

INTERSESSIONAL MEETING OF THE
WORKING GROUP ON REDUCTION OF
GHG EMISSIONS FROM SHIPS
1st session
Agenda item 2

ISWG-GHG 1/2/12
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**CONSIDERATION OF HOW TO PROGRESS THE MATTER OF
REDUCTION OF GHG EMISSIONS FROM SHIPS**

**Possible emissions scenarios and a method for quantifying
an emissions pathway for shipping**

**Submitted by Belgium, Denmark, France, Germany, the Marshall Islands,
the Netherlands, Solomon Islands, Tonga, Tuvalu and ICHCA**

SUMMARY

Executive summary: In accordance with the Roadmap for developing a comprehensive IMO strategy on the reduction of GHG emissions from ships, this document introduces a number of emissions scenarios and a potential scientific approach on how the international shipping sector can contribute to meet the temperature goal of the Paris Agreement by establishing a global level of ambition for future GHG emissions from international shipping

Strategic direction: 7.3

High-level action: 7.3.2

Output: 7.3.2.1

Action to be taken: Paragraph 11

Related documents: MEPC 68/5/1; MEPC 69/7/2; MEPC 70/7/6, MEPC 70/7/13, MEPC 70/18/Add.1 and MEPC 71/INF.35

Introduction

1 At MEPC 70 the Committee approved the Roadmap for developing a comprehensive IMO strategy on the reduction of GHG emissions from ships as set out in annex 11 of document MEPC 70/18/Add.1.

2 In accordance with the Roadmap, the first meeting of the Intersessional Working Group on Reduction of GHG Emissions from Ships (ISWG-GHG 1) should start discussions on a comprehensive IMO strategy on reduction of GHG emissions from ships taking into account inputs such as activities related to GHG emissions reductions by stakeholders.

Scientific CO₂ study on emissions from international shipping

3 Among the various activities carried out by stakeholders related to GHG emissions reductions is a study "CO₂ emissions from international shipping – possible reduction targets and their associated pathways".

4 The study was commissioned by the Danish Shipowners' Association (DSA) and carried out by UMAS¹. It was presented in November 2016.

5 The study sets out to develop the potential pathways and scenarios for the future CO₂ emissions of international shipping, in the context of wider global decarbonization consistent with the Paris Agreement. It provides different proposals for how international shipping can reduce its emissions in pace with the rest of the economy, while pursuing the Paris Agreement's goal of "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels".

6 The study details a series of models and assumptions used to simulate how the international shipping sector might evolve to meet different constraints on its total GHG emissions.

7 Figure 1, taken from the report and reproduced on the next page, shows the potential pathways of operational CO₂ emissions for the period 2010-2050, for the subset of international shipping (container, dry bulk and tanker) considered in the study. Scenarios 2 and 3 are BAU (business as usual) scenarios, meaning that no further measures are implemented, all the other scenarios require further measures. The difference between scenarios 2 and 3 is that scenario 2 takes into account the EEDI regulation. Scenarios 4 to 10 all include the introduction of market-based measures (MBMs), from 2025 (scenarios 4, 5, 8, 9 and 10) or 2030 (scenarios 6 and 7). They also consider different 2010-2100 carbon budgets, from 18 MEgigatonnes for the most ambitious pathway (scenario 4) to 79 gigatonnes for the least ambitious pathway (scenario 10). Finally, they also test different hypotheses in terms of fuel options (hydrogen biofuel availability), fuel price, technology cost, etc. The pathways are produced using a model, described briefly in the annex, and in greater detail in document MEPC 71/INF.35.

8 Based on the results of the scenarios, the study proposes a global level of ambition for shipping that ensures reductions consistent with the overall ambition of the Paris Agreement (see annex and MEPC 71/INF.35).

9 The full study is submitted to MEPC as document MEPC 71/INF.35 and to the ISWG respectively as ISWG-GHG 1/INF.2.

International shipping's contribution to achieve the temperature goal of the Paris Agreement

10 The co-sponsors find that the study could provide a useful scientific method for the further work of IMO to establish a global level of ambition for future GHG emissions from international shipping in line with the Paris Agreement. In all circumstances, the further work should be based on updated scientific projections to the highest extent possible.

¹ UMAS is a sector focused commercial advisory service that draws upon the world leading expertise of the UCL Shipping Team combined with the advisory and management system expertise of MATRANS. In combination, UCLC, UCL Energy Institute and MATRANS operate under the branding of the entity UMAS.

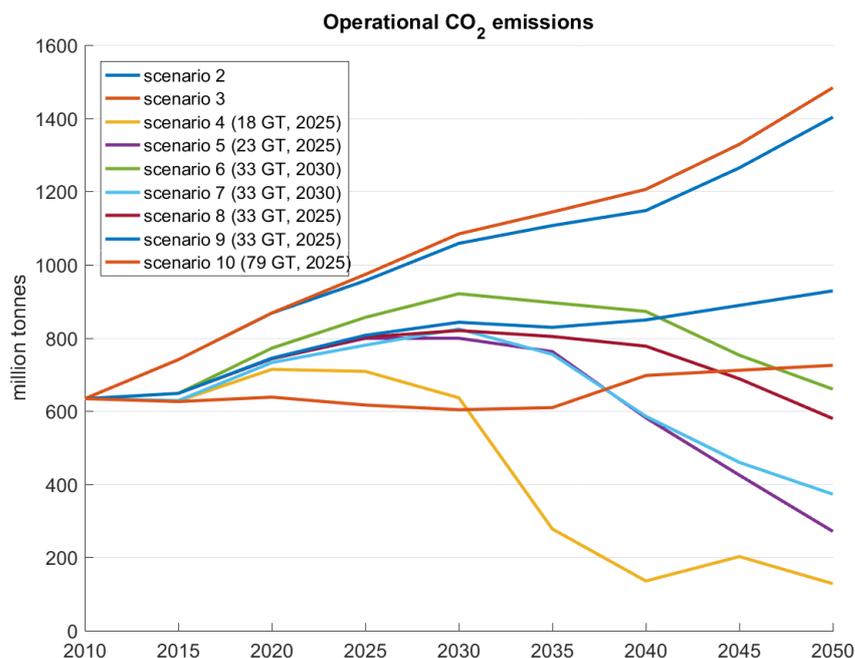


Figure 1: Scenarios of operational CO₂ emissions from a subset of international shipping (container ships, oil tankers and bulk carriers)

Action requested of the Working Group

11 The Working Group is invited to take into account the possible emissions scenarios and the method for quantifying emissions pathways provided above and the views in the enclosed executive summary of the report and take action as appropriate.

ANNEX

EXECUTIVE SUMMARY OF THE STUDY "CO₂ EMISSIONS FROM INTERNATIONAL SHIPPING – POSSIBLE REDUCTION TARGETS AND THEIR ASSOCIATED PATHWAYS"

The study "CO₂ emissions from international shipping – possible reduction targets and their associated pathways" focuses on understanding the potential pathways and scenarios for the future of international shipping, in the context of wider global decarbonization consistent with the Paris Agreement.

The study derived targets ranging from the most ambitious, achieving zero emissions by around 2035 (temperature stabilization 1.5°C above pre-industrial levels), to the least ambitious, approximately keeping CO₂ emissions from shipping constant at their current levels (a target representative of the average developing country's Nationally Determined Contribution). Corresponding to each target, a set of simulated pathways, each exploring the details of how the shipping industry would meet the specified target, were produced.

This study was undertaken using a series of models and selections of assumptions, to simulate how the shipping sector might evolve to meet different constraints on its total CO₂ emissions.

The simulations are run from 2010 to 2050. The modelling is initiated in the baseline year 2010 using data obtained that characterizes the different sectors of international shipping (broken down into ship type (e.g. dry bulk carrier, container ships) and size (e.g. Panamax, 8000 TEU)) at that point in time. The model then simulates the evolving decisions made by shipping owners and operators in the management and operation of their fleets (including the specification of new builds, decisions to retrofit, switch fuel or change average operating speed).

To investigate how different ships perform using different mixes of technologies and operational interventions a model underpinned by detailed engineering assumptions and relationships is used. This generates many ship design options with different design, technology, fuel and operational specifications.

In order to meet a given target for CO₂ emissions, the model uses a carbon price. The price is set for each year of the simulation, such that it enables a sufficient change within shipping (e.g. selection of appropriate low carbon technology, operation, fuel), or purchase of offsets, so that the overall net emissions from shipping follow the required trajectory. Varying constraints are placed on the amount of CO₂ emissions that can be offset out of sector.

The model is run for ten different scenarios. The scenarios correspond both to different CO₂ targets and different input assumptions, and allow the sensitivity of the results to variations in assumptions to be explored. All assumptions used were sourced from existing literature. The assumptions used are listed in the report, along with extensive data on the performance and costs of different energy efficiency interventions.

A key assumption and important uncertainty in the work is the evolution of transport demand to 2050. In light of both recent trends in world trade and suggestions from DSA members, all the study's ten scenarios use the Third IMO GHG Study 2014 demand scenarios which are broadly consistent with 2°C temperature stabilization and so projects declining demand for the transport of fossil commodities, coal and oil, whilst driven by increasing population and wealth, increasing demand for some bulk commodities and container shipping's services (approximately growth in demand of 4% per annum for container shipping, growth for dry bulk of 2.5% per annum, and a halving of demand for oil tankers over the period – driven by the increasing decarbonization of the global economy).

Results

The study proposes a target for shipping that ensures reductions consistent with the overall ambition of the Paris Agreement. There are a number of different ways to achieve this, but the study recommends that, to allow a gradual transition, net emissions will need to peak in 2025, with absolute emission reductions amounting to approximately 400 million tonnes in net emissions, by 2050. Consistent with the Paris Agreement, emissions will then need to reduce to zero during the second half of the 21st century.

Regarding different possible pathways, the results from the simulations show, consistent with the Third IMO GHG Study, that with no further policy expectations are that CO₂ emissions from international shipping will rise. The results also show that a number of decarbonization pathways, in which emissions from international shipping peak and then reduce, are also foreseeable. Exploring the details of the results reveals a number of key findings:

- .1 in each decarbonization pathway, there are different relative contributions from technical and operational interventions on energy efficiency (both more efficient newbuilds and retrofitting to existing fleet), use of alternative fuels, and the purchasing of CO₂ emissions offsets;
- .2 in order to achieve absolute emissions reductions, whilst accommodating an increase in transport demand, shipping will need to reduce its average carbon intensity (the amount of CO₂ emitted per tonne of goods moved) by more than can be achieved through energy efficiency interventions alone. Whilst there are different ways this can be achieved, the scenario results show that, in addition to the use of a number of energy efficiency interventions, alternative (low carbon) fuels such as biofuel and hydrogen become preferable to the use of extremely low operational speeds in combination with fossil fuels;
- .3 because the study did not exhaustively test all the different potential fuels, the study's finding that hydrogen could have an important role in the future of international shipping is not evidence that hydrogen is the most suitable. But it does indicate the potential for fuels like hydrogen generally, as a means to convert energy (e.g. from surplus renewable energy in the electricity grid) into a store of energy for use in ships. In this respect hydrogen is similar to batteries and depending on how technology develops in both of these areas will determine which could be the better solution for different future ship designs in the future;
- .4 costs, both for energy efficiency technologies and fuels, are of high uncertainty. One scenario explores the consequences of dramatic cost reductions both for machinery (main engines) and energy efficiency technologies. The results show that in this scenario, whilst there is a reduced cost for international shipping, the pathway that the sector follows is in practice very similar to the equivalent standard cost scenario; and
- .5 the role of offsetting is explored, assuming that a reliable and robust method for offsetting is available. Offsets purchased at an estimated "global carbon price" appear in earlier decades (2020s and 2030s) to be a cost-effective means to manage shipping's carbon emissions. However, they become more expensive with time (as the low-hanging fruit for decarbonizing the wider economy gets used up) and in later years offsets in many scenarios give way to increasing amounts of CO₂ emission reduction within shipping. This indicates it could be dangerous to assume that shipping's decarbonization can be managed wholly using CO₂ emission offsetting.