



WORLD SHIPPING COUNCIL
PARTNERS IN TRADE

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World Shipping Council Proposes Global *Vessel Efficiency System* To Reduce Carbon Emissions

The World Shipping Council and its members have proposed to the International Maritime Organization (IMO) and its member governments a new global ***Vessel Efficiency System***, which would improve the carbon and fuel efficiency of the world's fleet and therefore reduce greenhouse gas emissions. The proposal is for the IMO to apply vessel efficiency design standards for both new and existing vessels in the world's fleet. Newly built vessels would be subject to mandatory efficiency standards requiring new ships to be built with features and technologies that further improve the energy efficiency of the vessels to reach defined levels. These standards would be similar in nature to the fuel efficiency standards required of cars and trucks in many countries around the world today. The standards would also be tiered with higher standards required over time as technology developments allow further improvements.

Under the *Vessel Efficiency System (VES)* proposal, existing vessels, like the newly built, would also be subject to improved efficiency standards. Recognizing that existing vessels have more limited ability to improve efficiency, existing vessels would be subject to less aggressive standards. These standards would be tiered over time. Establishing efficiency standards for existing vessels is important due to the long life of vessels. Most vessels today operate for 25 to 30 years before being recycled, meaning that improvements in the existing fleet can contribute to reduced CO₂ emissions sooner than a system that would rely solely on application of standards to newly built vessels.

Under the VES proposal, existing vessels that meet the established efficiency standards would operate free of any fees. Existing vessels that fail to meet the standards would be subject to a fee assessed for each ton of fuel consumed. Fees would be deposited into a fund managed by the IMO. The specific fee assessed would vary depending on how close the vessel was to meeting the standard, with the fees being higher for those vessels with the lowest efficiency. As such, the proposed system would reward improved efficiency across the fleet and discourage operation of the least efficient vessels.

“The IMO achieved significant success recently in reaching a legally-binding global agreement that will dramatically reduce NO_x, SO_x, and particulate matter (PM) emissions from ships around the world. It is appropriate for the IMO to build on that success and establish an international regulatory system that can reduce carbon emissions as well,” said Chris Koch, President and CEO of the World Shipping Council. “The World Shipping Council and its members hope that the Vessel Efficiency System proposal will help the IMO develop a specific regulatory regime that would ensure improved efficiency across the world’s maritime fleet and reduce CO₂ emissions. Such action will demonstrate the continued leadership of IMO and the maritime industry in forging progressive solutions that will protect the environment and provide an effective global response to this global issue. “

Greenhouse gas emissions and their effect on the Earth’s climate have been the subject of intense study and debate. Recent discussions by the world’s governments in Copenhagen did not produce a legally-binding global agreement, and, given the notable differences on key issues, it appears that such an agreement would be very difficult to reach in the near-term. The Copenhagen debate did, however, reveal a broad consensus on the need to pursue greater energy efficiency across the world and across multiple industrial sectors. Focusing on improved efficiency is appropriate for the transportation sector generally, as noted in a separate paper about emissions policy submitted to the IMO by the World Shipping Council.

Although the Copenhagen meetings provided no specific guidance, the International Maritime Organization in March will continue its efforts to explore what global agreements may be feasible to contribute to reducing GHG emissions from shipping across the globe. Ships are the most-carbon efficient mode of transporting goods today. They are more efficient in moving a given volume of goods than air, rail, or truck. Nevertheless, while ships are already very efficient when compared to other transportation modes, improvements can be made that will further improve efficiency with a consequent reduction in carbon emissions.

The proposal by the World Shipping Council to establish a global *Vessel Efficiency System* shares the same strategic focus of rewarding improved vessel efficiency as proposals recently made at the IMO by Japan and the United States. The VES also would provide for a Greenhouse Gas (GHG) fund that could be used for carbon efficiency research and development and other carbon reduction initiatives.

A copy of the World Shipping Council’s proposal to establish a Vessel Efficiency System IMO can be obtained at http://www.worldshipping.org/WSC_Draft_VES_Proposal_-14_Jan-_revised.pdf. A copy of the WSC’s paper to the IMO on emissions policy can be obtained at: http://www.worldshipping.org/industry-issues/environment/air-emissions/WSC_Emissions_Policy_Paper_to_IMO.pdf For more information, please contact Anne Kappel of the WSC staff at akappel@worldshipping.org or 1 (202) 589-1235.