



The changing French port economy

Photo: HAROPA

Some come, some go

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The Higher Institute of Maritime Economics (ISEMAR) was founded in 1997 by the local communities, the Chamber of Commerce and Industry, and the port community in Nantes Saint-Nazaire. Its goal is to develop an expertise serving as a touchstone for maritime transport, ports, and naval industry. The Institute is, therefore, a honed observatory on changes in maritime economics. ISEMAR puts its knowledge in research and understanding of maritime transport and commerce at the disposal of a wide audience since these are crucial issues in this global economic era. For more info please visit <https://www.isemar.fr/en/>

In France, ports under state authority, big harbours like Le Havre or Marseilles, account for most of the cargo traffic, more or less 80%. Like all ports across Europe, they face many challenges, e.g. those resulting from the EU's energy transition towards renewables and how it, in turn, affects port industries, as well as from intense competition on who will eventually handle a container that's destined for the hinterland, not least from what will be the impact of Brexit on short sea shipping.

To start with, we can observe that, at least in France, the use of fossil fuels, be it liquids like oil and petroleum products or dry bulk such as coal, is on the decline, squeezed out from the market by renewables, wind energy as probably the most important one from the perspective of a port.

But it isn't a simple exchange when one business replaces another, and the balance sheet is on an even keel at the end of the day. Significant volumes of cargo are at stake, brought to seaports on-board large vessels. In other words, we're talking about a considerable source of port revenue that is undergoing a systemic change.

Back and forth in the energy industry...

In France, five refineries have shut down since 2007, with a 35% drop in refining capacity at the national level. It is unclear whether we'll see more closures in the future; yet, as France has rallied together with other countries in Europe

against cars with combustion engines, the refineries' medium- to long-term prospects look fuzzy, to say the least. For a port authority, losing a refinery is a considerable challenge, as it represents a major loss of income in land-based revenue (terminal concessions) and port fees (ship calls). As such, the post-oil age may well push those responsible for the port market in France to revamp the model altogether.

Coal feels ill at ease these days, too. Once referred to as "black gold," it's nowadays handled in three French ports only. One of them is Dunkirk, in the past successfully serving the UK market, which, however, has been lately shifting away from the use of thermal coal. France will follow suit, and as of 2022 coal will disappear altogether from the ports of Nantes Saint-Nazaire and Le Havre. This, again, will result in heavy losses for port authorities – terminals will go bust, and heavy-duty bulkers will be seen on the French coast no more.

But wait a minute. Apart from supporting wind and solar power, isn't the EU also in favour of liquefied natural gas (LNG), after all a fossil fuel? Isn't there a brand-new gas terminal in Dunkirk up and running full steam? While this is all true, the volumes of LNG, some 8.0mt/year, cannot compensate for the decline in the pipeline and tanker supplies from Norway, the Netherlands, and Russia. Moreover, thanks to increasing energy efficiency as well as rising share of renewables in the energy mix, France's gas demand is struggling to catch up with the pre-2011 level. Then again, Dunkirk, and especially Nantes Saint-Nazaire, is witnessing the emergence of a new business area, namely transshipping Russian gas that has started to regularly come on-board Arctic LNG carriers from the Yamal oil field. Nevertheless, the Port of Nantes Saint-Nazaire does not know what to expect for its refinery in the long-term. At the same time, it has, realistically speaking, resigned to losing around 1.0mt of coal.

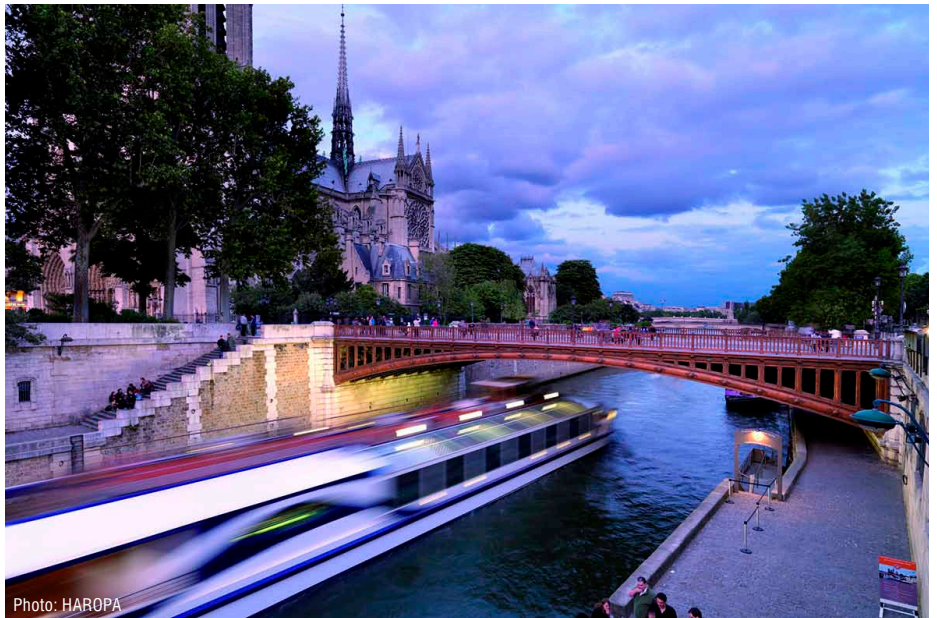
Are French ports, in turn, making a business case out of the energy transition, rather than sitting idly and looking as they lose dry and liquid bulk volumes? Across the Nantes Saint-Nazaire's Montoir site there's already a biofuel facility and a gas-fired power plant. Additionally, a new plant producing offshore wind turbine pods was recently added. Built by Alstom and now owned by General Electric (GE), the new facility is geared towards international markets and will be supplying the ambitious French wind energy programme in the early 2020s.

This, in addition to manufacturing power substations by shipyards located in Saint-Nazaire, is a clear evidence of the port's success in tapping into what can be called industrial marine energy diversification. In Normandy, the regional Port of Cherbourg has also been selected for a GE blade manufacturing plant. However, it is still unclear whether Siemens will be setting up a similar plant in Le Havre.

While all of this is good news, it should be noted that marine energy plants cannot replace, in a 1:1 scale, the position refineries and thermal power stations currently have within port economies. Even though the process of energy transition does create new port industries, it also means a full stop to others.

... as well as in grains, containers, and Brexit

France is also one of the leading producers of agricultural goods, particularly grains. Approximately 10 of the country's ports handle this export trade, with 8.0mt/year Rouen, sitting on the River Seine,



being the chief one in this regard. Import-wise, the list is topped by animal feed for French livestock breeders. However, these two French agricultural industries face tough competition from abroad. The grain and livestock markets, as well as weather conditions, are not always favourable to French exports, which obviously impacts the transit volumes handled by the country's ports.

But that's how the system works, one could say. International competition has always played a crucial role in trade and industrial production. For ports, globalisation means more competition, more or less directly threatening whole port industry sectors and favouring imports of finished or semi-finished products. France can take pride in not having lost any steel works and aluminium plants, but some fertiliser plants have had to shut down and cement works are under fire as well.

The container segment, a staple of globalisation, is another very tough market. In theory, a big economy with two major seaports such as France, Le Havre and Marseille, should not feel the heat from European competitors. In practice, at least a quarter of the French container traffic is estimated to transit through foreign ports; approximately a million full TEUs are believed to be imported through the ports in Belgium and the Netherlands. Antwerp is putting a particularly fierce fight for the Paris area, with only 50% of freight volume passing through Le Havre and with an overall share of 20% for the French ports. Improvements are being made, though. Both Le Havre (almost 3.0m TEUs) and Marseille (1.4m TEUs) are winning more and more containers, also thanks to rising transshipment volumes. Two elements are key in securing a long-term success. First, efficient terminal operations that serve a growing number of destinations. Second, hinterland connections, particularly rail and barge intermodal connections. French ports need to take advantage of the fact that both Paris and Lyon can be reached with inland waterways. But barges can only do so much. After lagging behind until a decade ago, the network of railway services to and from French ports has grown considerably. There is still a lot of room for improvement in a country in which long-distance pre- and post-carriage of containers is a standard. The fact that the railway junctions in Paris and Lyon handle both freight and passenger traffic does not help. However, the two major ports of Le Havre and Marseille can expect their share of containers transported by rail to go up to 15% eventually. One of the most crucial aims of the shipping lines'



Photo: Port of Le Havre.

and terminal operators' strategies is to create links between ports and their main hinterland markets, not only in France, but throughout entire Western Central Europe. Engaging in next-gen projects, like the one on deploying mega 1,500 m-long trains (twice the current norm) or autonomous trainsets, is another promising venue to explore.

Being connected both to the North Sea-English Channel-Atlantic as well as to the Mediterranean, ro-ro and ferry traffic must be a sure-fire hit for France, right? By and large, this is the case, the French ports having extensive network coverage within the Med., all the way up to Tunisia and Turkey, and services to the British Isles which have been in place for decades now. On the other hand, the UK's decision to leave the EU, coupled with the fruitless (it seems) negotiations on the future relationship between the two trading

blocs, has raised many still unanswered questions on how exactly the ro-ro & ferry traffic, including customs, in this part of the world will look once Brexit becomes a fact of life.

A sea change?

The changes French ports have experienced are not distinctly different from those faced by the rest of Europe with regards to energy, toughening competition, stakeholder consolidation, and the necessity of providing better intermodal linkages. Industry shifts that have an impact on the port authorities' business model and the emerging challenges are making it more important than ever for the state to engage with local authorities. Governance and national strategic issues cannot be addressed without realistically taking into account the ports' market strengths and weaknesses. ■

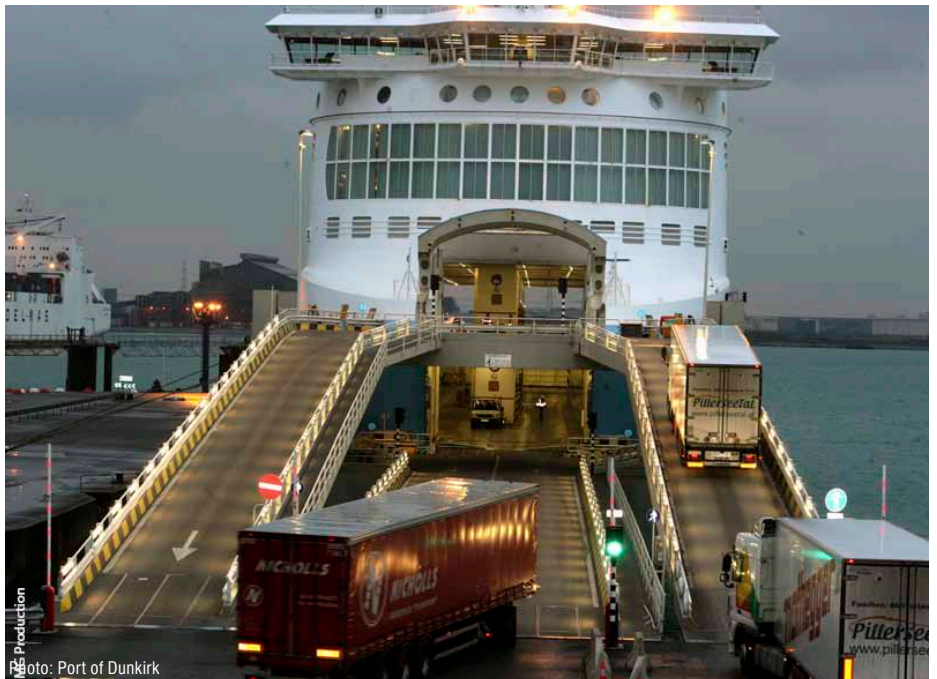


Photo: Port of Dunkirk