme Overview

- Welcome and Opening
  - **Mr Marc Van den Broeck**, EuDA Chairman, *Event Host*
- Introduction to the Conference Theme and Speakers
  - **Mr Paris Sansoglou EuDA,** EuDA Secretary General, *Conference Moderator*

- Keynote Address on a Voluntary Global Framework: the Blue Dot Network
  - **Mr Edwin Lau,** OECD Head of Blue Dot Network Secretariat
- Keynote on an EU Mandatory Framework: the Green Taxonomy
  - **Ms Claudia Olazábal**, European Commission Head of Unit on Sustainable Freshwater Management

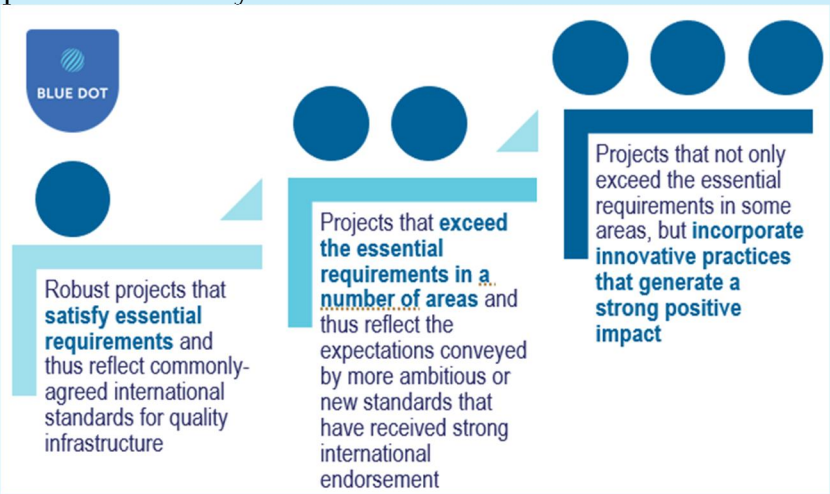
- Banks' Views and Experience
  - **Ms Ann-Christin Stucke**, Sustainability Expert in Sustainability Team of ABN AMRO Corporate Bank
- Financial Auditors' Views and Experience
  - **Mr Gijs de Graaff,** KPMG Partner Sustainability Reporting & Accounting Advisory Services
- Dredging Contractors' Views and Experience
  - **Ms Jiska Verhulst**, DEME, Sustainability Director

- Open Discussion and Conclusions

Summary of the Conference's key messages:

A Voluntary Global Framework: the Blue Dot Network

- At the initiative of the governments of Australia, Japan, Spain, Switzerland, Turkey, UK and US an international network, the Blue Dot Network, was established the with technical support from the **OECD**;
  *NB: the **Blue Dot** refers to our Blue Planet, the Earth, as seen from far away in space (1994 "Pale Blue Dot: A Vision of the Human Future in Space" book by Carl Sagan*[2] *"[…] our responsibility […] to preserve and cherish the **pale blue dot** [Earth], the only home we've ever known."*).
- The Blue Dot Network (**BDN**) is a voluntary, private-sector-focused and government-supported **infrastructure project certification scheme** to assist in attracting investments in quality infrastructure, in particular in emerging economies where it is most needed;
- Investors in infrastructures need to mitigate their risks and need reassurance that they are **investing in quality infrastructure around the world**. BDN is incentivising a **race to the top** with a simple certification system of blue dots:



- BDN provides a trusted signal to investors and other stakeholders that **projects are environmentally and socially sustainable, resilient, inclusive, open and transparent, and economically efficient**.
- A BDN certified project is **self-assessed** against essential requirements derived from commonly-applied international standards; **verified** by independent third-party certification bodies; **monitored** over the lifecycle of the project. BDN certification is part of an ecosystem (encompassing contractors and project developers, investors, governments and local communities) to operationalise and strengthen accountability to meet high-level infrastructure commitments including Strategic Frameworks such as the EU Global Gateway and the OECD standards (and other global standards).

[2] American astronomer, planetary scientist and science communicator.

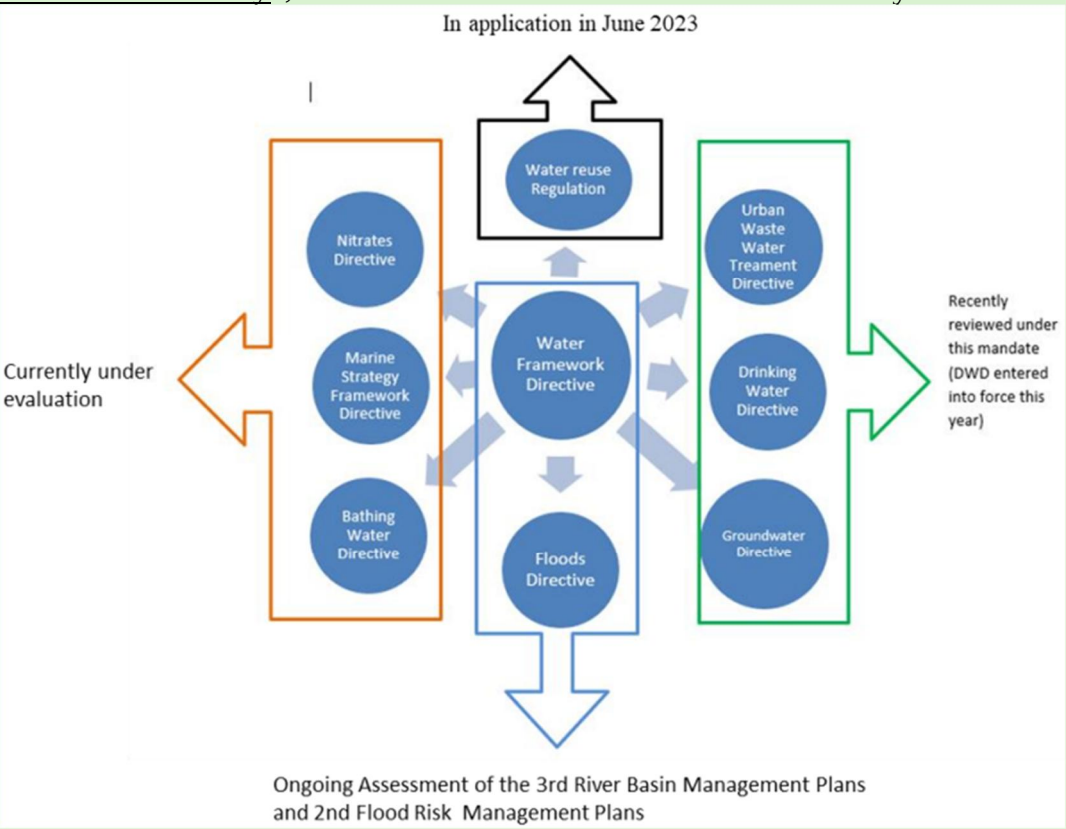
- BDN is open to infrastructure projects across all major infrastructure sectors (e.g. energy, transport, ICT, ,Water, …) in both developed and developing economies.
- BDN translates over **80 international standards and assessment frameworks** into project-level criteria and requirements.
- BDN is built on the following **principles** and essential **building blocks**:

- promote **market-driven and private sector-led investment**, supported by judicious use of documentation and/or data.
- ensure value-for-money over an asset's full **life-cycle** cost;
- build projects that are **resilient to climate change, disasters, and other risks, and aligned with the pathways towards 2050 net-zero emissions** needed to keep global temperature change of 1.5 degrees Celsius within reach.
- promote **sustainable development and inclusive economic growth**.
- build **local capacity**, with a focus on local skills transfer and local capital markets;
- advance **inclusion** for women, people with disabilities, and underrepresented and marginalised groups;
- uphold **international best practices** of environmental and social safeguards, including respect for labour and human rights;
- support **sound public financial management**, debt transparency, and project-level and country-level debt sustainability.
- promote protections against corruption, while **encouraging transparent procurement and consultation processes**;
- promote the **non-discriminatory use of infrastructure services**;

An EU Mandatory Framework: the Green Taxonomy

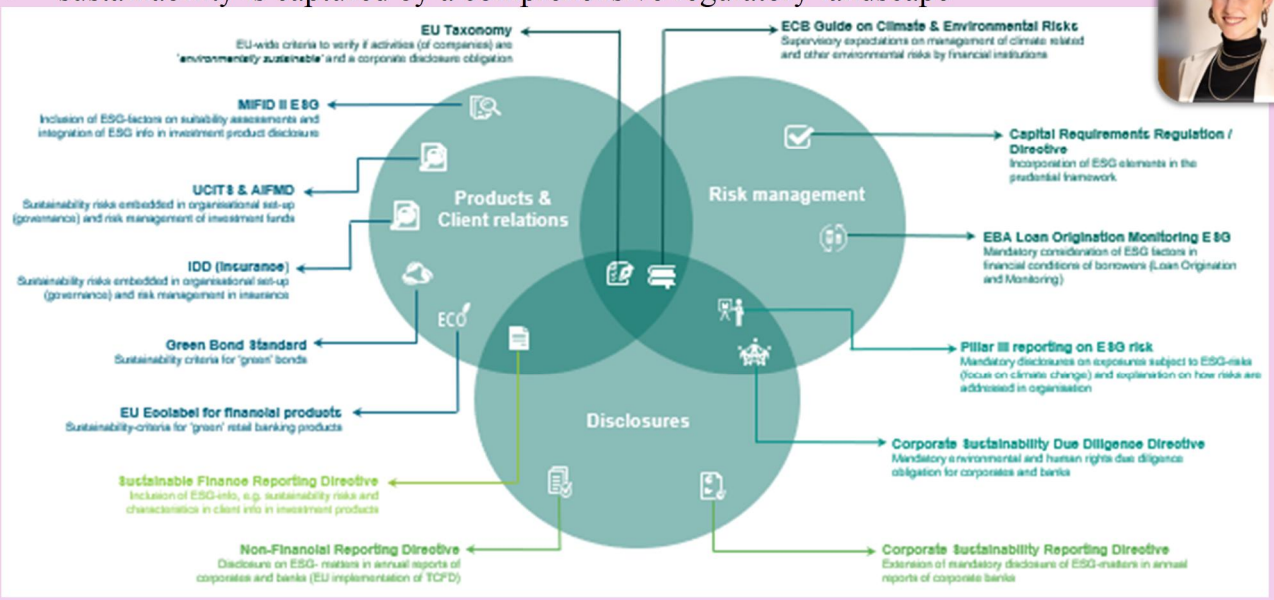
- Adopted on 18 June 2020, the EU Taxonomy Regulation (EU 2020/852) is a **common classification of economic activities** that can substantially contribute to 6 environmental objectives using science-based criteria.
- **The 6 Sustainability objectives are**
  - (a) climate change mitigation,
  - (b) climate change adaptation,
  - (c) the sustainable use and protection of water and marine resources,
  - (d) the transition to a circular economy,
  - (e) pollution prevention and control, and
  - (f) the protection and restoration of biodiversity and ecosystems.
- **Compliance to the Taxonomy Framework requires eligible activities to**
  - (a) **Substantial contribute** to at least one of the six environmental objectives
  - (b) **Do no significant harm** to any of the other five environmental objectives
  - (c) Comply with **minimum safeguards**
- The EU Taxonomy requires a comprehensive disclosure regime for both financial and non-financial institutions to provide investors with the information necessary to make sustainable investment decisions.
- The EU Taxonomy provides a **broad toolbox** for companies, market participants and financial intermediaries to develop sustainable investment solutions, while preventing greenwashing.
- The **EU Taxonomy is**:
  - a classification system that provides clarity on what is an environmentally sustainable economic activity and under which circumstances.
  - a measuring tool that measures the degree of sustainability of an investment and the degree of green activities of companies
  - a transition tool that helps investors and companies to plan and report on the transition. It sets the objectives and the direction of travel for different economic activities.
- The EU Taxonomy is **not**:
  - It's not a mandatory list to invest in
  - It's not a rating of the "greenness" of companies
  - It does not make any judgement on the financial performance of an investment
  - What's not green is not necessarily brown.
  - According to European Environment Agency (EEA 2024Report on State of Water), surface and ground waters are under major pressures (e.g. atmospheric, agricultural, diffuse or point source pollution as well as hydromorphology and abstraction). These accelerate and accentuate the water issues in Europe such as water scarcity, water stress and flood risks.
- **The way forward and next steps**
  - To repair the broken water cycle, a Source to Sea approach is needed
  - Water quality and quantity must always be treated together
    The more water is polluted, the less it is fit for use and thus available for humans and the economy. The less water is available, the less pollution gets diluted.
  - The Water Resilience Strategy provides an EU Vision for 2050:
    "*In 2050, global society will be water resilient, offering water **security for all**. This entails the **protection and restoration of aquatic ecosystems**, and a **fair balance** between water supply and water demand responding to current needs, including the realisation of **the human right to safe drinking water** and sanitation, without compromising the rights of **future generations**.*"
  - The strategy includes initiatives such as the Blue Deal or #WaterWiseEU awareness campaign to "See Water Differently".

- The strategy includes initiatives such as the Blue Deal or #WaterWiseEU awareness campaign to "See Water Differently", as well as assessments and evaluations of key water directives:



Banks' Views and Experience

- sustainability is captured by a comprehensive regulatory landscape



- Banks consider that 3 main areas are affected by the EU legislations on Sustainability
  - Products and Clients
  - Risk Management
  - Disclosures

  The Green Taxonomy is a central piece of legislation impacting all three areas
- The role of banks is to support and sometimes to accelerate the green transition of their clients. To do so banks also need to be or become future proof
- ABN Amro's **sustainability plan** aims at aligning its processes and objectives, by aligning portfolio (including waterborne transportation) and operations with a net-zero trajectory, by shaping products (equity, loans and debt markets) and services accordingly to <u>have positive impacts on climate and society</u> and promote positive sustainability performance.
  - The **Green Taxonomy** is still in its early stages:it is the 4th reporting year for ABN AMRO (in 2024) on both activity and entity level and reporting has been limited to clients subject to NFRD. EU Taxonomy aligned projects are still the minority but sharp increased alignment is expected.
- **ABN Amro's 10 principles** for assessing corporate clients' sustainability:

1. Business Conduct
2. Human Rights
3. Stakeholders
4. GHG Emissions
5. NetZero Economy
6. Physical climate risk
7. Biodiversity, Air, Water, Soil
8. Ecosystem services
9. Circularity
10. Track record

- In the context of the Green Deal and the Green Taxonomy, Banks have become even more strategic partners that can play a key role in
  - determining ESG risks,
  - creating insights into client's ESG-performance,
  - enabling strategic decisions,
  - promoting compliance with new policy requirements.

- Banks are at the forefront of an EU-induced "**financing supply push**" towards sustainability and need to
  - ensure climate plan alignment of portfolios,
  - steer their portfolios on net-zero strategy,
  - benchmark their portfolios against international standard,
  - comply with net-zero commitments.

Financial Auditors' Views and Experience

- With globalisation, reporting obligations such as those required by CSRD become global and the need to comply with the Green Taxonomy also. However, Green Taxonomy is still under development.
- Reporting and activities are in transition towards sustainability:

- The situation for the **dredging** activities is evolving but remains limited in terms of eligibility to the taxonomy.
- In such frameworks under development, **cooperation inside sectors and between sectors** is essential.
- Taxonomy-KPIs:
  - % of **Turnover**,
  - % of **CapEx** and
  - % of **OpEx**
  - for Taxonomy-**eligible** activities and
  - for Taxonomy-**aligned** activities

  Disclosed within the non-financial statements.

Dredging Contractors' Views and Experience

- European Dredgers have evolved from '*pure dredgers*' and become **global marine solutions providers** with a broad range of diversified activities:

- To deliver EU Taxonomy KPIs the necessary **processes**, **procedures** and **methodologies** have been developed and implemented with significant investment in time and resources.
- The main difficulty is the still evolving legal framework and the associated uncertainty. For example, DEME's eligible and aligned activities according current interpretation of legislation (EU Taxonomy KPIs FY 2023)

Climate Delegated Act	2023	2022	2023	2022	2023	2022
	Proportion of turnover (in %)		Proportion of CapEx (in %)		Proportion of OpEx (in %)	
A. Taxonomy-eligible activities (codes)	42	29	49	52	0	0
Electricity generation from wind power (4.3) – Climate Change Mitigation	34	27	47			
Infrastructure for rail transport (6.14) – Climate Change Mitigation; Enabling activity	2	2	2			
Sorting and material recovery of non-hazardous waste (2.7) - Transition to the circular economy	2	-[1]	0	-[1]		
Remediation of contaminated sites and areas (2.4) – Pollution prevention and control	4	-[1]	0	-[1]		
B. Taxonomy non-eligible activities	58	71	51	48	100	100
Total (A+B)	100	100	100	100	100	100
C. Taxonomy-aligned activities	33	26	49	52	0	0
Electricity generation from wind power (4.3) – Climate Change Mitigation	31	24	47	52		
Infrastructure for rail transport (6.14) – Climate Change Mitigation; Enabling activity	2	2	2	0		
D. Taxonomy non-aligned activities	67	74	51	48	100	100
Total (C+D)	100	100	100	100	100	100

[1] Activities that were not in the scope of the EU Taxonomy reporting in 2022.

Wind power (CCM)

Rail infrastructure (CCM)

Material recovery from waste (CE)

Site remediation (PPC)

Source: DEME annual report 2023

- Today, dredgers' activities eligible for the Green Taxonomy include:
  - 4.3 Electricity generation from wind power (Climate change mitigation)
  - 6.14 Infrastructure for rail transport (Climate change mitigation)
    Not 6.16 Infrastructure for waterborne transport.
  - 2.4 Remediation of contaminated sites and areas (Pollution prevention)
  - 2.7 Sorting and material recovery of non-hazardous waste (Circular Economy)

- However, the dredgers' contributions to sustainability are much broader and are not properly recognised by the legislation:
  - **Port construction, capital dredging and land reclamation**: *creating new or deeper waterways, ports, or harbours to accommodate larger vessels*
  - **Maintenance dredging**: *maintaining the depth and width of existing waterways, ports, and harbours by removing accumulated sediments and debris*
  - **Enabling maritime trade** and **transportation**
  - **Coastal protection** (incl. beach nourishment): *safeguarding coastal areas from erosion, storm surges, and rising sea;*
    *Providing climate change **adaptation solutions***
  - Application of **Nature-based solutions**: *innovative approaches that leverage natural processes and ecosystems to achieve desired outcomes*
    Enhancing ecosystem services, providing habitats for birds and other wildlife, contributing to biodiversity
  - **Environmental Remediation** dredging: *removing contaminated sediments from water bodies* ***Improve water quality****, restoring ecosystems and* ***protecting marine life***

- Dredging companies take various **measures to enhance environmental sustainability**:
  - Climate change mitigation: *emissions monitoring, use of energy efficiency measures and transitional low-carbon fuels, exhaust gas reduction, increased use of renewable energy, use of standard such as ISO 14001 and 50001;*
  - Ecosystem health: *measures to reduce noise and water pollution, ecosystem restoration efforts, monitoring and reducing turbidity, integrating reef-like habitats, ecological design*
  - Circular economy: *reuse and treatment of dredged materials, beneficial reuse of sediments*

Messages to take home

- **Main Legislative Issues:**
  - The economic activities in *6.16 Infrastructure enabling low-carbon water transport (for Climate Change Mitigation)* and *6.16 Infrastructure for water transport (for Climate Change Adaptation)* exclude dredging of waterways.
  - *14.2 Flood risk prevention and protection infrastructure* and *3.1 Nature Based Solutions for flood and drought risk prevention* exclude coastal protection intended for ports or navigational channels.

- **The European Dredgers recommend that:**
  - **All dredging activities** enabling an eligible activity should be considered **'eligible'** within the EU Taxonomy Framework.
  - To motivate (dredging) companies to act upon and move towards 'alignment', it is crucial to **establish tangible financial incentives**, such as easier access to funding and cheaper financing options.
  - The European dredging companies have **valuable knowledge** and **experience** to make projects more sustainable.

- As key effective sustainable solutions enabled and implemented by the European dredging technologies and know-how are not properly recognised, framed and rewarded by the EU Green Taxonomy, these green options will not be considered in most contracts, missing environment enhancing opportunities.

The European Dredging Association ("EuDA"), which celebrated its 30th Anniversary in 2023, was founded in 1993 as a non-profit industry organisation for European dredging companies and related organisations to interface with the various European Union's Institutions, including the European Parliament. EuDA is registered in the EU transparency register as Interest Representative Nr. 2492574893-58.

Dredging activities are not well known by the wider public, but as a matter of fact, the European dredging companies, members of EuDA, are world market leaders with about 80% share of the (open) world dredging market and a turnover of 13.2 bn Euro in 2023. Although 70% of operations take place outside Europe, 90% of the returns flow back to Europe. EuDA members employ approximately 30,000 European employees directly "on board of the ships and on land" and more than 60,000 people indirectly (through the suppliers and services companies). The combined fleet of EuDA's members counts approximately 750 seaworthy EU flagged ships.

The Association assists its members with all kinds of requests related to dredging issues, presently strongly focusing on Social, Environmental, Technical, Tax and Trade issues. These issues are coordinated by the Secretariat and executed by its specialised working groups composed of experts from the member companies.

The Association will pursue its goals by endorsing policies to create fair and equitable conditions for competition; commits to respecting applicable national, European and international rules and regulations; commits to operating its fleet safely, effectively and responsibly.