

PREVENTION OF AIR POLLUTION FROM SHIPS

Control of greenhouse gas emissions from international maritime transport

Submitted by the International Chamber of Shipping

SUMMARY

<i>Executive summary:</i>	ICS has been working on criteria for assessing market-based instruments for some time. This paper presents some of the criteria that should be used in the analysis of MBIs and proposes some building blocks for a system that appears to meet the various requirements of the different industry sectors.
<i>Strategic direction:</i>	7.3
<i>High-level action:</i>	7.3.1
<i>Planned output:</i>	7.3.1.3
<i>Action to be taken:</i>	Paragraph 11
<i>Related documents:</i>	MEPC 59/INF.9, MEPC 60/4

Introduction

1. ICS has been engaged in a long term analysis of the elements of market-based instruments and this has been variously reported to the Committee and to intersessional meetings on GHG reduction. A methodology for MBI analysis and some worked examples were submitted to MEPC 59 (MEPC 59/INF.9); the paper forwarded a report prepared for ICS by Giraffe Innovations. It is still pertinent to refer to the Giraffe report as a possible methodology for the Committee to use to test the applicability of MBI options as they are introduced into the debate.

ICS Working Group

2. Work has continued in an ICS working group to examine the component parts of MBI mechanisms; the purpose of this paper is to report on the findings to date. ICS has for some time promoted some simple but vital criteria for debate on MBI options:
- That any solution should result in a real reduction of the global CO₂ inventory;
 - That any solution considered for shipping must accommodate and reflect the global nature of the shipping industry and its direct relationship with world trade; and
 - That the position of shipping as the most efficient transport mode must be enhanced.

The characteristics of an MBI for international shipping

3. ICS has the benefit of being positioned by virtue of its membership to take an international, cross-sectoral view of the needs of the shipping industry and of the various impacts

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that might result from market-based mechanisms. This breadth of vision led to some fundamental conclusions:

a. That a single global mechanism such as an emission trading scheme or a compensation fund in their purest forms would have different impacts on each and every sector of the industry. This is due primarily to the different commercial arrangements that differentiate, for example, tramp/bulk shipping from scheduled (liner) services.

b. The first conclusion leads to a second; that the mechanism that would be most workable for the industry should take the best features of those already tabled for debate.

c. A third conclusion is the observation that the foundations of a compensation fund and an emission trading scheme appear similar. However in practice and certainly at the operational level, they are very different indeed and need to be considered and analysed quite separately.

4. The Giraffe report used the GHG MBI criteria adopted by the Committee at its 58th session as a basis for comparing options. ICS embraced the 9 options at MEPC 58 and continues to support the basic principles that these criteria represent. At the very least, any analytical work undertaken by or for the Committee should use these criteria as the basic requirements.

5. ICS has argued strongly throughout this debate that the only competent body to regulate international shipping is the International Maritime Organization and this view is at the core of the various MBIs considered. The IMO principle of 'no more favourable treatment' implies that a satisfactory and efficient measure for shipping can only be effective in delivering sustained CO2 inventory reduction if it applies equally to all international shipping regardless of flag. If there is a need to find a means to accommodate the UNFCCC principle of 'common but differentiated responsibility' then this must be achieved at a level above that of the individual shipping company.

6. ICS therefore advocates a single global scheme that:

a. Delivers real global CO2 emission reduction;

b. Avoids inadvertently limiting cargo carrying capacity and hence world trade;

c. Rewards good efficiency performance; and

d. Provides an incentive for research and development in improving energy efficiency technology for ships as well as the use of alternative and renewable energy sources.

7. At company level:

a. The MBI must be simple to understand and to operate and must be transparent;

b. The scheme must be straightforward to administer;

c. It must be fair to all operators regardless of the size of the company and the number of ships in the individual fleet;

d. It must avoid competitive distortion; and

e. Learning lessons from previous legislation on environmental protection, it must consider and take every possible step to avoid the danger of shifting cargo to less efficient transport modes.

8. In order to be exhaustive and stringent in its approach, the analysis should take a long-term view of:

a. The impact of the scheme on GHG reduction,

b. The impact of the scheme on world trade

c. The impact of the scheme on the shipping industry itself, including investment and cash flow issues at company level

d. The positive benefit that will be derived from the EEDI, SEEMP and EEOI

9. Taking all of these criteria into account it is possible to describe some elements of an effective scheme to deliver real global CO2 emission reduction:
 - a. The IMO is at the centre of such a scheme although it may be that an International Administrative Body could operate the scheme on its behalf;
 - b. There is a need for actual fuel consumption to be reported and this can most efficiently be done using the existing bunker delivery note. In the interest of compliance and transparency, a check and balance could perhaps be introduced by requiring parallel reporting of bunker purchases by the ship/company and by the bunker supplier.
 - c. Funds should be accrued by the IMO's International Administrative Body and the scheme should avoid retention of funds in national treasuries.

10. The IMO/International Administrative Body will have to set priorities for the disbursement of funds generated by the scheme. Amongst these priorities will be:
 - a. Mitigation and adaptation schemes
 - b. Research & Development, on a centrally funded basis, for the purpose of further improving efficiency in the shipping industry, including:
 - i. Operational efficiencies
 - ii. Innovative technology for hull and engine performance
 - iii. Alternative energy and fuels
 - iv. Cargo applications.

Action Requested of the Committee

11. The Committee is requested to take the foregoing into account in its deliberations and to decide accordingly.