A Vision for Maritime

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STRATEGIC CONTEXT

The UK is an island nation that relies on a strong maritime sector to facilitate trade, protect national security and project influence globally. With 95% of our international trade transported by sea and 99% of our global transactions enabled by a vast underwater network of cables, maritime makes the UK the world's fifth exporter of goods, second in services, and the eighth largest manufacturer.

Maritime supports our defence capabilities with the Royal Navy patrolling the seas to safeguard national interests and uphold international security. The Integrated Review Refresh of 2023 reaffirmed the indivisibility of UK interests between the Euro-Atlantic and the Indo-Pacific to protect our security and prosperity. Our maritime future revolves around the safety of shipping lanes and underwater infrastructure that enable UK international trade in goods and services. The UK must play a role in safeguarding these interdependent domains to forestall increasing threats from state and non-state actors and protect the rules-based international system.

The UK is uniquely placed to catalyse international action. Hosting the International Maritime Organisation (IMO), it is the premier insurer to the world's shipping fleet and the leading global provider of services in admiralty law, whilst having the world's tenth largest merchant fleet. Moreover, it has a key role in ensuring the free flow of goods through the world's maritime chokepoints. It is estimated that up to a third of global GDP – equivalent to $3.5 trillion – flows through the Strait of Malacca alone.

There are many policy successes that have opened up significant opportunities for the UK over the last seven years in its relationships with the USA, the EU and across Asia. These include the Atlantic Declaration and the Atlantic Charter Renewal with the USA; the Trade and Cooperation Agreement and the Windsor Framework with the EU; the accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the Hiroshima Accord and Reciprocal Access Agreement with Japan, and the Downing Street Accord with South Korea. Free trade agreements with Australia and New Zealand also included notable innovation clauses preceding two important tripartite defence agreements such as AUKUS and the Global Combat Air Programme with Japan and Italy.

EXECUTIVE SUMMARY

Against this backdrop, the UK finds itself competing on the international stage to attract investment in shipbuilding and develop innovative technologies. With a general election looming, this is an appropriate time to acknowledge our past achievements, analyse our current challenges and reflect on our future ambitions for maritime.

The Society of Maritime Industries (SMI) is the voice of the maritime engineering, scientific and technology industry – the second largest maritime industry of the UK after shipping. Our industry adds £35 billion a year to the economy, employing 217,000 people and generating £2 billion in tax revenues for the Exchequer. Our members include shipbuilders, ship repair and maintenance firms, naval architects, maritime technology and engineering specialists, universities and financial services providers.

Coming to the table with a voice of constructive advice, we want to join the future government in a shared national endeavour to achieve maritime decarbonisation, enhance our industrial resilience, and make the UK a global leader in the development of world-class maritime technologies. This requires a rethinking of the relationship between government, science, industry, and defence within the maritime sector. This endeavour is essential to protecting the rules-based international system and safeguarding the interlinked domains of shipping lanes and underwater infrastructure that underpin our economy through international trade.

SMI has decided to set out its Vision for Maritime to support this ambition, complementing existing efforts as a signatory of the Maritime Manifesto 2024, which represents the consensus of shared policy priorities across the UK maritime sector. Throughout this document, we draw several reflections and propose a number of ideas on behalf of our industry on salient themes such as the environment, competitiveness, skills and regulation.

Environment

- We support continued government efforts in incentivising the shift toward green maritime fuels and infrastructure.
- We support unlocking greater private sector investment to speed up the deployment and commercialisation of green technologies through non-cash mechanisms.
- We recognise the role for industry and government to promote best practice in technical, commercial and crewing functions in international forums.

Competitiveness

- We want to realise our high exporting and advanced manufacturing potential to make the UK a global leader in developing maritime technologies.
- We support a framework of manufacturing technologies, infrastructure, processes and practices with matched grant funding for investment to improve shipyard productivity.
- We understand the need to move from a transactional relationship towards one of genuine partnership in our rapport with government.
- We would like to see the Government continue enabling maritime firms to showcase the best that UK Plc has to offer in international markets.

Skills

- We welcome the Skills Delivery Group with its specialist focus on enhancing the provision of shipbuilding skills.
- We think that the Skills Delivery Group should use its specialist focus to complement the wider work and mission of the Maritime Skills Commission.

Regulation

- We believe that the Maritime and Coastguard Agency should receive the adequate resources to efficiently regulate maritime firms.
- We support the adoption of a more holistic approach to stakeholder engagement between industry members and government bodies.

ENVIRONMENT

In 2021, HM Treasury invested £206 million of match-funding into maritime through the UK Shipping Office for Reducing Emissions (UK SHORE) with the aim of incentivising the shift towards green fuels, technologies and infrastructure. This measure was a massive vote of confidence that prompted an equally enthusiastic response from industry.

Throughout different rounds of the Clean Maritime Demonstration Competition (CMDC), £130 million of funding was allocated to support the design and deployment of clean maritime technologies for a total investment of £193 million. Artemis Technologies obtained funding over multiple rounds to develop an eFoiler Crew Transfer Vessel in partnership with Tidal Transit and Lloyd's Register, while Cammell Laird received £3.6 million for its Green Shore Power Project.

The Zero Emission Vessel and Infrastructure (ZEVI) initiative made another £77 million available to support close-to-commercialisation solutions for a total investment of £137 million. Notable initiatives included the Zero-Emission Fast Freight (ZEFF) project – developed by a consortium of Thames Clippers, Wight Shipyard, Aqua Superpower, the Port of London Authority and Beckett Rankine – to remove freight from London's road network and transport it in a more environmentally efficient mode.

These are just a few projects including SMI members that developed concrete solutions to reduce our sector's carbon footprint, but they reflect its eagerness to help achieve Net Zero by 2050 and the importance of decarbonising maritime operations in the process. This enthusiasm explains why the CMDC's first round quickly became oversubscribed, receiving bids for 225% of its allocated budget.

While we support continued government efforts to incentivise maritime decarbonisation via UK SHORE, we recognise that the private sector has an equally valuable role to play. The UK Maritime Decarbonisation Report, which built on the work of the Financial Products Working Group co-chaired by Maritime London and the Maritime and Coastguard Agency (MCA), estimated that maritime decarbonisation requires £75 billion.

The future government could take a first step in unlocking some private sector investment to speed up the deployment and commercialisation of green technologies by introducing non-cash mechanisms such as increased capital allowances, new green tax credits and abolishing VAT on the sale of maritime fuels.

Maritime decarbonisation is a global effort, and it is important to acknowledge that shipping consists of operators delivering variable standards that may not always employ the most efficient fuels or vessels. Despite the progress made through UK SHORE, we need to affect a change of thinking in this space that values good practice by operators who take pride in using the most environmentally efficient fuels, procuring high-quality vessels from UK shipyards and showing humane leadership in the management of their workforce. The UK can provide global leadership by advocating these values at the IMO and our industry is willing to play its part.

COMPETITIVENESS

In 2022, the Refresh of the National Shipbuilding Strategy set out a vision for a globally successful industry, defining technology and innovation as crucial prerequisites of productivity and competitiveness. The 30 Year Cross-Government Vessel Procurement Pipeline was important in setting shipbuilding demand on a more sustainable footing and stabilising order book certainty for UK shipyards, while the launch of the Shipbuilding Credit Guarantee Scheme in July 2023 was equally welcome in levelling the playing field for domestic shipbuilders.

Operating in a period of increasing geopolitical volatility and growing competition from abroad, the UK needs to realise the immense potential of its maritime advanced manufacturing offer and develop sovereign capabilities to become a global leader in maritime technologies. Mapping out the specific subsectors where we are ahead of the curve in developing cutting-edge technological solutions would be a good first step. Maritime decarbonisation presents numerous opportunities to support offshore wind by building the vessels required to sustain its ongoing expansion. The Offshore Renewable Energy Catapult estimates that 309 Service Operation Vessels will be needed in Europe over the next twenty-six years. This is precisely the type of opportunity where the UK should develop a competitive advantage and SMI played an important part in shaping Maritime UK's Offshore Wind Plan, which proposed a number of recommendations to maximise opportunities in this space. The development of marine autonomous vessels is another area where the UK should harness its existing knowledge base to develop a competitive lead, especially in the South West where the Future Autonomous at Sea Technologies (FAST) cluster has accrued a significant amount of expertise.

The Shipbuilding Enterprise for Growth has sought to acquire a more granular understanding of the UK's strengths in order to augment our industrial resilience through Centres of Excellence. The future government should publish an industrial roadmap that identifies the manufacturing technologies, infrastructure, processes and practices with matched grant funding for investment driving innovation and enabling higher shipyard productivity through a reliable benchmarking process. Building on the ambitions of the National Shipbuilding Strategy Refresh, we also recognise the necessity for our sector to move away from a transactional relationship towards a genuine partnership in our rapport with government.

Since March 2022, the Government has worked with the maritime sector to accelerate the delivery of ambitions relating to trade and competitive advantage under Maritime 2050. Over the last two years, the Department for Business and Trade (DBT) has lent momentum to our collective efforts in these fields. For instance, DBT enabled 17 UK companies to fully take part in a leading maritime trade show in Singapore, with their forecast order value ranging between £1.3 million and £1.8 million as a direct result. Maritime businesses continue to prove their eagerness to put their products out into the world, with applications for participating in trade shows supported by DBT being constantly oversubscribed. Based on these positive outcomes from industry, our members would like to see the future government continue enabling maritime firms to display the best that UK Plc has to offer in international markets, particularly in sub-sectors where the UK is developing a significant competitive edge.

SKILLS

In 2023, the UK Shipbuilding Skills Taskforce (UKSST) reported back to the NSO and the Department for Education (DfE) on the steps that industry, government and educational institutions should take to improve the provision of skills throughout the supply chain. Little over a year earlier, the UKSST was established by DfE with a time-limited mandate "to develop and implement a future-focused skills strategy for shipbuilding in the UK." The Taskforce produced a skills strategy, along with a supporting toolkit for employers. In 2024, the NSO began the process of setting up the Skills Delivery Group to oversee and drive the delivery of recommendations outlined in the strategy.

While we welcome the formation of the SDG with its specific focus on enhancing the provision of key shipbuilding skills, its work needs to be carefully integrated into the various outputs of the Maritime Skills Commission (MSC). Since 2019, the MSC conducted extensive analysis to map out skills gaps across UK Maritime; identify barriers to the recruitment, training and retention of homegrown maritime workers; and proposing specific steps to address these issues. Its recommendations are outlined in the Future People Agenda Report, the Digital Learning Lessons Captured Report, the Seafarer Cadet Review, the UK Ratings Review, and the Human Skills and Behaviour Report. This comprehensive and joined-up approach to maritime skills provision is an essential strength of the MSC.

SMI believes that the SDG should complement the work of the MSC with its specific focus on shipbuilding. It is worth considering putting in place defined mechanisms to formalise this process, so that industry stakeholders can take reassurance from a certain degree of coordination in our collective approach to addressing


CEE LINK

REGULATION

The Maritime and Coastguard Agency (MCA) is a crucial element of the maritime landscape, acting as a regulatory body and a source of guidance on day-to-day operational activities for large parts of the sector. Given the breadth and depth of its remit, its efficient operation is vital for maritime businesses, especially in fields such as autonomous vessels and smart shipping where it is in our national interest to develop a competitive edge over other maritime jurisdictions.

The future government should ensure that the MCA receives the adequate resources to attract and retain the expertise needed to effectively regulate our industry, whilst freeing up capacity to enable a regular programme of engagement with industry stakeholders. There should be a linkage between maritime innovation funding and the adjustments required of the MCA to effectively regulate new technological developments. This already takes place in aviation, where the Future Flight Challenge ensured that a share of £125 million of innovation funding went to the UK Civil Aviation Authority to enable it to respond effectively to any issues emerging from the regulation of innovative technology.

Over the last five years, maritime has developed a strong relationship with the Department for Transport, the Department for Business and Trade, the Department for Energy Security and Net Zero and the Ministry of Defence. And yet, our industry would benefit enormously from a more holistic approach to maritime regulation that includes bodies like the Department for Environment, Food and Rural Affairs and the Department for Science, Innovation and Technology.

These departments have significant policy interests and expertise in emerging fields where our sector can develop a globally competitive edge or already possesses a wealth of knowledge that needs to be nurtured. One of these crucial areas concerns the management of the Blue Economy, which is the sustainable use of ocean resources to benefit economies, livelihoods and the ocean ecosystem health.


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CONCLUSION

With its Vision for Maritime, SMI wishes to outline the ambition of the maritime engineering, scientific and technology industry to join the future government in a shared national endeavour to bring about maritime decarbonisation, enhance our industrial resilience, and harness a competitive edge that makes the UK a leader in maritime innovation.

On **environment**, we support the continuation of government programmes to encourage the move to net zero fuels and supporting infrastructure and the potential to unlock more private sector investment to commercialise green technologies through non-cash mechanisms, while reiterating the collective responsibility of promoting best practice with regard to technical, commercial and crewing functions within ship in international forums such as the IMO.

On **competitiveness**, we want to realise our sector's potential for advanced manufacturing through the development of a framework of technologies, infrastructure, processes and practices with matched grant funding for investment in order to stimulate innovation and improve shipyard productivity. On skills, we reiterated the importance of the MSC in our efforts to address skills gaps through the recruitment, training and retention of homegrown talent, whilst valuing the specialist input of the Skills Delivery Group in alignment with the aims and objectives of the MSC.

On **regulation**, we focused on the importance of ensuring that the MCA is adequately funded to conduct its functions by linking maritime innovation funding with a budgetary uplift, freeing up capacity to develop a stronger engagement programme with industry stakeholders.

We strongly believe that this endeavour requires a change of perspective in the way we currently conceive the relationships between government, science, industry, and defence stakeholders in maritime. The success of this endeavour is crucial to preserving the rules-based international system and safeguarding the interdependent domains of shipping lanes and underwater infrastructure that underpin UK international trade and guarantee our national prosperity.

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