

MARINE ENVIRONMENT PROTECTION
COMMITTEE
70th session
Agenda item 7

MEPC 70/7/13
2 September 2016
Original: ENGLISH

REDUCTION OF GHG EMISSIONS FROM SHIPS

International shipping's share in international efforts to limit the rise of global average temperature - comments on method and transport cost considerations

Submitted by Antigua & Barbuda, Belgium, France, Germany, the Marshall Islands, Monaco, the Netherlands, the Solomon Islands and Tonga

SUMMARY

Executive summary: Responding to submissions made to MEPC 70 agenda item 7 on the topic of fair share and long-term objectives, and in particular document MEPC 70/7/6, this document provides an exploration of methods for identifying fair share (step 3 in the work plan of document MEPC 70/7/6), as well as a clarification of the relation between fair share and transport cost

Strategic direction: 7.3

High-level action: 7.3.2

Output: 7.3.2.1

Action to be taken: Paragraph 20

Related documents: MEPC 69/7/1, MEPC 69/7/2, MEPC 69/7/4, MEPC 70/7/3, MEPC 70/7/4, MEPC 70/7/5, MEPC 70/7/6, MEPC 70/7/7 and MEPC 70/7/8

Introduction

1 This document is submitted in accordance with the provisions of paragraph 6.12.5 of the *Guidelines on the organization and method of work of the Maritime Safety Committee and the Marine Environment Protection Committee and their subsidiary bodies* (MSC-MEPC.1/Circ.4/Rev.4) and comments on the issues raised in documents MEPC 70/7/3, MEPC 70/7/4, MEPC 70/7/5, MEPC 70/7/6, MEPC 70/7/7, MEPC 70/7/8 and related matters.

Background

2 Since MEPC 68, several Member States and observer organisations have suggested that the Organization define what its long-term objective in reducing GHG emissions from ships should be. The Marshall Islands invited the Committee to define a shipping CO₂ target (MEPC 68/5/1). Further concepts introduced through documents MEPC 69/7/1 and MEPC 69/7/2 led MEPC 69 to agree (MEPC 69/21, paragraph 7.7.7) to "...a further discussion on how to progress the matter...".

3 One of those submissions, document MEPC 69/7/2, proposed a work plan that could enable further discussion, and includes in paragraph 7.1 an item of that work plan to be the "methodology to be used to define the required emission reduction efforts of international shipping". Document MEPC 70/7/6 further refines that idea and work plan.

4 Commenting on document MEPC 69/7/2, document MEPC 69/7/4 supports the concept of a work plan and proposes several principles that should be considered and used to define the scope and specifics of the work plan's process. Document MEPC 70/7/8 builds on that list of principles. This submission seeks to further build on these principles and propose a collation that is also derived from the plenary debate at MEPC 69 and the co-sponsors' own discussions and consultations since that debate.

5 The determination of the fair share of shipping's contribution to the global efforts needs to fully take account of the objective of the Paris Agreement, namely "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels" (article 2.1 (a) of the Paris Agreement). In line with this long-term temperature objective, Parties to the Paris Agreement committed to "aim to reach global peaking of greenhouse gas emissions as soon as possible" and "to undertake rapid reductions thereafter", "so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century" (article 4.1 of the Paris Agreement). These long-term temperature objectives require:

- .1 a fair share/contribution of the shipping sector. Noting that if the shipping sector continues to increase its emissions, there is a high probability that the objectives of the Paris Agreement will not be attained as other sectors and countries will need to do considerably more. This would be detrimental to the objectives of the Paris Agreement, and other sectors and countries; and
- .2 prompt action to define shipping's fair share/contribution.

6 Fair share introduces the concept of fairness to the process of IMO defining its long-term objective, partly because fairness is explicitly mentioned in the Paris Agreement. However, it is noted that document MEPC 69/7/2 is not the first introduction of fairness to the IMO MEPC discussions on GHG. For example, in document MEPC 57/4/27 South Africa stated that "shipping should contribute fairly to reducing GHG emissions, but there is no global emission measure to align a reduction target for the shipping sector with yet." In document MEPC 57/21, India's statement was referenced: "India expressed the view that any IMO framework on GHG emission reductions from shipping should: have a shared vision for long-term co-operative action, including a long-term goal for emission reductions; contribute fairly to the ultimate objective of the UNFCCC in accordance with its provisions (...)".

Considerations for methods identifying shipping's fair share

7 In document MEPC 70/7/6, the third step is "exploration and evaluation of all possible methods to define the fair share". Paragraphs 8 and 9 below are provided as an input to that exploration step.

8 Whilst international shipping's fair share is defined in the context of the global emissions pathway and the effective reduction of GHG emissions from international shipping, the co-sponsors propose that it is also set in the context of sustainable development and efforts to eradicate poverty, as is the Paris Agreement emissions pathway. The following are several examples of how this could be done:

- .1 the 'capability argument' is often referenced in international climate change debates. This argument holds that action to reduce emissions should be allocated according to the capability of the sector (e.g. what rate of decarbonisation is economically and technically feasible);
- .2 another approach argues that "equals" should be treated alike. For example, Norway (MEPC 59/4/24), suggests that shipping's burden of reducing GHG emissions should be similar to that of comparable sectors. Another option would be to compare it to that of other countries, as for example suggested by the International Chamber of Shipping in document MEPC 69/7/1. In both cases, agreement on what grounds to determine comparability would need to be reached; and
- .3 another approach apportions a share of a carbon budget associated with a given temperature target (e.g. the best available scientific understanding of future CO₂ emissions pathways), to shipping, using information derived from its historical share of total emissions (e.g. maintaining shipping's historical share, or some multiple of this share)¹.

9 The co-sponsors propose that further development of a method to define a fair share could be derived from one or more of the examples defined above or other proposed approaches, in combination with consideration of principles .2 and .5 as set out in document MEPC 69/7/4, and the principles suggested in document MEPC 70/7/8.

The relation between a fair share and transport costs

10 In the debate at MEPC 69, several countries argued that one possible consequence of further policy to enable international shipping's fair share is a change to transport cost.

11 The co-sponsors of this submission agree that consideration of transport costs is very important for reaching sustainable development goals, especially for remote economies including small island developing states. Therefore, any possible impact on transport costs should be carefully considered and duly taken into account in the further policy debate.

12 However, the co-sponsors of this submission are of the opinion that the fair share in itself will not change transport costs. Possible changes in transport costs may be caused by the additional measures or instruments which may be adopted after the policy debate. Further work is needed to improve understanding of the extent and manners (both positive and negative) in which mitigation of shipping's GHG emissions, which is likely to include further increases in energy efficiency, might affect transport costs.

¹ e.g. as in Smith, T.W.P, Traut, M, Bows-Larkin, A., Anderson, K., McGlade, C., Wrobel, P. (2015) "CO₂ targets, trajectories and trends for international shipping". European Parliament (2015), "Emission Reduction Targets for International Aviation and Shipping".

13 Additional measures can address undesired changes in transport costs in many ways. For example, a part of shipping emissions could be exempted from future additional measures. Alternatively, a part of shipping emissions could be subject to a phase-in into the measures. In addition, it is conceivable within certain types of measures that there are value transfers within the measure that mitigate the impact of the transport costs changes on certain parts of the shipping sector or on certain economies.

14 Given the number of different options to address undesired impacts of additional measures on transport costs and the fact that all these are closely connected to the possible instrument chosen, and not to the definition of the fair share, the co-sponsors of this submission are of the opinion that the impact on transport costs and ways to address it need not in themselves prevent discussions of fair share methodology and can better be debated in any future work on measures or instruments.

15 The co-sponsors also note the potential for significant positive outcomes of any additional measure or instrument, which may include improved global cooperation, innovation and capacity building.

Conclusion

16 The definition of a fair share will send a clear signal to the shipping sector and the international community on the contribution of the shipping sector to the global effort under the Paris Agreement to combat climate change.

17 The fair share itself does not have an impact on transport costs, but measures or instruments to reach the fair share may.

18 Transport costs are important for sustainable development, especially for remote economies and small island developing states.

19 It is therefore of the utmost importance to analyse and debate the impact of possible additional measures on transport costs in any future work on measures.

Action requested of the Committee

20 Considering the large amount of commonality between the submissions, the urgency, but also the need to create a consensus work plan, the Committee is invited to:

- .1 establish a dedicated working group for this agenda item to develop a work plan including timeline for shipping's fair share/objective to reduce GHG emissions;
- .2 agree on a work plan; and
- .3 consider intersessional work to launch the implementation of that work plan in due time.