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REDUCTION OF GHG EMISSIONS FROM SHIPS

Additional comments on proposal to establish an IMRB

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SUMMARY

<i>Executive summary:</i>	The co-sponsors provide further comment on the IMRB/IMRF proposal, in response to document MEPC 76/7/20 (Argentina et al.)		
<i>Strategic direction, if applicable:</i>	3		
<i>Output:</i>	3.2		
<i>Action to be taken:</i>	Paragraph 17		
<i>Related documents:</i>	Resolution MEPC.229(65);	MEPC 75/INF.5;	MEPC 76/7/7, MEPC 76/7/8 and MEPC 76/7/20

Introduction

1 This document is submitted in accordance with the document on *Organization and method of work of the Maritime Safety Committee and the Marine Environment Protection Committee and their subsidiary bodies* (MSC-MEPC.1/Circ.5/Rev 2) and provides comments on document MEPC 76/7/20 (Argentina et al.).

2 The co-sponsors thank Argentina et al. for their comments on document MEPC 76/7/7 (Denmark et al.) and welcome their recognition (MEPC 76/7/20 paragraph 4) that "Given the 20 to 30-year lifetime of ships, it will be essential to introduce the ultra-low or zero emission ships by 2030, opening the way for a large-scale deployment in the 2030s and 2040s. Therefore, the rapid scaling and application of these new technologies would be the prerequisite for the successful implementation of the Initial Strategy."

3 Given that 2030 is only nine years away, this underscores why a broad coalition of Governments, together with the industry, has supported the mandate, purpose and mechanism of the IMRB set out in document MEPC 76/7/7. If this mature regulatory proposal to facilitate a collaborative acceleration of R&D of zero-carbon technologies is not taken forward in the immediate future, it is very difficult to see how introduction of zero-emission ships can

realistically be achieved across a broad range of ship types by 2030. As acknowledged by Argentina et al.^{*}, this would likely mean that the Initial Strategy's levels of ambition could not be achieved within the required timelines. It would become increasingly difficult for IMO to demonstrate to the world that it continues to take the lead on addressing GHG emissions from shipping with the urgency and ambition called for by the UN as a response to the climate emergency.

4 Document MEPC 76/7/20 refers to a Getting to Zero Coalition report suggesting most existing R&D projects relevant to decarbonizing shipping are concentrated in certain regions. The co-sponsors believe that this serves to confirm the necessity of the IMRB in order to facilitate that all Member States take part in and benefit from the development of the zero-carbon technologies required to implement the Initial Strategy. Many of the projects referred to in the Getting to Zero report are not specifically related to the applied R&D projects for ships that would be supported by the IMRB. The same report also suggests that the resources currently being dedicated to GHG R&D for shipping are not of the scale which would be generated through the IMRF (about US\$ 5 billion core funding over a ten-year period) and which the industry has identified as being necessary to ensure the introduction of zero-carbon ships by 2030 (see document MEPC 75/INF.5 (ICS et al.)).

Considerations on funding mechanism

5 The co-sponsors of document MEPC 76/7/20 appear to acknowledge that the IMRB (which is listed in the Initial Strategy as a short-term candidate measure) is not a market-based measure (MBM). Whether or not the IMRF might provide the architecture for a levy-based MBM would depend on the type of MBM, if any, that the Organization might eventually decide to develop. The consideration of MBMs by the Committee (a mid-term candidate measure) is an important yet separate matter. The co-sponsors believe that finalization of the IMRB/IMRF and consideration of MBMs should be discussed in parallel, and both measures should be seen as complementary rather than as either/or alternatives.

6 In line with the Initial Strategy, the co-sponsors agree that the IMRB must be cognizant of CBDR-RC and "that the mandate and purpose of the IMRB should clearly underscore that it shall support the development and deployment of low-carbon and zero-carbon fuels and technologies in developing countries, SIDS and LDCs in particular, and contemplate transfer of technology" (MEPC 76 7/7/20 paragraph 16). The co-sponsors agree that reference to resolution MEPC.229(65) on *Promotion of technical co-operation and transfer of technology relating to the improvement of energy efficiency of ships* should be included within the Charter for the Establishment and Governance of the IMRB (MEPC 76/7/7, annex 4). From the co-sponsors point of view, it is very important that the outputs and lessons learned from the R&D programmes conducted by the IMRB will be made widely available to all Member States, including developing countries, LDCs and SIDS. The co-sponsors further agree that developing and developed countries from different geographic regions should be represented in the system. This will be achieved by the supervision provided by the MEPC. The same should apply to any subsidiary group or body which the MEPC might decide to establish for the purpose of overseeing the strategy and programmes of the IMRB.

^{*} It is noted a number of these governments are members of Mission Innovation, committed to "accelerate clean energy innovation", doubling public investment "in clean energy RD&D", and "engaging with the private sector, and fostering international collaboration", see <http://mission-innovation.net/our-members/>

7 Without prejudice to CBDR-RC, the Committee should bear in mind that the Initial Strategy also includes the important principle of "the requirement for all ships to give full and complete effect, regardless of flag, to implementing mandatory measures to ensure the effective implementation of this strategy" as well as "the principle of non-discrimination and the principle of no more favourable treatment, enshrined in MARPOL and other IMO conventions". The proposal in document MEPC 76/7/7 is fully consistent with this principle.

8 The co-sponsors believe that the proposed R&D contribution, the rate and value of which is based on CO₂ emissions from the consumption of marine fuel, and which utilizes the existing IMO ship fuel oil consumption Data Collection System, is the most suitable system to support a collaborative global R&D programme. It should also be noted that the R&D contributions to the IMRB will be made by ships, rather than by Member States.

9 Document MEPC 7/7/20 states in paragraph 13.3 that "The mandatory levy on the purchased fuel would impose additional burden on shipowners, and disproportionately impact on States, especially developing countries, including SIDS and LDCs. Exporter developing countries distant from their markets and shipowners who operate ships on long voyages will be seriously affected."

10 The comprehensive impact assessment provided in document MEPC 76/7/8 (Denmark et al.), prepared with the assistance of Clarksons Research, conclusively shows that the proposed R&D contribution equivalent to \$2 per tonne of fuel consumed would have no disproportionately negative impacts on States, including LDCs and SIDS. Furthermore, shipowners globally, as represented by the co-sponsors, fully support an R&D contribution equivalent to \$2 per tonne of fuel, which, as Clarksons Research has confirmed, is less than the typical daily price variability of marine fuel. This is considered by the industry as a small price to pay compared to the massive costs and uncertainty, including the risk of stranded assets dependent on fossil fuels, if the industry is unable to accelerate the development and introduction of low and zero-carbon technologies. These technologies need to be widely available by 2030 so that IMO's GHG reduction targets can be delivered and that the sector can continue to provide efficient, low-cost maritime transport supporting global trade and sustainable development.

11 MEPC 7/7/20 suggests in paragraph 14 that the Committee "should explore alternative ways to generate funds, in particular based on the duty of developed countries under the CBDR-RC principle, to facilitate and finance the transfer of, or access to, environmentally sound technologies and know-how to developing countries, and possible complementary sources, including cooperate with Green Climate Fund (GCF) and attract such funds into the maritime sector, or in a voluntary mode for states and organizations interested in contributing."

12 There is little evidence that funding of the scale required, will be provided by Governments (or GCF) exclusively for shipping, within the timeframe or for the duration required, and there is a risk to waste valuable time if IMO was to explore this unproductive avenue. The co-sponsors agree that once the IMRF is established it should be possible for Governments and other interested organizations to supplement the core funding provided by the industry. The co-sponsors reiterate that the urgency required to accelerate R&D means that the amendments to MARPOL necessary to establish the contribution system need to be agreed in the immediate future. The industry is willing and ready to make the required R&D contributions and to help the Organization to establish the system for collecting these with minimal administrative burden for Member States. However, this will require the political will from Member States to make this happen, bearing in mind that the world is closely watching.

Establishing the IMRB and IMRF through MARPOL Annex VI

13 The co-sponsors agree that the mandate and purpose of the mechanism must be fully decided before the proposed amendments are adopted. The purpose of the IMRB and IMRF is clearly set out in the proposed new draft Chapter 6 of MARPOL Annex VI, and can be considered by the Committee agreeing to begin detailed consideration of the proposed regulatory amendments contained in document MEPC 76/7/7 with a view to approval, if possible, at MEPC 77.

14 The co-sponsors are unaware of any legal reasons why the IMRB/IMRF cannot be established through MARPOL Annex VI, as the purpose of MARPOL is to help reduce the environmental impact of international shipping, including the adoption of measures to ensure successful implementation of the Initial Strategy. In the co-sponsors' view, the proposal in document MEPC 76/7/7 is fully aligned with the purpose of the MARPOL Convention of contributing to the protection of the marine environment, as the accelerated R&D of low- and zero-carbon emission technologies to be facilitated by the IMRB/IMRF will reduce CO₂ emissions from ships that have negative impacts on biodiversity and ecosystems of the marine environment.

15 The co-sponsors are concerned that a determination by the Committee that IMO should not support this specific R&D initiative to accelerate the introduction of low- and zero-carbon ships, or that it is premature to begin consideration of the detailed proposal set forth in document MEPC 76/7/7, would invite other stakeholders and the broader public to question whether the Organization is willing to move forward with those measures that are necessary to implement the Initial Strategy (including critical R&D efforts) with the sense of urgency that the climate challenge demands. This will be particularly important as MEPC 77 will overlap with COP 26, where progress being made by IMO and in the maritime sector will be in the global spotlight.

16 The co-sponsors recognize that there are a number of details concerning the IMRB/IMRF proposal which may require further refinement. Consistent with the IMO spirit of cooperation, the industry is confident that Member States will respond positively to the challenge of acting with the urgency and ambition required. Approval of the amendments proposed in document MEPC 76/7/7 will demonstrate the continuing leadership of IMO and its Member States in taking concrete actions to create a clear and viable pathway to achieve complete decarbonization of international shipping, an achievement that will serve as an inspiration for other sectors and organizations in their response to the climate emergency.

Action requested of the Committee

17 The Committee is invited to take account of the above when giving consideration to the mature regulatory proposal set out in document MEPC 76/7/7 and take action as appropriate.
