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WORKING GROUP ON REDUCTION OF
GHG EMISSIONS FROM SHIPS
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Agenda Item 2

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**FINALIZATION OF THE DRAFT INITIAL IMO STRATEGY ON REDUCTION OF
GHG EMISSION FROM SHIPS**

Comments and suggestions for finalization of the draft Initial IMO Strategy

**Submitted by Belgium, Denmark, Finland, France, Germany, Kiribati, the Marshall
Islands, New Zealand, Spain, Sweden and the United Kingdom**

SUMMARY

<i>Executive summary:</i>	This document provides considerations and text proposals for the Initial IMO GHG Strategy
<i>Strategic Direction, if applicable:</i>	3
<i>Output:</i>	3.2
<i>Action to be taken:</i>	Paragraph 16
<i>Related documents:</i>	MEPC 70/18/Add.1; ISWG-GHG 1/INF.2; ISWG-GHG 2/2/12, ISWG-GHG 2/4/1 and ISWG-GHG 3/2

Introduction

- 1 Document ISWG-GHG 3/2 provides an indicative draft text of the Initial IMO GHG Strategy, based on the progress documents prepared by ISWG-GHG 2.
- 2 The co-sponsors of this document would like to express their appreciation for the effort of the Chair in submitting document ISWG-GHG 3/2 and the intent expressed in paragraph 5.
- 3 With the aim to facilitate the finalization of the draft IMO Strategy and to ensure that all Parties' concerns are sufficiently addressed, the co-sponsors propose in the annex text for integration into the draft Strategy.

Vision

4 The Initial GHG Strategy should do two things: guide the development of further measures and communicate to the outside world IMO's strong commitment to contribute to global efforts to mitigate climate change.

5 A vision statement can contribute to sending a signal on how IMO sees the future. The vision statement should be aspirational, and kept short and precise to provide clear guidance to industry to take appropriate long-term investment decisions.

Levels of ambition

6 While the vision statement provides the overarching direction for the Strategy, there is a need to set specific objectives to describe the pathway towards achieving the vision. These Levels of ambition are essential to help IMO realize the vision.

7 The Levels of ambition must address the severe risks climate change poses to all Member States and even the survival threat to certain Member States. Their finalization should also take into consideration technical feasibility and uncertainties inherent in all projections of the future. Taking into account these uncertainties and also reflecting the Paris Agreement goal of limiting global average temperature rise to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C, it is proposed that the objectives within the Levels of ambition should be phrased as a range where appropriate: e.g. in particular Objectives 2 and 4 as proposed in document ISWG-GHG 3/2. If desired, a more specific value within that range could be chosen at the point IMO adopts its Revised Strategy in 2023.

8 The objectives that were proposed in document ISWG-GHG 2/2/12 are in line with several different top-down methods for identifying a proportionate response by international shipping to the Paris Agreement temperature goal. The four different types of objectives listed in document ISWG-GHG 3/2, taken together present a combination to guide further policy development. The co-sponsors support the idea that Objective 2 (relative gCO₂/tnm) is used to guide policy for the period to 2030, and Objective 4 (absolute) is used to guide policy for the period to 2050. Based on bottom-up assessments, the co-sponsors are confident that these objectives are realistic and achievable for reasons set out below.

9 The co-sponsors recall that studies have demonstrated projections that the proposed objectives in document ISWG-GHG 2/2/12, i.e. 70% pursuing efforts towards 100% reduction in 2050 are achievable. This includes document ISWG-GHG 1/INF.2, produced in close collaboration with both classification societies and shipowners. This study estimated detailed bottom-up technology-specific scenarios, i.e. the specific required combinations of technical and operational measures. The study included details for all the major ship types contributing significantly to international shipping's GHG emissions. Different scenarios, achieving similar rates of GHG reduction were tested, allowing for differences in availability of biofuels, costs of energy efficiency technology and costs of alternative fuels. By testing these different pathways the study showed robustly the potential for achieving a full decarbonization of shipping at time scales consistent with the objectives mentioned above. This study has been further verified in later submissions.

10 According to the most up-to-date and current best available science (UNCTAD *Review of Maritime Transport 2017* and the *Third IMO Greenhouse Gas Study 2014*), the efficiency of international shipping improved by 25% between 2008 and 2012. Preliminary data show that efficiency continued to improve from 2012 to 2015. During this period, the average annual increase in efficiency was 4.5% between 2008 and 2012, it was even higher at 6.5% per annum. Consistent with the Paris Agreement framing of a range for ambition

(well below 2°C, pursuing efforts towards 1.5°C) and being conservative that the 2008 to 2015 rate of efficiency improvement may seem harder to maintain, the co-sponsors propose further annual efficiency increases of between 2% per annum and 5% per annum. This equates to 31% and 57% further improvement on 2012 efficiency by 2030, or against a baseline of 2008, 50% to 70%. The co-sponsors consider this to be feasible because even though there was not a significant policy/regulatory driver of the GHG reduction between 2008 and 2015, annual energy efficiency improvements were observed. The SEEMP and EEDI (affecting newbuilt ships only) only entered into force in later years, and at low stringency. With the introduction of further policy measures in the short- and mid-term (out to 2030) which can regulate the efficiency of the existing fleet as well as newbuilds, there is potential for a further increase.

11 The co-sponsors identify several significant risks in the case Objectives adopted are not aligned with the Paris Agreement temperature goal in the Initial Strategy. As such, if IMO decides to set lower Levels of ambition in the Initial Strategy, even with the assumption that this could be revised to closer align with the Paris Agreement temperature goal in subsequent review periods, several significant risks would be encountered:

- .1 a significant risk of not achieving a Paris Agreement matching contribution to even the well below 2°C temperature goal is added, given the lead time required for developing measures to achieve the required GHG emissions reductions, the time until adoption and entry into force of these measures and the time for measures to start producing GHG emissions reductions;
- .2 the ability to pursue efforts to limit the global average temperature increase to 1.5°C is forfeited. The next 5 to 10 years are crucial for these efforts, so postponement to a review with the intent to increase ambition in 2023 is not compatible;
- .3 an expectation is communicated to the world that international shipping will grow its share of global GHG emissions (under Paris Agreement temperature goal trajectories), and that the average NDC will have to achieve proportionately greater reductions to compensate for international shipping's growing share of emissions;
- .4 a confusing and unclear signal is sent to industry, setting them on the wrong trajectory now, adding risks for the shipowner community and the commercial ecosystem (bunker suppliers, equipment manufacturers) that enable shipping and world trade; and
- .5 the flow of capital into R&D that can further reduce the cost of shipping's decarbonization is hindered or postponed.

Acting on disproportionate impacts on States

12 The Initial Strategy should be based on sustainable development without penalizing global trade and growth. In this regard, the co-sponsors suggest adding text to acknowledge the need to not only assess but also to act on disproportionate negative impacts on States as appropriate.

13 The primary guiding principle for the Initial Strategy must be that measures are equally applicable to all ships, regardless of their flag, in order to avoid evasion and to effectively minimize competitive distortion. The co-sponsors recall that there was broad consensus around this principle at ISWG-GHG 1 and ISWG-GHG 2.

Follow-up actions

14 The Initial Strategy needs to be followed up without delay by actions from MEPC that, in line with paragraphs 4.2 and 4.3 of annex 1 to document ISWG-GHG 3/2, have a considerable impact on emissions reductions. With a view to achieving further reduction of GHG emissions from international shipping and to start work on mid and long-term measures prior to 2023, an action plan should be an integral part of the Initial Strategy to structure this work.

15 Hence, the co-sponsors propose to include into the initial Strategy a plan of follow-up actions.

Action required of ISWG-GHG 3

16 The Group is invited to consider the draft text of elements presented in the annex to this document when developing the Initial IMO GHG Strategy.

ANNEX

TEXT PROPOSALS FOR INITIAL IMO GHG STRATEGY BASED ON DOCUMENT ISWG-GHG 3/2

The co-sponsors suggest that following paragraphs should replace the respective ones contained in document ISWG-GHG 3/2 or should be added (1.1bis):

RESOLUTION MEPC.XXX(XX)

3 AGREES to implement and keep the Initial Strategy under review, with a view to adoption of a Revised Strategy on reduction of GHG emissions from ships at MEPC 80 in 2023.

ANNEX

1.1*bis* reference to the Paris Agreement

The Parties to the UNFCCC have agreed in the Paris Agreement to reach global peaking of greenhouse gas emissions as soon as possible and to undertake rapid reductions thereafter in accordance with best available science, 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, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

2 Vision

IMO is committed to rapidly reducing GHG emissions from international shipping to zero as soon as possible in this century.

Levels of ambition

3.1 Subject to amendment depending on reviews to be conducted by the Organization, the Initial Strategy identifies an appropriate level of ambition for the international shipping sector noting that the global introduction of alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. Objectives are agreed as follows:

- .1 *Carbon intensity of the ship to decline through implementation of further phases of the energy efficiency design index (EEDI) for new ships***
Objective 1 – strengthen the energy efficiency design requirements for ships with the percentage improvement for each phase to be determined for each ship type, as appropriate;
- .2 *Carbon intensity of international shipping to decline***
Objective 2 – to reduce CO₂ emissions per tonne-km, as an average across international shipping, by 50% pursuing efforts towards 70% by 2030, relative to 2008 levels;
- .3 *Annual total GHG emissions from international shipping to be kept below a defined level***
Objective 3 – to maintain international shipping's annual total CO₂ emissions below 2008 levels; and

- .4 GHG emissions from international shipping to decline**
Objective 4 – to reduce international shipping's total annual CO₂ emissions, as part of a continuous reduction, by 70%, pursuing efforts towards 100%, by 2050 compared to 2008.

Guiding principles

3.2 The Initial Strategy is guided by the principle of non-discrimination and the principle of no more favourable treatment enshrined in MARPOL and other IMO conventions.

There is the need to consider and take into account as appropriate the impacts of measures, in particular, on LDCs and SIDSs as noted by MEPC 68 (MEPC 68/21, paragraphs 4.18 to 4.19) and their specific needs, as recognized in the output of the Organization's Strategic Plan (SD 1.2, resolution A.1110(30)).

Impacts on States

4.9 The impacts on States of a measure should be assessed and taken into account, as appropriate, before adoption of the measure.

4.10 Determinants of impacts of measures on States, particularly LDCs and SIDS include, inter alia:

- .1 geographic remoteness and connectivity to main markets;
- .2 cargo value;
- .3 cargo type;
- .4 transport costs;
- .5 transport dependency;
- .6 food security; and
- .7 disaster response.

4.11 The specification and agreement of the approach for assessing and taking into the account the impacts of measures on States, should be undertaken as a matter of urgency as part of the follow-up actions.

4.12 Disproportionate impacts should be identified and addressed further, according to the principles mentioned in paragraph 3.2.

6.1 A programme of follow-up actions of the initial Strategy contains the following actions:

Time	Action
Autumn 2018 (MEPC 73)	Identification of short-term measures with short-term impacts
Summer 2019 (MEPC 74)	Initiation of development of candidate measures with likely short-term impact on shipping's GHG emissions including assessment of possible impacts on States and how these could be addressed
Spring 2020 (MEPC 75)	Continuation of development of candidate measures with likely short-term impact on shipping's GHG emissions including assessment of possible impacts on States and how these could be addressed
Autumn 2020 (MEPC 76)	Decision on measures with likely short-term impact on shipping's GHG emissions, taking into account assessment of possible impacts on States Assessment of other candidate measures including possible impacts on States
Summer 2021 (MEPC 77)	Adoption of legal framework for measures with likely short-term impact on shipping's GHG emissions Continuation of assessment of other candidate measures including possible impacts on States
Spring 2022 (MEPC 78)	Conclusion of assessment of other candidate measures including possible impacts on States
Autumn 2022 (MEPC 79)	Preparation of revision of IMO GHG Strategy