



Key Issues

Operational Efficiency Indexing

ICS remains strongly opposed to the concept of IMO establishing a mandatory system of operational efficiency indexing for application to individual ships. This is because of the potential inaccuracies of such a metric and the significant danger of market distortion.

CO₂ efficient ships are correctly rewarded by the market because their lower fuel costs make them more commercially competitive. The ultimate purpose of operational efficiency indexing, however, is to penalise individual vessels twice, on the basis of a theoretical and arbitrary operational rating that has little relation to the actual CO₂ emissions of the ship in real life.

For example, the fuel consumed by two identical ships during two similar voyages will vary considerably due to factors such as currents, ocean conditions and weather. Similarly, fuel consumed by individual ships, particularly those in tramp sectors, may vary considerably from one year to the next, being dependent on changing trading patterns and the nature of charters over which the ship operator has little control.

The merits of operational efficiency indexing, which ICS strongly disputes (and which are very different to efficiency standards for ship design) will be debated further at IMO as it develops its CO₂ reduction strategy. ICS has therefore been frustrated by the European Union's decision to pre-empt these IMO discussions by proceeding with the implementation of its regional system for collecting data on individual ship emissions.

The EU Regulation on the Reporting, Monitoring and Verification (MRV) of CO₂ emissions applies to all ships trading to Europe, with the apparent intention of eventually developing this into some kind of regional operational efficiency indexing system.

In November 2017, ICS and ECSA submitted detailed comments to a European Commission consultation on the possible alignment of its MRV Regulation with the global CO₂ Data Collection System (DCS) that has now been established by IMO and which will be up and running by 2019. The EU had previously underlined its willingness to consider this alignment in order to help persuade non-EU governments to agree to the establishment of the IMO DCS.

The DCS adopted by IMO in 2016 was viewed as an acceptable compromise between those IMO Member States which are interested in having reliable information about fuel consumption and CO₂ emissions in order to inform the development of future IMO work, and those nations

that wished to collect more detailed information about fuel efficiency and so called 'transport work'.

ICS support for this IMO compromise was given with the understanding that the DCS should be simple for ships to administer and primarily be based on fuel consumption. Most importantly, data relating to fuel consumption under the IMO system will remain anonymous. The purpose of the IMO DCS is to inform future policy making rather than to penalise or reward individual ships.

The EU MRV Regulation was adopted during 2015, and includes controversial provisions for the submission of data by ships on 'transport work' using different metrics to those now agreed by IMO in addition to data on fuel consumption. Moreover, the verification and certification method that has been developed by the EU will be overly complex. It seems that EU climate officials wish to ignore the tried and tested processes for statutory certification used in international shipping, and instead propose an additional administrative burden for ship operators.

But the greatest concern about the EU MRV Regulation is that commercially sensitive information will be published annually by the European Commission, along with ship name and company identifiers. This is with the intention of facilitating comparison of the supposed operational efficiency of individual ships – which is very likely to be inaccurate. In short, the EU Regulation contains many of the elements which most IMO Member States chose to reject when adopting the global CO₂ Data Collection System.





The EU Regulation is meant to be fully implemented during 2018, one year before the IMO DCS. In its response to the EU consultation, ICS emphasised that nothing less than full alignment with the IMO DCS would be regarded as acceptable and that partial alignment would be seen as 'bad faith' by those non-EU States which had been encouraged to agree to the IMO system on the understanding that the EU would then fully align its unilateral regulation.

Disappointingly, the European Commission decided, in early 2018, to cancel a planned public meeting, having concluded that its consultation is now complete. Once the Commission has published its proposals for any change to the current MRV Regulation, these will then be subject to negotiation with EU Member States and the Parliament through the 'trialogue' process.

Despite going through the motions of a consultation, in reality it appears that the European Commission has no intention of recommending full alignment with the IMO system. Rather it is simply trying to identify what changes are necessary to make the EU regime compatible with that agreed by IMO. Unpalatable as this might be, this will probably require an acceptance by industry of the political reality that there will be two different reporting systems with different approaches to the verification of ship data.

However, ICS intends to maintain its strong objection to the publication by the Commission of data about individual ships, an objection which is shared by a number of non-EU Member States. ICS will also continue to oppose the development of any system of mandatory operational efficiency indexing that may be considered at IMO.