



### **Toward a Pacific Position Paper on Shipping Emissions, March 2017**

1. The Republic of the Marshall Islands and the Solomon Islands have been actively engaged, with support from other Pacific states including Tonga, Fiji, Tuvalu and Vanuatu , in ongoing debate in the International Maritime Organization (IMO) on reduction of shipping GHG emissions. This has included RMI's submission to the 68<sup>th</sup> session of the IMO's Marine Environment Protection Committee (MEPC 68) in May 2015, calling for a high ambition GHG emission reduction target for international shipping as well as co-sponsorship of submissions from some Pacific countries with a growing coalition of other like-minded states to MEPC 69 (April 2016) and MEPC 70 (October 2016) calling for international shipping to contribute its 'fair share' to the international community's efforts to curb GHG emissions.
2. Whilst no consensus could be reached on said submissions, they gained majority support and led to MEPC 70 adopting a *Roadmap for developing a comprehensive IMO strategy on the reduction of GHG emissions from ships*. The roadmap foresees the adoption of an initial IMO Strategy at MEPC 72 (2018) and the adoption of a revised IMO Strategy at MEPC 80 (2023) which will include short-, mid- and long-term further measure(s), as required, with implementation schedules.
3. RMI and Solomon Islands have committed to a continued call for high ambition for shipping emissions reduction with the sector taking a 'fair share' approach consistent with successive Pacific Leaders climate change declarations and the Paris Agreement.
4. The interrelationship between the IMO roadmap process, UNFCCC processes post-Paris Agreement and its underpinning Nationally Determined Contributions as well as the UN Sustainable Development Goals agenda is increasingly recognized.
5. The development of the IMO strategy will become increasingly technical in nature, involving several intersessional and working group meetings and extended

discussion with member states and stakeholders. It is essential that Pacific states maintain active participation and that the unique issues affecting Pacific Island countries are identified and addressed within the broader international debate.

6. In light of these factors, RMI and Solomon Islands have requested Pacific Islands Development Forum (PIDF) Secretariat prepare this draft Pacific position paper on shipping GHG emissions for circulation to PIDF member states to inform discussion with a view to developing common understanding and mutual support for a generic Pacific position within the IMO work plan.

## **Context**

7. Successive Pacific leaders' positioning on climate change since the 2013 Majuro Climate Leadership Declaration and including the 2015 Suva Declaration on Climate Change has prioritized the need for all possible effort by all actors in all sectors to combat climate change. The Majuro Declaration on Climate Leadership confirmed the responsibility of all to act to urgently reduce and phase down greenhouse gas pollution. The Suva Declaration on Climate Change emphasized that the global nature of climate change requires all countries to cooperate.
8. International transport emissions from shipping are not referenced in the Paris Agreement, leaving IMO in control of shipping GHG regulation, as it has been since the Kyoto Protocol. While a single international leadership approach is preferable, should IMO not sanction strong unified action, it is highly likely that regional or national processes will be implemented. This is particularly the case for the European Union which has already decided to include the maritime industry in its Emissions Trading System from 2023 if IMO has not taken comparative action by then.
9. Shipping currently contributes about 3% of global GHG emissions, with the majority contributed by international shipping. This makes shipping the equivalent of a large emitting country such as Germany. IMO has already made some progress on shipping GHG emissions (developing minimum energy efficiency standards for new-build ships), but the progress is slow and the latest analysis of the sector's future emissions shows that even including this policy progress, shipping emissions are expected to grow by 50-250% by 2050 compared to 2012 levels. This means that ship emissions could make up between 6 and 14% of all global emissions by 2050, or the equivalent of a continent like Europe. Such increases would render current Paris

Agreement temperature goals highly unlikely to be achieved and place even greater pressure on other sectors to decrease their emissions.

10. Recognition within the members of the IMO, both states and industry representatives, is growing that decisive action is now needed, needs to be at a sector level (as opposed to individual ship efficiencies) and needs to generally align to the Paris Agreement objectives.
11. Best available science is that for shipping to play a 'fair share' role, as advocated by several Pacific states and a growing coalition of High Ambition minded members, a peak date for shipping emissions needs to be agreed, followed by an increasingly rapid decarbonization trajectory. The steepness of the trajectory will be determined by the size of the 'fair share' agreed, the overall target and time frame for action. The closer to a 1.5°C-guardrail that is accepted, the faster and steeper the decarbonization path needed.
12. A move toward decarbonization implies significant changes, challenges and opportunities for international shipping and these will have direct and indirect flow-on effects for domestic shipping. There will be changes needed in both technology (including lower carbon fuels) and operations of shipping. It is also likely that discussion on market based measures or instruments (MBMs/MBIs) will be required as part of the basket of tools needed. The industry has already signaled their preference for a universal bunker fuel levy in this event.
13. The Pacific Islands position needs to be carefully and strategically considered. It is likely that unique issues will arise for SIDS generally and Pacific SIDS in particular. These are brought about by the Pacific's extreme vulnerability to climate change, size, remoteness, disproportionately high transport costs, extreme dependency on maritime imports for oil, food and other essential needs.
14. Core economic activities of Pacific states could potentially be impacted if shipping emission reduction measures result in any significant increase in transport cost, including maritime related tourism and export of commodities such as sugar, timber, ores, fisheries, agricultural produce, etc.
15. Changes in international shipping, including technology, operations, fuel types and cost, could have flow-on effects to Pacific domestic maritime transport, potentially

both positive and negative. There could also be implications for domestic climate change response, including the role of transport commitments in Nationally Determined Contributions under UNFCCC and the cross-cutting nature of transport to Sustainable Development Goals.

16. IMO member states and industry have acknowledged the special position and issues the shipping emissions reduction discourse raises for SIDS. This has been recorded in various submissions and minutes of successive MEPC sessions and the IMO Assembly High-Level Action Plan (HLAP). European co-sponsors to Pacific submissions since MEPC 69 have also made repeated assurances that such matters are fully recognized and provided for as the Roadmap evolves. But it is essential that IMO Pacific member states take a strong lead on articulating such matters and actively participating in the technical negotiations over the full course of the IMO Roadmap.

### **Specific Issues**

#### **Level of Ambition**

17. Pacific Leaders' declarations have been consistent in identifying that response to climate change requires a high level of ambition by all actors regardless of size and in all sectors. RMI and Solomon Islands have been vocal within the High Ambition Coalition of countries that the reduction of international shipping emissions requires a high ambition approach.

#### **Transport Costs and Dependency**

18. Effects of emissions reduction measures on transport cost is one of the specific issues included in the IMO Roadmap and due to be discussed during the next IMO meetings. Concerns have been raised regularly that any increase in transport cost due to emissions reduction measures will result in a disproportionate increase of both direct and indirect costs to Pacific Island countries. Given that the Pacific has not contributed to the cause of climate change but will suffer its effects first and strongest, there is a rational and special case to be made that any cost increase to these countries should be avoided or compensated for.
19. Unfortunately, there is simply insufficient reliable data availability or analysis to allow any factual determination of the potential or actual impacts on Pacific

transport costs arising from any emission reduction measure. It is therefore imperative for such data collection and analysis work to now be requested as a priority to inform avoidance or compensation strategies. Notwithstanding this, ensuring there is recognition of the need for the special consideration of the potential effects on SIDS/LDCs needs to be an early priority of the Roadmap and identification and negotiation on the options and design of avoidance and compensation measures commenced from the outset of the Roadmap process.

20. For Pacific countries, transport cost is a subset of a wider issue related to transport dependency. Given their geography, limited economies and resources, many Pacific Island countries are highly dependent on maritime transport for food security (RMI imports more than 80% of all food), fuel security (Solomon Islands and RMI import 100% of all fossil fuels), pharmaceuticals (100%) and industrial equipment (100%). Transport supply to many Pacific Island countries is always economically marginal. Should it be demonstrated that GHG emission reduction measures cause increased transport costs, there is a potential effect to transport security for some, if not all, Pacific Island countries. It is a requirement that the impact on states is taken into account in the Roadmap design and the IMO Assembly HLAP (resolution A.1098(29)) requires particular consideration to be given to the situation of SIDS and LDCS.

21. International shipping GHG emissions reduction measures will likely include a range of direct and indirect flow-on effects to the Pacific domestic maritime scenario. These may include increased domestic maritime costs, especially when significant proportions of imports are transshipped from regional hubs to smaller spoke countries and significant proportions of imports are reshipped internally within countries on routes which are already uneconomic and must be subsidized by governments. There may be positive effect if increased efficiency and low carbon maritime options can be successfully transferred to domestic shipping.

### **Domestic transport climate change policy**

22. Advocacy for international action on shipping GHG emissions needs to be balanced with domestic commitments and action. This includes greater consideration of the role of transport commitments in NDCs and the cross-cutting nature of transport to SDGs. Recent analysis shows that Pacific Island country NDCs are skewed to electricity generation targets, and emissions from domestic transport are poorly reflected in both carbon accountancy and policy responses. Transport is the region's greatest energy user and maritime transport in the Pacific is a significant emitter and

energy user. In the Solomon Islands for example, 61% of emissions are from the transport sector and government would like to review the NDC to now capture transition in the domestic maritime sub-sector to include low carbon technologies and fuels.

### **Pacific country capacity to participate in international shipping emissions negotiations**

23. The ability of many Pacific Island states to maintain active participation and representation of their government positions in the IMO processes, given the costs of time-intensive London-based processes, lack of dedicated capacity and small size of administrations, is of concern.
24. Current capacity of Pacific island governments to participate in the IMO Roadmap processes is constrained by lack of dedicated human resource, technical support and resources. Active engagement in the Roadmap will require physical participation in London where Pacific Island government representation has traditionally been either limited or facilitated through the various registry companies that administer Pacific Island flags. Costs of participation are proportionally highest for Pacific representatives due to the high rate of travel related costs.
25. The lack of capacity and resources of SIDS to participate more generally is recognized by the IMO and a number of technical support measures have been initiated or proposed, these are thus far too limited in scope or timing to allow adequate participation in the IMO processes.
26. More recently technical support has been provided by academics (notably UCL and USP), EC and increasingly EU member states.
27. RMI and the Solomon Islands invite other Pacific Island governments to consider the content of this paper as the basis of intent for a Pacific position within the growing number of countries forming the High Ambition Coalition for Shipping in development of the IMO strategy for reducing GHG emissions of international shipping.