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REDUCTION OF GHG EMISSIONS FROM SHIPS

Commenting Paper on the Proposal to establish an International Maritime Research and Development Board (IMRB)

Submitted by Solomon Islands

SUMMARY

Executive summary: This paper comments on the proposal for establishment of an International Maritime Research and Development Board and associated compulsory fuel levy to resource R&D (MEPC 75/7/4) from the perspective of Pacific Small Island Developing States.

Strategic direction, if applicable: 3

Output: 3.2

Action to be taken: Paragraphs 21 – 25.

Related documents: MEPC 75/7/4, MEPC 75/INF.5, ISWG GHG 4/2/3.

1. The sponsors thank ICS et al for their submission (MEPC 75/7/4) and recognise the inclusion of consideration for the needs of SIDS and LDCs within the proposal for the International Maritime Research and Development Board (IMRB) and related funding International Maritime Research Fund (IMRF).
2. The sponsors recognise that the proposal aligns with the Organisation's *Initial Strategy on the Reduction of GHG Emissions from Ships*, insofar as it provides further details on one of the short term candidate measures listed, however, In its current form, it not likely to either: promote the interests of Small Island Developing States (SIDS) and Least Developed Countries (LDCs) in the rapid reduction in GHG emissions; or alleviate detrimental effects of climate change on SIDS and LDCs.
3. The sponsors recall the Organisation's commitment (in A.1061(28) and subsequent reiterations in A.1110(30) and A.1111(3)) to identifying the developmental needs of SIDS and LDCs in particular (3.4.1) and to pay special attention to the shipping needs of SIDS and LDCs (9) and to identify and address these shipping needs (9.0.1) which

are reflected in MEPC 68(21) 4.18.2 and .3 and 4.19., A.1110(30) Overarching Principle 3, to pay particular attention to the needs of developing countries especially SIDS and LDCs, and in the Initial Strategy.

4. We note the commitment made by the IMO to date in regard the particular attention to be paid to the needs, including developmental and shipping needs, of SIDS and LDCs (see 3.) and comment that this appears somewhat broader than the provisions made for SIDS and LDCs in the ICS et al proposal.
 5. We have considerable sympathy for the need for urgency in investment in R&D and can see synergies with other initiatives, in particular the Pacific Blue Shipping Partnership. We note that any activity initiated by the IMRB must prove synergistic to such country-driven initiatives and not establish a competitive and parallel process.
 6. The sponsors note that the proposal to fund research will only be useful if the research itself is useful and if it results in real-world solutions that are put into practice. In our view this is not guaranteed by the ICS et al proposal, which focuses on prototypes and does not include deployment, commercialisation or market readiness projects. Lessons from the issues of ballast water and SO_x show that the existence of a prototype does not ensure introduction in practice. We also note that the ICS et al proposal focuses only on shipping, whereas most new/alternative fuels will be developed for both land and sea.
 7. Having said this, it is essential that this initiative for a mandatory fuel levy to fund industry driven R&D is placed in its proper context. Although the ICS et al contend that this is not a market-based mechanism (MBM), the structure is similar to the fuel levy proposed earlier as an MBM.
 8. The Organisation placed on record with UNFCCC that its action plan in 2009 covered *“the development of technical and operational measures for new and existing ships, as well as **market based instruments** to, inter alia, act as an incentive for the shipping industry to invest in more fuel-efficient technologies, and **also serve other purposes such as raising funds for climate change mitigation and adaptation activities, research and development and the offsetting of emissions**”* (MEPC 60/INF.9).
 9. There is no debate that investment in R&D to reduce the climate impact of the shipping industry is desperately needed and overdue. There is much within the extensive work done by ICS et al on identifying the governance, financing and transparency of the mechanism that can be supported. However, given that this would be a measure approved and implemented under IMO auspices, the role of this revenue raising mechanism and the allocation of such revenues must be determined within the overall context of the IMO’s responsibilities as a UN Agency.
 10. We recall the submission (ISWG GHG 4/2/3) where the co-sponsors respectfully asked that robust discussion on MBMs be brought forward to the short term (i.e. before 2023) and be considered an immediate and high priority. The sponsors would like to restate this point and reiterate that this request was specifically made to ensure the IMO reach consensus on the architecture of MBMs prior to discussing individual MBMs, such as that now proposed by ICS et al.
 11. We recall the position of the Organisation as agreed by MEPC 59 on MBMs and as reported by the Organisation to the UNFCCC in 2009 (AWG-LCA 8). *“It was agreed by overwhelming majority that a market based instrument was needed as part of a*
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comprehensive package of measures to regulate GHG emissions from international shipping.” (11) “The Committee noted that there was a general preference for the greater part of any funds generated by a market based instrument under the auspices of IMO, to be used for climate change purposes in developing countries through existing or new funding mechanisms under UNFCCC or other international organizations. Assessments have shown that a market based instrument for international shipping may generate funds in the magnitude of billions of dollars annually if applied to all ships in line with other IMO instruments.” (13) “A future GHG regime for international shipping must not negatively affect sustainable development and should not lead to distortion of international competition and create new barriers in international trade”(24). “Recognising the fundamental importance of the principle of CBDR under the UNFCCC regime – consequent with its own philosophy of assisting developing countries... .. IMO and its Member Governments are working hard to address the special needs of developing countries and to satisfy the CBDR principle. Creative and innovative means are under consideration, which would see substantial funds, obtained from carbon offsetting or trading measures (MBMs) applied by shipping being dedicated to climate change mitigation/adaptation in developing countries...”(29)

12. The sponsors are unaware of any decision of the IMO since 2009 that alters this position. We note that there is a general preference for the majority of revenue raised from MBMs are to be available to the climate most vulnerable to support their climate change mitigation and adaptation activities (MEPC 59/24 4.106 and 4.129).
13. The MBM Expert Group scope established at MEPC 60 was “*to evaluate the various proposals on MBMs with the aim to assessing the extent to which they could assist in reducing GHG emissions from international shipping, **giving priority to the maritime sectors of developing countries, least developed countries (LDCs) and small island developing States (SIDS)**” and ... the need for technology transfer to, and capacity building within, developing countries, in particular the least developed countries (LDCs) and the small island developing States (SIDS), in relation to implementation and enforcement of the proposed MBMs, including the potential to mobilize climate change finance for mitigation and adaptation actions (MEPC 60/22 Annex 8).*
14. We recognise that subsequent to these 2009 statements, significant advances pertinent to CBDR were made at UNFCCC in the Paris Agreement in 2015. We also recognise that the IMO Initial Strategy on GHG Reduction is cognisant of the UNFCCC, Paris Agreement and CBDRRRC as guiding principles. The wider context within which the IMO is operating has moved on since 2009, but nevertheless we think these are key elements of earlier IMO MBM discussions that should be debated within our work under the IMO Initial Strategy, as they are still relevant.
15. We also recall that 2020 is the year that the global community has agreed to commence payment of \$100 billion annually of climate finance to address the needs of developing countries, in particular the climate most vulnerable in SIDS and LDCs and that to date we are well below that target.¹
16. The ICS et al submission notes the levy being proposed is within the daily margin for fuel cost and suggest that it will therefore have no impact on transport cost. This is based on the estimates of R&D funding requirements over the 10-15 year lifespan

¹ <https://www.oecd.org/environment/climate-finance-for-developing-countries-reached-usd-71-billion-in-2017.htm> and <https://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2019/>

proposed. However, what needs to be considered is what the threshold is to determine the revenue that could be raised without significantly impacting on transport costs, and if there are any disproportionate negative impacts, a means to address those. Once the quantum is known then how much is allocated to R&D versus other commitments made by the Organisation as outlined above can be determined.

17. The sponsors are of the opinion that a general agreement on the structure of any levy should precede adoption of any specific proposal (including the proposal of ICS et al). As ICS et al note, their proposed architecture could be used for future MBMs for shipping, i.e. their proposal sets a precedent.
18. The composition of the Board and the necessity and composition of a IMRB Nominating Committee should also be considered. We also note that various Member States noted that any Board established to oversee R&D should include representatives from SIDS and LDCs (ISWG GHG 4/2/3). The sponsors are also of the opinion that any such fund should have very strong oversight by the Organisation, and not be dominated by any one group (as is the case in the ICS et al proposal).
19. We assume that if this proposal is being advanced under the mandate and auspices of the IMO then provision for these commitments is at the level currently set and compliant with the guiding principles governing the Initial Strategy.
20. It is also important that the establishment and implementation of the proposed IMRB and IMRF does not detract from other more immediate and pressing issues that play a more significant role in actually achieving emissions reduction, including funding issues.

Requested action

21. The Committee is invited to consider the points raised in this paper.
 22. The Committee is requested to consider the ICS et al proposal within the context of the broader debate on the architecture and quantum of MBMs for international shipping, which the sponsors request be brought forward as a matter of urgency (in line with the decision to advance work on mid- and long-term measures in parallel with the development of short-term measures), to avoid having to defer making a decision on the establishment of the IMRB and related IMRF.
 23. That the Committee recognise its earlier position on MBMs as reported to the UNFCCC in 2009.
 24. That the Committee agree that any oversight body established to determine priorities and allocation of funding for R&D must not be dominated by one group, and must include representation from SIDS and LDCs.
 25. That the Committee agree that: 20% of R&D funding allocated from IMRF target the shipping needs of SIDS and LDCs; and that funding can also be allocated to deployment, market readiness and commercialisation projects.
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