

MARINE ENVIRONMENT PROTECTION
COMMITTEE
74th session
Agenda item 7

MEPC 74/7/16
22 March 2019
Original: ENGLISH

REDUCTION OF GHG EMISSIONS FROM SHIPS

Comments on document MEPC 74/7/4

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SUMMARY

Executive summary: This document comments on document MEPC 74/7/4 (Denmark et al.) and provides recommendations for the consideration of the Committee

Strategic direction if applicable: 3

Output: 3.2

Action to be taken: Paragraph 16

Related documents: Resolution MEPC.282(70); resolution MEPC.304(72); MEPC 74/7/4; MEPC.72/INF.5; ISWG-GHG 4/2/9 and ISWG-GHG 2/2/7

Introduction

1 This document, submitted in accordance with paragraph 6.12.5 of the Committees' methods of work, provides comments on documents MEPC 74/7/4 (Denmark et al.) and provides recommendations for the consideration of the Committee.

2 The co-sponsors fully support the effective implementation of the *Initial IMO Strategy on reduction of GHG emissions from ships* (resolution MEPC.304(72)) (the Initial Strategy), including reaching a rapid agreement on short-term measures.

3 Although the co-sponsors find merit in some of the proposals provided in document MEPC 74/7/4, particularly the recognition that goal-based measures which avoid mandating specific measures should be supported (MEPC 74/7/4, paragraph 10), they are also concerned about particular proposals in the document. These concerns are highlighted in the following paragraphs, along with recommendations for the consideration of the Committee.

Discussion

4 The co-sponsors recognize that it will be necessary to demonstrate the effectiveness of GHG emissions reduction measures and that they are contributing to achieving the levels of ambition of the Initial Strategy. In the case of operational GHG emissions reduction

measures, this would necessitate use of either operational efficiency indicators or other key performance indicators (KPIs) to be used in conjunction with GHG emissions reduction or efficiency improvement objectives.

5 The Committee is reminded of document MEPC.72/INF.5 (INTERTANKO) which demonstrated that different operational efficiency indicators applied to identical sister ships operated by the same company gave very different results. The findings supported the conclusions of document ISWG-GHG 2/2/7 (Argentina et al.).

6 Document MEPC 74/7/4 proposes that an operational efficiency indicator must be used to demonstrate that the ship achieves an environmental goal (MEPC 74/7/4, paragraphs 24 to 27). The document supports using the Annual Efficiency Ratio (AER), with flexibility to use the Energy Efficiency Operational Indicator (EEOI) or other indicators which have been "approved by the Committee" (MEPC 74/7/4, paragraph 27).

7 The co-sponsors advise the Committee that no single operational energy efficiency indicator is suitable for all ships; the reasons for this are summarized in paragraphs 10 to 20 of document ISWG-GHG 4/2/9 (ICS et al.). The most important limiting factor for operational indicators is that most of those which have been proposed measure the efficiency of trade, not the efficiency of the ship. Operational efficiency is largely determined by the efficiency of trade (many trades are asymmetric, for example some countries which rely on imported goods but with limited exports are remote from trade lanes) and weather.

8 In addition, paragraph 4.1.7 of the *2016 Guidelines for the development of a Ship Energy Efficiency Management Plan (SEEMP)* (resolution MEPC.282(70)) clearly specified that the goal can take any form, such as the annual fuel consumption or a specific target of the Energy Efficiency Operational Indicator (EEOI). Whatever the goal is, the goal should be measurable and easy to understand.

9 Any operational efficiency indicator or KPI must be appropriate for the ship type and although the AER or EEOI may be appropriate for some ships, they are not appropriate for all ships. Extending the EEDI regulation to existing ships which pre-date the regulation is not supported, due to a host of envisaged complications, and the achieved improvement of each ship should be connected to the operational indicator or KPI chosen. However, voluntary use of the EEDI calculation may be useful to validate the technical efficiency improvements associated with fitting new systems or equipment, or making hydrodynamic improvements.

10 The co-sponsors recognize that document MEPC 74/7/4 includes some flexibility for operational efficiency indicators in paragraph 27, but would recommend to the Committee that it should be for the shipowner to propose a suitable and sufficient operational efficiency indicators or KPIs based on the particular circumstances of its ships. Limiting the choice of operational indicators to AER or EEOI and with a requirement that the Committee must approve alternatives would result in inappropriate indicators being imposed on ships. This would result in undesirable consequences and could seriously distort trade. It should be noted that such distortion would primarily affect small island developing States (SIDS) and least developed countries (LDCs).

11 Paragraphs 30 to 31 of document MEPC 74/7/4 provide proposals for enforcement and verification. The co-sponsors support regular independent third party audits of the SEEMP; however, it should be noted that a ship may properly implement its SEEMP, which will include appropriate objectives, and then fail to achieve these objectives because of circumstances outside the control of the shipowner and crew (for example, prolonged periods of adverse weather, a ship being redeployed to a new route, changes in market conditions). For this reason, it is proposed that audits focus on correct application of part I of the ship's SEEMP.

12 The annex of document MEPC 74/7/4 proposes draft amendments to MARPOL Annex VI, including an amendment which would cause the International Energy Efficiency Certificate (IEEC) to become invalid if a ship does not meet the objectives defined in the SEEMP. As noted in paragraph 11 of this document, a ship may fail to achieve its objectives because of circumstances outside the control of the shipowner and crew despite properly implementing part I of the SEEMP. If the ship's IEEC then becomes invalid, then this will penalize ships for being unlucky enough to operate in unexpected adverse conditions, or in a period of market change. This could distort markets and could adversely affect SIDS and LDCs, in particular since these countries are in many cases the most exposed to the sort of extraneous factors which could cause a ship not to achieve an objective. This would be especially problematic should the Organization mandate inappropriate operational efficiency indicators.

13 In the event that the ship's IEEC was made invalid, as a mandatory certificate, under which conditions would it be reinstated? If, for example, a ship failed to achieve its operational efficiency objective in 2018, it could lose its IEEC. In such circumstances what corrective action shall a company/ship implement to reinstate the certificate? It should be noted that neither shipowners nor mariners control weather conditions or demand for cargo. It should also be noted that invalidating a ship's statutory certificate is also an ISM failure that will have further consequences. Particularly in the time frame of a calendar year, this period would be too short to even out expected variations in weather conditions and other extraneous factors.

14 The co-sponsors recognize that there will need to be a system of audits to verify effective implementation of the SEEMP and that the ship is reducing its GHG emissions. These audits should be focused on ensuring that the ship has effectively implemented its SEEMP, not on short-term analysis of objectives. In paragraph 31 of document MEPC 74/7/4, there is reference to non-conformities and corrective actions. This paragraph notes that the measures proposed "could ensure that a ship is not punished too hard for minor deviations" but it is not clear what would constitute a minor deviation, or what would constitute a non-conformity or an audit observation. As already stated, the co-sponsors do not support punishing a ship for not achieving an objective for the previous year when this may have been caused by extraneous factors outside the control of the shipowner and crew, and would again draw the attention of the Committee to document MEPC.72/INF.5 (INTERTANKO).

Recommendations

15 The co-sponsors recommend that should proposals similar to those provided in MEPC 74/7/4 be taken forward then:

- .1 shipowners should define appropriate operational efficiency indicators or KPIs within part I of the SEEMP and the Organization should not mandate particular operational efficiency indicators or limit them to those appearing on an IMO list which has been approved by the Committee;
- .2 audits of part I of the SEEMP should be conducted to establish effective application of the SEEMP, recognizing that whether or not a ship achieves its SEEMP objectives will be determined by extraneous factors such as weather and environmental conditions;
- .3 failure to achieve a SEEMP objective should not result in the ship's IEEC being withdrawn; and
- .4 further work is needed to develop guidelines for the auditing of part I of the SEEMP.

Action requested by the Committee

16 The Committee is invited to consider the comments and recommendations contained in this document and to take action as appropriate.
