

INTERSESSIONAL MEETING OF THE  
WORKING GROUP ON REDUCTION OF  
GHG EMISSIONS FROM SHIPS  
7th session  
Agenda item 2

ISWG-GHG 7/2/11  
7 February 2020  
ENGLISH ONLY

**FURTHER CONSIDERATION OF CONCRETE PROPOSALS TO IMPROVE THE  
OPERATIONAL ENERGY EFFICIENCY OF EXISTING SHIPS, WITH A VIEW TO  
DEVELOPING DRAFT AMENDMENTS TO CHAPTER 4 OF MARPOL ANNEX VI AND  
ASSOCIATED GUIDELINES, AS APPROPRIATE**

**A proposal to addressing impact assessment uncertainties when considering  
proposed measures to reduce GHG emissions from ships**

**Submitted by Solomon Islands and Tonga**

**SUMMARY**

*Executive summary:* This document outlines a pragmatic approach of four actions that can be taken to enable adoption of measures to reduce GHG emissions from international shipping where there may be uncertainty as to the potential for disproportionately negative impacts on States

*Strategic direction, if applicable:* 3

*Output:* 3.2

*Action to be taken:* Paragraph 13

*Related documents:* MEPC.1/Circ.885; MEPC 75/7/2 and ISWG GHG 7/2/10

**Introduction**

1 Issues of uncertainty of impacts on States due to the lack, accuracy and/or reliability of data available for undertaking impact assessments (IAs), particularly regarding Small Island Developing States (SIDS) and Least Developed Countries (LDCs), were raised most recently during ISWG-GHG 6.

2 Most IAs for short-term measures proposed to date contend that adoption of the measure ultimately will likely demonstrate positive benefit to international shipping, including through operational efficiencies and savings, and hence provide benefits to States.

3 There is a need to consider the means by which any disproportionately negative impact on specific States might be addressed, and the pros and cons of each. For example, blanket exemptions for ships on certain routes complying with a GHG emissions reduction measure because of the potential for disproportionately negative impact on a specific State could result in a growing inequity in shipping service with those countries. This could result in a situation where States are being serviced by exempted ships that are increasingly more inefficient and older whilst others benefit from newer vessels and innovation through compliance with the measure. However, a blanket exemption in the instance where any ship is responding to a disaster could work. Other means to address the impact could include financial compensation to the affected State(s), or allocation of appropriate funding to support projects aimed at removing that negative impact<sup>1</sup>, for example.

4 The co-sponsors note that the Organization has committed to paying particular attention to the needs of developing countries, especially SIDS and LDCs. The co-sponsors also note that these issues have caused some confusion in recent discussions in the GHG working group and reference is made to document ISWG-GHG 7/2/10 (Solomon Islands and Tonga). As this document suggests, other UN bodies are also focussed on identifying these "needs", including of SIDS and LDCs in particular, and are likely able to provide the Organization with advice in this regard.

5 At ISWG-GHG 6, Tonga suggested a pragmatic approach to resolving these issues regarding the short-term measures being considered at that meeting. Their intervention was annexed to the report from ISWG-GHG 6 to the Marine Environment Protection Committee (MEPC 75/7/2) and comprised four components:

- .1 research specifically on SIDS and LDCs;
- .2 phased implementation of measures;
- .3 dedicated funding to support R&D and uptake of technological solutions for the ship types that serve SIDS and LDCs; and
- .4 monitoring and review.

6 Tonga proposed these four actions to minimize the risk of delays in adoption of measures to reduce GHG emissions from international shipping whilst reducing the risk to States, particularly for those with poor or minimal data or baselines, that implementation of that measure may result in disproportionately negative impacts not foreseen at the time of adoption.

7 The basis for the intervention made by Tonga was concern that achieving global reduction in GHG emissions from international shipping commensurate with Paris Agreement targets is the highest order priority, and that adoption of measures to reduce emissions may become stalled due to lack of data, information or baselines with which to properly assess the potential for impacts on States.

8 This concern is still valid and applies equally to both initial and comprehensive IAs. At ISWG-GHG 6 there appeared widespread support for the approach suggested by Tonga and the co-sponsors now suggest that it be reconsidered for adoption by the Committee.

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<sup>1</sup> See for example the low carbon freighter pilot project for Pacific Island States <https://www.mcst-rmiusp.org/index.php/projects/current-projects/cerulean-project>

9 The potential for disproportionately negative impacts could also be minimized, Tonga suggested, by phased implementation of measures, allocation of specific R&D effort on the types of vessels that service SIDS and LDCs, and monitoring and review.

10 MEPC.1/Circ.885 outlines the IA procedure and the co-sponsors draw particular attention to paragraph 17 of the annex to that Circular: "Once the impact assessment is completed, and disproportionately negative impacts assessed and addressed, as appropriate, the measure may be considered for adoption."

11 What the IA procedure, as currently adopted, does not adequately resolve is what happens where there is insufficient or no information to make an adequate assessment for some States. Whilst the IA may find that there is a low potential for any disproportionately negative impacts for the majority of States, there is uncertainty for some. There appears general consensus in the IAs submitted to date that where a measure may potentially create a negative impact on States, that this will most likely disproportionately affect SIDS and LDCs. This is expected to be a recurring issue. If the measure can be implemented in the majority of instances without impact, whilst giving the Organization time to undertake research to address the data gap and uncertainty for a few, then the measure could be adopted and implemented subject to the amended process proposed.

12 The co-sponsors suggest an alternative process to allow a preferred measure to progress whilst still ensuring that disproportionately negative impacts, particularly on SIDS and LDCs, can be monitored and addressed appropriately over time. A refined version of the suggestion by Tonga for further consideration and development by the Working Group is provided as:

- .1 **Action 1:** IMO Secretariat to work with other UN agencies with competency in the matter (such as UNCTAD and UNESCAP) and a representative selection of developing countries, SIDS and LDCs, to undertake specific studies on the transport costs and economics of shipping for SIDS and LDCs, and the options for the Organization to ensure that the needs of developing countries, SIDS and LDCs are appropriately addressed in the implementation of measures.
- .2 **Action 2:** Given the unique characteristics of the needs of SIDS and LDCs as articulated in the Tongan intervention (attached) and the commitment of the Organization to address the shipping needs of SIDS and LDCs, it is essential that measures adopted are accessible by all levels of the shipping industry.

The co-sponsors therefore propose that dedicated funding to support R&D and uptake to enable innovation in the type of international shipping that services SIDS and LDCs in particular, is built into all relevant measures. For example a quota could be agreed of allocation of the IMRF proposed in document MEPC 75/7/4 (ICS et al.); other IMO initiatives such as the GreenVoyage-2050, the GHG-TC Trust Fund adopted by MEPC 74, funding generated by the flexible compliance mechanism proposed by Norway, etc. The co-sponsors suggest that the initial 20%<sup>2</sup> of R&D funds are to be dedicated specifically to the shipping needs of SIDS and LDCs.

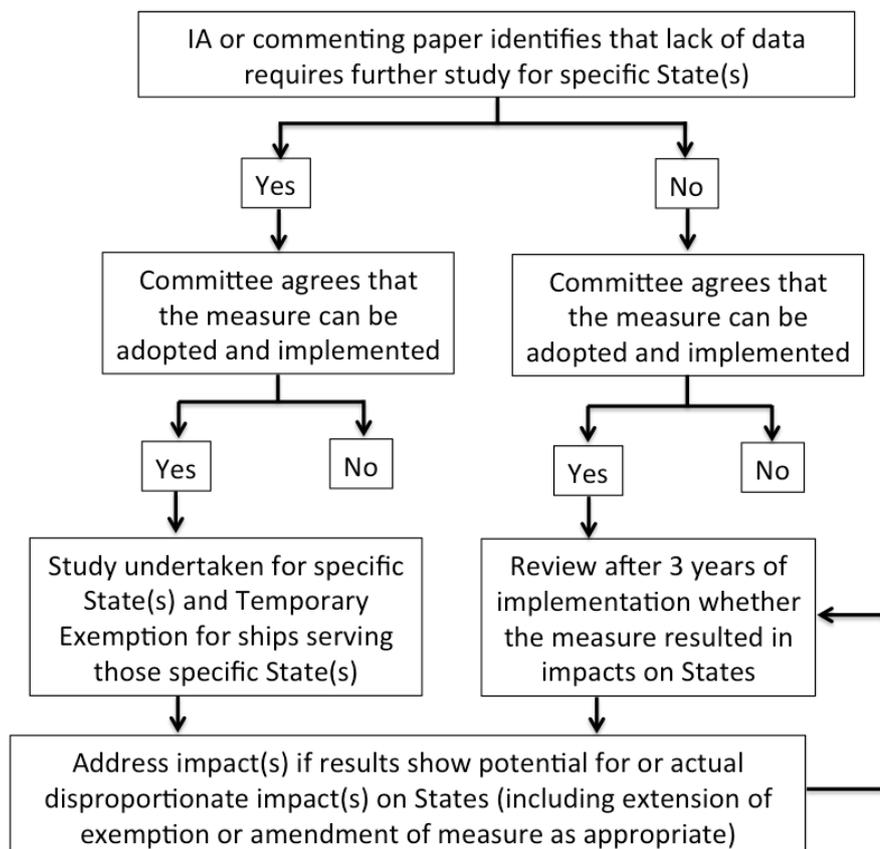
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<sup>2</sup> 70% of the Green Climate Fund is allocated to SIDS, LDCs and African States <https://www.greenclimate.fund/news/gcf-affirms-its-commitment-to-least-developed-countries>. UN Adaptation Fund for developing countries reports 27% of projects in LDCs and 18% in SIDS in 2017 <https://www.adaptation-fund.org/wp-content/uploads/2018/03/Medium-Term-Strategy-2018-2022-final-03.01-1.pdf> 20%

- .3 **Action 3:** Require the IA to include comments as to whether issues of data availability meant that a proper assessment of impacts on specific States/groups of States could not be undertaken and where and what specific research was needed. Commenting documents could do the same. The Committee could then commission that research, and it could be funded through the Organization's multi-donor GHG-TC Trust Fund.

Where an IA was unable to properly consider disproportionate negative impact on a limited number of specific States due to lack of data and specific studies or research have been commissioned, temporary exemptions to implementation of GHG emissions reduction for the ships, such as passenger, general cargo, tanker and container ships, the smaller (e.g. 10,000 tonnes or less) that serve SIDS and LDCs could be granted. The length of exemption would be tied to the delivery and consideration of the findings of the research, for example if the research was to take two years then the exemption would be for two years. The need for continuation of the exemption(s) would then be considered by the Committee based on the research findings as to whether any disproportionately negative impact is likely to be experienced if the measure were implemented by those ships, as one option for addressing such negative impact (see Figure 1 below: a Schematic of proposed process for research and review).

- .4 **Action 4:** Review of each measure adopted three years after entry into force to identify whether there are any unforeseen disproportionately negative impacts on States, SIDS and LDCs in particular, and to enable amendment of the measure or adoption of a means to address (e.g. avoid, remedy or mitigate) such impacts but also to assess its effectiveness in terms of actual emissions reductions achieved. Review could focus, for example, on those States where potential disproportionately negative impacts if there were any, were considered most likely (see Figure 1).



**Figure 1: schematic of proposed process for research and review**

**Action requested of the Working Group**

13 The Group is invited to consider the points raised in this document and make a recommendation to the Committee for amendments to the agreed IA procedure as outlined above and consequent amendment to MEPC.1/Circ.885.

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## ANNEX

### INTERVENTION BY TONGA TO ISWG GHG 6

"Thank you Chair

After the initial discussions on impact assessments, we have done some further thinking and would like to share a suggestion for how we might address some of the issues raised on impact assessments.

We have a conundrum in front of us.

On one hand our absolute priority is to adopt and implement measures as quickly as possible to reduce GHG emissions consistent with a 1.5°C pathway for our very survival.

On the other hand, due to poor data availability and lack of published research, the impact assessments provided so far do not adequately consider the impacts on SIDS and LDCs as our colleague from Cook Islands so eloquently pointed out. So we are not able to determine whether the short term measures proposed will result in a disproportionate negative impact on Pacific SIDS or not.

So we need to come up with possible solutions which allow us to progress and protect States such as the Pacific SIDS from disproportionate negative impacts.

As has already been mentioned in the past two days, our economies are minute and we do not have the market driven economies that exist in the majority of the world.

The tankers, general cargo and container ships that bring the essential goods to our States are relatively small being mostly less than 10,000 gross registered tonnes.

For the more remote islands the vessels are even smaller. The ship that serves the islands on a route between Hawaii, the Line Islands of Kiribati and the Northern Cook Islands, the SV Kwai, for example is only 179 tonnes.

Some of our governments also own ships which operate internationally. All of these are less than 2,000 tonnes.

The most obvious way to avoid disproportionate impacts on SIDS and LDCs is exemptions. However, exemptions would remove the requirement and incentive for ship owners to take action, which could lead to a situation where others have more efficient ships over time and we are left with less efficient ones. For example, IMO policy reliant on exemptions could further widen the gap between SIDS and the rest of the world in terms of transport services.

We have also heard clearly the preference for a level playing field and for measures to apply to all ships. For that reason, we are opposed to blanket exemptions for ships serving SIDS and LDCs, with the exception of for disaster response.

We would therefore like to propose a possible solution to this conundrum. It comprises a package made of four components: research specifically on SIDS and LDCs, phased implementation of measures, dedicated funding to support R&D and uptake of technological solutions for the ship types that serve SIDS and LDCs, and monitoring and review.

First, we would like to request the Secretariat to work with other UN agencies with competency such as UNCTAD and UNESCAP and a representative selection of developing countries, SIDS and LDCs to undertake specific studies on the transport costs and economics of shipping for

SIDS and LDCs. This will provide us with information which can be used moving forwards in development of GHG emissions reduction measures and the associated impact assessments.

This needs to be done before implementation of short-term measures, but would not be required prior to adoption of a measure.

The second component would be to have short-term exemptions for the ships, such as passenger, general cargo, tanker and container ships, of 10,000 tonnes or less that serve SIDS and LDCs thereby allowing those ships additional time to comply whilst solutions appropriate to States such as ours are developed. This could be for example a 5-year exemption, but we are open to alternative suggestions as to the length of time needed. We note that the proposed short-term measures have a variety of minimum size thresholds already, so this may just require a review of those thresholds. In addition, we would suggest blanket exemptions for disaster response.

The third component is dedicated funding to support R&D and uptake to enable innovation in the type of international shipping that services SIDS and LDCs in particular. This could be from the revenue generated by the flexible compliance mechanism proposed by Norway, from the voluntary Trust Fund to assist implementation of the Initial Strategy agreed to at MEPC 74, or from other options we have yet to consider such as a levy or other MBM. Several Pacific States have submitted to past meetings on the need to progress the development of MBMs as a priority for this reason.

This should not limit future discussions on how revenue from MBMs should be allocated, and I would like to remind us all that at MEPC 59 we agreed that the greater part of any funds generated by MBMs under IMO should be used for climate change purposes in developing countries, SIDS and LDCs. We remain of the view that MBMs need to be considered sooner rather than later.

The final component of our proposal is in relation to the monitoring and review of each measure that is adopted and implemented. We suggest that each measure adopted should be reviewed post implementation both to review whether there are any disproportionate negative impacts on SIDS and LDCs and to enable amendment of the measure or adoption of a means to avoid, remedy or mitigate such impacts but also to assess its effectiveness in terms of actual emissions reductions achieved. We suggest that the reviews be undertaken 3 years, 5 years and 10 years after implementation.

Along with much greater specific consideration of SIDS and LDCs in the Comprehensive IA, these steps could allow us to go ahead and adopt and implement short term measures, whilst giving assurance to States such as Pacific SIDS that should impact assessments be subsequently proved incorrect or means to address impacts insufficient, that a measure can be reviewed and amended accordingly.

We are happy to work with others to further develop and refine our proposal, but we do need to come up with a pragmatic solution that will allow us to quickly adopt measures that reduce emissions to the maximum extent possible whilst protecting States such as ours from the risk of disproportionate negative impacts.

If anyone is interested in working with us on this between now and the next intersessional please let us know.

Thank you Chair"

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