



SETTING SAIL TO BUILD IN EUROPE 10,000 SUSTAINABLE AND DIGITALISED VESSELS BY 2035

SEA EUROPE'S CALL FOR A EUROPEAN
MARITIME INDUSTRIAL STRATEGY



EXECUTIVE SUMMARY

80% of Europe's external trade is carried by sea. Therefore, the maritime technology industry is fundamental for Europe's economic vitality and strategic autonomy, enabling both internal and external trade while playing a crucial role in energy supply and Blue Economy sectors¹.

However, Asia's aggressive subsidies and protectionist policies have eroded Europe's competitiveness, leading to a substantial loss of shipbuilding capacity. This jeopardizes Europe's economic security and its defence capabilities.

It is essential to regain and secure in Europe orders from shipowners, including European, especially in the strategic sectors of the Blue Economy. By doing so, Europe will fortify its economic resilience and competitiveness, reduce dependency on external markets, deliver the objectives of the European Green Deal, and bolster its defence capabilities, thereby strengthening strategic autonomy in an increasingly challenging global landscape.



1/ AN INNOVATIVE INDUSTRY WITH GLOBAL LEADERSHIP IN COMPLEX SHIPBUILDING AND MARITIME EQUIPMENT MANUFACTURING.

The European maritime technology industry comprises some 300 shipyards and over 28,000 maritime equipment manufacturers and technology providers, which together generate an annual production value of €128 billion and create 1.1 million – mainly highly skilled – jobs in Europe². With 9% of its annual turnover invested in research, development and innovation, it is **one of Europe's most innovative industries**.

European shipyards are **global leaders in complex commercial and naval shipbuilding**. They also provide strong expertise in fixed and floating platforms (including for wind energy), as well as in ship maintenance, repair, conversion, and retrofit. They are integrators of (advanced) systems, equipment and technologies produced by a supply chain of European maritime equipment manufacturers and technology suppliers.

At least 70% of a complex ship's value is made up of material, equipment and systems. European maritime equipment manufacturers own nearly a 50% global market share. They provide a wide array of systems, equipment and services contributing to decarbonisation and digitalisation.

THE EUROPEAN MARITIME TECHNOLOGY INDUSTRY

300 shipyards

OVER 28,000
maritime equipment manufacturers and technology providers

€128 billion
of annual production value

1.1 million
mainly highly skilled jobs

9% of annual turnover invested in research, development and innovation

2/ THE BACKBONE OF EUROPE'S BLUE ECONOMY, WATERBORNE VALUE CHAIN AND NAVAL DEFENCE.

"How strategic is shipbuilding?" asked a senior EU official during the European Shipping Summit in September 2023. The answer dates back from the days of Themistocles (524-459 BC): **"Whoever controls the sea controls everything"**.

80% of Europe's external trade and 40% of its internal trade are carried by sea. Ships and maritime technologies are critical for Europe's economy, trade, and supply of energy, food and raw materials. Therefore, **the maritime technology industry plays a key role in Europe's strategic autonomy**, its access to global and domestic trade, and energy transition, as it builds, equips and maintains the vessels and platforms that carry cargo and passengers, connect maritime regions, and support the exploration and exploitation of a wide range of Blue Economy activities (in particular waterborne transport and offshore renewable energy). Besides, it is the key enabler for the green and digital transitions of waterborne transport and the Blue Economy, thereby contributing inter alia to the European Green Deal.

² Source: BALance Technology Consulting, 2019.

The maritime technology industry is also critical for Europe's defence and security. It produces naval capabilities (vessels, platforms, technologies – including underwater) that are paramount for preserving Europe's strategic autonomy, defending its maritime borders, and securing its (critical) maritime and underwater infrastructure. The European naval industry is very innovative and efficient thanks to a robust cross-fertilization between commercial and naval shipbuilding, which fosters dual-use applications, resilient supply chains and groundbreaking innovations by leveraging commercial innovations into naval shipyards and vice versa. There is no security and defence at sea without a strong commercial shipbuilding industry.

3/ EUROPE'S STRATEGIC AUTONOMY AT RISK BY GLOBAL COMPETITION FOR MARITIME LEADERSHIP.

The European maritime technology industry has been facing competition distortions from Asia for decades. China considers its shipbuilding supply chain strategic to achieve global maritime leadership, thus grants massive subsidies and applies distortive practices including protectionism³. South Korea⁴ and the United States⁵ also have national support policies and protectionist measures in support of their domestic industry. These practices have harmed the level playing field for European shipyards and their supply chain. Hence, Europe has not only lost most of its merchant and part of its offshore shipbuilding to Asia, but also saw a serious decline of its industrial capacity to build and maintain ships, in contrast to Asia.

As a consequence of this decline in European shipbuilding, the European supply chain of maritime equipment manufacturers and technology providers is also being relocated to Asia. The supply chain follows the shipbuilding.

As a result of these distortions and protectionist measures, **European shipowners – who control nearly 40% of the world fleet – choose Asian shipyards over European yards due to price differences of 30-40%**⁶. This is also affecting Europe's leading position in maritime equipment manufacturing, as Asian shipyards are increasingly encouraged to use local content at the expense of European equipment.

Moreover, Chinese banks offer very attractive ship finance and favourable financial incentives to shipowners, whilst keeping the ownership of the vessels, which they lease to shipowners (including European shipowners)⁷. **The fact that Chinese banks own ships that are sailing in European waters creates significant risks for Europe's economy and trade.**

Furthermore, a decline of Europe's shipbuilding capacity creates a major threat to its defence and security. To build and maintain advanced naval military assets efficiently, a strong industrial supply chain in commercial shipbuilding is critical. By conquering commercial dominance in global shipbuilding, China has been able to build up naval shipbuilding capabilities that outmatch those of Europe and the United States combined by far⁸.

In the context of the current geopolitical tensions, a further decline of Europe's shipbuilding capacity would be devastating for its strategic autonomy and for the security of its citizens. It is therefore urgent to consolidate and reinforce this capacity.

³ For example Made in China 2025 and the Belt and Road Initiative.

⁴ For example, the South Korean government announced in March 2024 a programme involving investment of \$6.75 billion over the next five years aiming to give South Korean yards world leadership in ship design, shipbuilding technology and maritime innovation.

⁵ For example the Jones Act and the Inflation Reduction Act.

⁶ Chinese shipyards offer injurious prices by selling ships below production cost.

⁷ Because of strict European prudential requirements, European commercial banks have become risk-averse and are no longer active in ship finance. Chinese banks thus became global leaders in ship finance.

⁸ Cf. for example *Every Ship a Warship* (Jonathan Holslag, 2022) and *China's Shipyards Are Ready for a Protracted War. America's Aren't* (The Wall Street Journal, 2024).

4/ TURNING THE TIDE: ENHANCING EUROPE'S MARITIME INDUSTRIAL CAPACITY IN CRITICAL SECTORS OF THE BLUE ECONOMY AND WATERBORNE VALUE CHAIN.

The innovative know-how of the European maritime technology industry, combined with a global technological leadership, is a strong basis to turn the tide and bounce back. In this respect, **the sustainable and digital transitions are major opportunities for Europe** to outperform its international competitors on quality, efficiency and safety.

Enhanced maritime industrial capacity will enable Europe to:

- ⚓ Be the global leader in sustainable and digitalised ships and maritime technologies, thereby achieving the European Green Deal and the EU Digital Agenda.
- ⚓ Safeguard the economic security of its Blue Economy and waterborne value chains, thereby de-risking from its current dependency from Asia.
- ⚓ Strengthen its strategic autonomy and defence by developing and building state of the art naval military assets for both surface and underwater purposes.

The European maritime technology industry can contribute to achieving these goals through the following two-steps strategic plan:

► **By 2035: Consolidate Europe's global leadership in complex shipbuilding and maritime equipment manufacturing, and regain strategic ship types for the European Blue Economy.**

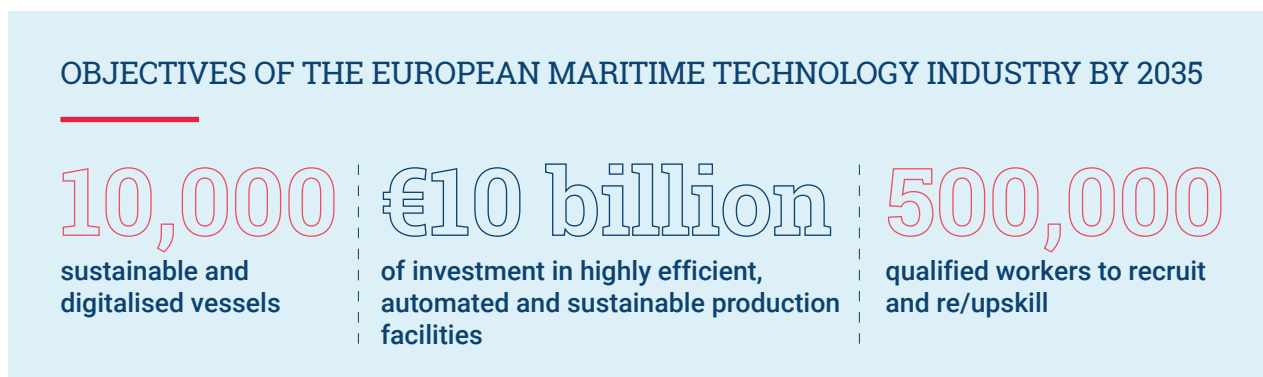
To this end, the industry has the ambition to supply, by 2035, **10,000 sustainable and digitalised vessels**⁹. More concretely, the industry has the willingness to build, equip and maintain:

- ⚙ State of the art commercial vessels in accordance with EU policy ambitions.
- ⚙ Vessels and platforms necessary to secure Europe's energy and food supply, as well as energy transition, including carriers of sustainable alternative fuels.
- ⚙ Specialised vessels for the construction and maintenance of offshore (wind) installations to deliver upon Europe's ambitions for offshore renewable energy.
- ⚙ The necessary innovative military assets and technologies to European navies.

The industry will also retrofit existing vessels to enhance their sustainability and energy efficiency.

To achieve these objectives, the industry aims, by 2035, to **invest more than €10 billion** in highly efficient, automated and sustainable production facilities, and to **recruit and re/upskill a total of 500,000 qualified workers**.

► **By 2050: Compete successfully in all shipbuilding markets strategic for Europe.**



⁹ This target comprises: 1) seagoing vessels 2) any type of professionally operated vessel (including inland vessels), and 3) retrofits of existing vessels. A forecast under the current policy framework suggests an output of around 7,000 vessels by 2035. SEA Europe believes that a more favourable policy framework as of 2025 would enable the industry to supply 10,000 vessels.

5/ THE NEED FOR A EUROPEAN MARITIME INDUSTRIAL STRATEGY.

To achieve these goals, the European maritime technology industry needs facilitating framework conditions along a holistic approach. It is crucial to amplify the advantages of the EU internal market and the tools of EU industrial policy with a focus on the maritime industry. Since the current EU horizontal framework has failed to bridge the competitiveness gaps of the maritime technology industry, **the EU should urgently issue a sectoral Maritime Industrial Strategy**, based on the following building blocks:

I. INDUSTRIAL SOVEREIGNTY AND COMPETITIVENESS

The main issue for the European maritime technology industry is the longstanding market distortion from Asia. To reinforce Europe's industrial sovereignty and its strategic autonomy, it is essential to regain and secure orders from shipowners, including European, especially in the strategic sectors of the Blue Economy, i.e. cabotage, shortsea shipping, passenger transport, fishing, aquaculture, offshore renewable energy and carriers of sustainable alternative fuels. In concrete terms, the EU should:

- ⚓ **Introduce "made in Europe" requirements and non-price criteria in strategic public procurement markets** (e.g. patrol vessels, ferries, research vessels, offshore platforms).
- ⚓ **Provide financial incentives for shipowners to build and retrofit vessels in Europe.** These incentives should reduce the price gap between European and Asian shipyards, especially through tax benefits framed by a European scheme. To avoid competitive distortions between Member States, they should be implemented uniformly within the EU internal market, and be notified to and monitored by the European Commission.
- ⚓ **Introduce conditionalities in EU financial instruments** to prevent European taxpayers' money from being used for investments outside Europe, e.g. for building or retrofitting vessels in Asian shipyards whilst these vessels are destined for Europe.
- ⚓ **Provide an effective instrument to protect the competitiveness of European shipyards against injurious pricing of foreign competitors**, by making Regulation 2016/1035 applicable¹⁰.

II. SUPPORTIVE REGULATORY FRAMEWORK

Regulations should create the framework conditions that support business cases, address market failures, de-risk investment, and offer legal certainty. To this end, the EU should:

- ⚓ **Introduce a Maritime Industry Act supporting the business case for sustainable and digitalised waterborne transport, ship production and Blue Economy**¹¹.
- ⚓ **Set up an Industrial Alliance for Blue Economy Value Chains, in combination with "Important Projects of Common European Interest"**, to facilitate collaboration among Blue Economy stakeholders and create project pipelines (e.g. for carriers of sustainable alternative fuels, and vessels supporting offshore renewable energy infrastructure)¹².

¹⁰ Pursuant to Regulation 2016/1035 on protection against injurious pricing of vessels, a harmful pricing charge may be levied on the builder of an injuriously priced vessel whose sale to a buyer outside the country in which the vessel originates causes injury to European shipbuilding industry. However, the entry into force of this Regulation is conditional upon the ratification of the OECD Shipbuilding Agreement of 1994, which will never happen. Hence, it is only a "paper regulation" without any effect so far.

¹¹ This framework legislation should build on the model of the Net-Zero Industry Act along a maritime sectoral approach.

¹² This new Industrial Alliance should operate in synergy with the existing Industrial Alliance for Renewable and Low-Carbon Fuels Value Chain, which needs continuous political support from the EU and Member States.

III. TECHNOLOGICAL LEADERSHIP

Whilst promising innovative solutions are available, more needs to be done in terms of research and scaling-up of sustainable and digital technologies. To this end, the EU should:

- ⚓ **Continue to support the industry's investment in research, development and innovation**, such as with the co-programmed Partnership on Zero-Emission Waterborne Transport, and introduce a new co-programmed Partnership on digitalised and automated waterborne transport and ship production.
- ⚓ **Facilitate European Investment Bank guarantees at preferential terms to enlarge risk capacities for investment in the waterborne value chain, Blue Economy and defence.**
- ⚓ **Provide financial support to scale-up maritime innovation and enhance maritime manufacturing capacity** through:
 - A European Maritime Technology Fund with a budget of €10 billion in the next programming period, building on the current European Maritime, Fisheries and Aquaculture Fund.
 - A stronger maritime dimension in all relevant EU financial instruments (e.g. Innovation Fund, Connecting Europe Facility, structural funds) via dedicated calls and earmarking, and through a full flow-back of the revenues from the Emission Trading System (ETS) and FuelEU Maritime to maritime investment.
- ⚓ **Earmark at least 20% of the budget of the current and future EU defence programmes (e.g. European Defence Fund, European Defence Industry Programme) for the naval segment.**

IV. SKILLED WORKFORCE

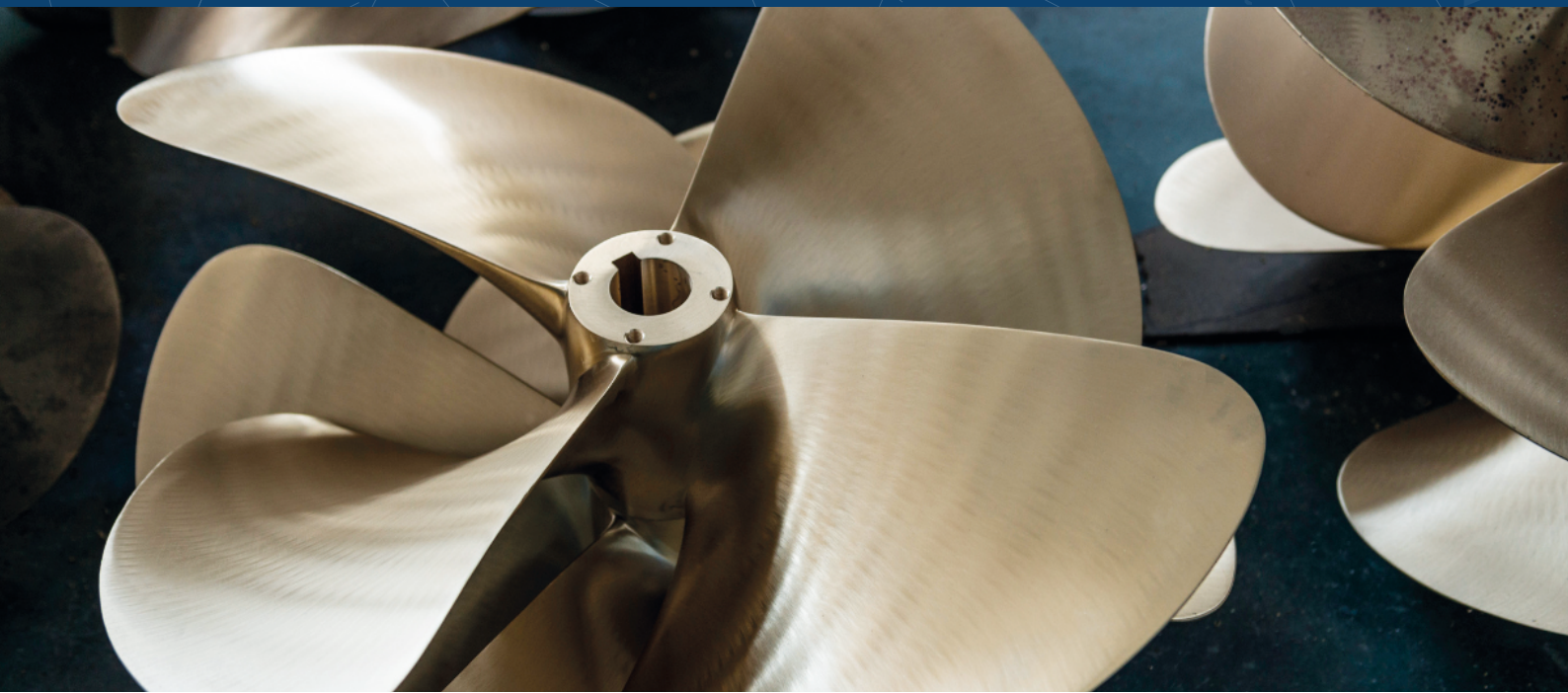
The maritime technology industry provides high-level jobs requiring advanced skills. With the sustainable and digital transitions, retaining and up/reskilling workforce is crucial for the future of the industry. Furthermore, the cyclical nature of shipbuilding and ship repair¹³ requires a high level of workforce mobility across Europe to match workers availability with production needs. To facilitate the recruitment, retainment and re/upskilling of workers in the maritime technology industry, the EU should:

- ⚓ **Support communication campaigns** promoting the sustainable and innovative image of the maritime technology industry to attract and retain workers, especially young people and women.
- ⚓ **Support companies' efforts to upskill and reskill workers in the maritime technology industry**, including through EU-wide educational and training programmes, and the recognition of trainings and qualifications across the EU.
- ⚓ **Establish a pool of qualified workforce across Europe** to ensure the availability of workers in the context of the cyclical nature of shipbuilding and ship repair.

¹³ Shipbuilding is cyclical because demand for new ships is influenced by global economic conditions, trade volumes and shipping rates. During economic booms, increased trade and economic activity leads to higher demand for shipping, resulting in a surge in ship orders. Conversely, economic downturns can reduce trade and shipping demand, leading to a decline in new ship orders. Additionally, advancements in technology and changes in environmental regulations can impact the need for updated or more efficient vessels, contributing to the cyclical nature of the shipbuilding industry.



It is time for urgent policy action! Achieving Europe's strategic autonomy in the maritime domain demands a robust domestic industrial capacity to bolster and accelerate the production of commercial and military vessels. Currently, Europe risks to relinquish this critical capacity. To avert this peril, it is imperative for Europe to swiftly turn the tide and transition from merely a maritime actor to a sea power.



SEA Europe
Shipyards' & Maritime Equipment Association

SEA Europe represents the European shipbuilding industry in 16 nations, encompassing the production, maintenance, repair, retrofit and conversion of all types of ships and floating structures, commercial as well as naval, including the full supply chain with the various producers of maritime systems, equipment material, and services