

REDUCTION OF GHG EMISSIONS FROM SHIPS

Submitted by ICS, BIMCO, Intercargo, Intertanko and WSC

SUMMARY

Executive Summary: The co-sponsors comment on the suggestion that international shipping should contribute its fair share to the international community's efforts to curb greenhouse gas (GHG) emissions. It is proposed by the co-sponsors that the Committee should develop a road map to determine such a possible IMO fair share contribution, which initially focuses on the development of a timeline, consistent with the 'three step' approach. In addition, the co-sponsors also offer some principles that might assist the possible development of this work.

Strategic direction: 7.3

High-level action 7.3.2

Planned output 7.3.2.1

Action to be taken Paragraph 20

Related Documents MEPC 69/7, MEPC 69/7/1, MEPC 69/7/2, MEPC 69/7/4

Introduction

1 The co-sponsors acknowledge that, consistent with the spirit of the UNFCCC (COP 21) Paris Agreement, IMO is expected to determine the need for the international shipping sector to further reduce GHG emissions, in particular CO₂ and if so, how this can be done. The international shipping industry, as represented by the co-sponsors, fully supports this objective.

2 At the 69th Session, ICS submitted MEPC 69/7/1 which proposed that the Organization should develop an *Intended IMO Determined Contribution* on GHG reduction for the international shipping sector as a whole, taking account of the language used in the Paris Agreement to describe contributions that governments will make in the form of Intended Nationally Determined Contributions (INDCs). Belgium *et al* submitted MEPC 69/7/2 which invited the Committee to develop a work plan to define international shipping's fair share of the international community's efforts to curb greenhouse gas emissions. WSC *et al* submitted MEPC 69/7/4 suggesting a number of principles to guide the development of

a long term carbon objective. The Committee agreed to forward MEPC 69/7/1, MEPC 69/7/2, and MEPC 69/7/4 to MEPC 70 for further consideration.

3 The following submission proposes the development of a road map to determine a possible IMO fair share contribution on CO₂ emissions, initially focusing on a timeline for the development of this work, as suggested in MEPC 69/7/2, and on the need for the Committee to agree some guiding principles.

4 The co-sponsors believe that the priority for the Committee at MEPC 70 must be the adoption of the CO₂ data collection system and the finalisation of the associated IMO Guidelines. This will be necessary to demonstrate that IMO is not only responsible but is also the only appropriate forum for regulating CO₂ reduction measures by the international shipping sector. Nevertheless, the co-sponsors recognise that the data collection system will only represent one step towards addressing CO₂ emissions from shipping. When the Committee gives consideration to a possible IMO fair share contribution and its associated timeline, the following comments may be helpful.

A fair share contribution on behalf of the sector

5 Consistent with the Paris Agreement, the co-sponsors fully agree that IMO should determine a possible fair share contribution for the international shipping sector, which if developed, should take into account the circumstances that are relevant to the international shipping sector, including the importance of international trade in supporting the sustainable development of national economies.

6 Many UNFCCC Parties have made INDCs which make clear, after taking account of their national circumstances, that they are currently unable to commit to absolute CO₂ reductions by their national economies in the immediate future. This is presumably due to projections regarding the growth of their population, and their legitimate desire to maintain sustainable economic development.

7 Great care is therefore needed in attempting to define a 'fair share' for the international shipping sector, which is the concept proposed by Belgium *et al* in MEPC 69/7/2. The Paris Agreement does not contain any reference or framework for determining a 'fair share' with respect to the contributions that will be made by UNFCCC Parties.

8 Whereas many land-based industrial and transportation sectors have increased access to alternative low carbon energy sources, such very low carbon fuels are unlikely to be viable and readily available for international shipping which will therefore continue to be dependent on fossil fuels for several more decades.

9 Shipping is already, by far, the most energy efficient form of commercial transport. Any increase in shipping activity due to a shift from other less efficient transport modes will in fact contribute to an overall reduction in the world's total CO₂ emissions. On the other hand, an unrealistic contribution to reduce the sector's absolute CO₂ emissions could lead to a shift to less energy efficient transport modes. This would clearly be counterproductive with respect to reducing the world's total CO₂ inventory and the achievement of INDCs. The opportunity to switch from land and air based transport modes to shipping should be encouraged. Maritime transport needs to be acknowledged as part of the solution to reducing global CO₂, and any fair share contributed by IMO should take account of this.

10 In the same way that the INDCs under the Paris Agreement cover GHG reductions for entire national economies, a fair share contributed by IMO should be made on behalf of the international shipping sector as a whole.

Taking account of the ‘three step approach’

11 While developments such as the implementation of the EEDI since 2013 (and its possible future review) will further increase the efficiency of ships, it is still an open question whether additional CO₂ reduction measures will in the longer term remain compatible with both the maintenance of world trade and the UN Sustainable Development Goals.

12 The co-sponsors therefore emphasize that until the IMO CO₂ data collection system is up and running, there is insufficient data to determine whether or not it would be realistic for IMO to adopt a firm contribution on behalf of the sector. Moreover, any future decision on actions required to meet such a contribution would have to be consistent with the ‘three step approach’ which has been widely accepted by IMO Member States during previous discussions within the Committee.

An ambitious time line

13 The development of any IMO fair share contribution must be consistent with the ‘three step approach’, utilising real ‘bottom up’ data from individual ships that will be provided through the IMO CO₂ data collection system. The co-sponsors support starting the discussion on the proposal in MEPC 69/7/2 for the Committee to establish a timeline, but emphasize that this must take account of the need to analyse the CO₂ data that will be provided by the IMO data collection system. As soon as data on the fuel consumption of the world fleet has been submitted to IMO by Member States, a period of evaluation and analysis should then follow. However, this need not prevent preliminary consideration of what IMO’s fair share contribution might possibly entail in advance of the ‘bottom up’ data becoming available.

14 The Committee should then be in a position to make a decision with respect to any initial fair share contribution. As more data is collected, this could then serve as a precursor to the eventual consideration of revising the fair share in the long term, following the UNFCCC stocktaking exercise of the global CO₂ inventory which is meant to take place in 2023.

15 Any decision regarding what a revised, more ambitious, long term fair share might entail should also be preceded by an update to the IMO GHG Study. Taking account of input from the IMO data collection exercise, and the latest developments in maritime trade growth, the next GHG Study should be positioned to provide far more accurate projections for future changes in CO₂ emissions from shipping. The co-sponsors anticipate that growth in maritime trade will be found to have increased at a slower rate than was projected in the unrealistically high CO₂ growth scenarios contained in the 2014 GHG Study. However, only data from the new IMO data collection system will be able to establish this with any certainty.

16 The co-sponsors therefore suggest that MEPC 70 should agree to develop a road map, which includes:

- The timing for a decision on a possible IMO fair share contribution on behalf of the sector that will take into account the circumstances relevant to international shipping; and
- The possible timing for the consideration of IMO contributing a revised fair share in the longer term.

Principles

17 The co-sponsors encourage the Committee to establish a road map with an ambitious timeline for future work in order to demonstrate to the global community that the Organization is taking steps in line with the Paris Agreement. In addition, the Committee could usefully create a set of guiding principles for its future work that would include the methodologies to be used and the nature of the “fair share” of emission reductions to be developed.

18 The Committee will recall the principles which were adopted with respect to previous IMO work on GHG reduction. The co-sponsors suggest that most of these principles remain directly relevant to the consideration of a possible IMO fair share contribution on behalf of the sector:

1. *Effective in contributing to the reduction of total global greenhouse gas emissions;*
2. *Binding and equally applicable to all flag States in order to avoid evasion;*
3. *Cost-effective;*
4. *Able to limit, or at least, effectively minimize competitive distortion;*
5. *Based on sustainable environmental development without penalizing global trade and growth;*
6. *Based on a goal-based approach and not prescribe specific methods;*
7. *Supportive of promoting and facilitating technical innovation and R&D in the entire shipping sector;*
8. *Accommodating to leading technologies in the field of energy efficiency; and*
9. *Practical, transparent, fraud free and easy to administer.*

19 The co-sponsors also recommend that the five principles contained in paragraph 6 of MEPC 69/7/4 be taken into account when developing a possible IMO fair share contribution. In addition, the co-sponsors suggest the Committee should take account *inter alia* of the following guiding principles:

10. *Consistent with the Paris Agreement, a fair share should be ‘in sector’ and take account of circumstances that are relevant to international shipping;*
11. *A fair share will only apply to the sector as a whole;*
12. *A fair share should ensure non-penalisation of early movers who have already made important efforts to reduce GHG emissions from shipping;*
13. *The development of a fair share must be evidence-based, with the final decision utilising data from the IMO CO₂ data collection system;*
14. *The need to take account of the extent to which a fair share can realistically be addressed;*
15. *That the adoption of a fair share for IMO to contribute does not itself imply any agreement, or necessity, to develop Market Based Measures;*
16. *The need to take account of the reliance of the sector on fossil fuels and the challenge of switching to low carbon alternatives when compared to land-based industries and other transportation sectors; and*
17. *The need to prevent modal shift to less carbon efficient transport modes.*

Action requested of the Committee

20 The Committee is requested to consider the comments above and to decide as appropriate.