



PREVENTION OF AIR POLLUTION FROM SHIPS

Emission “Caps” and Reduction Targets

Submitted by the World Shipping Council

SUMMARY

Executive summary: Considering the outcome of the UNFCCC discussions in Copenhagen, as well as recent discussions at the IMO to address GHG emissions from marine shipping, this paper offers views on the question of establishing an emissions "cap" for maritime shipping.

Strategic Direction: 7.3

High-level Action: 7.3.1

Planned output: 7.3.1.3

Action to be taken: Paragraph 11

Related documents: MEPC 60/4/9 Annex 1, MEPC59/INF.10, MEPC59/4/35

Introduction

- 1 This document is submitted in accordance with paragraph 4.10.5 of the IMO guidelines on method of work, MSC-MEPC.1/Circ.2. During the 15th Conference of the Parties in Copenhagen (COP15), there was discussion, but no agreement, concerning international bunkers and whether the international aviation and maritime sectors should be subject to an explicit emissions “cap” or reduction targets. Notwithstanding the lack of agreement on this issue at COP15, it seems probable that the concept of establishing a carbon emission cap on maritime shipping will be raised at MEPC 60. This paper addresses the issue of the IMO’s

consideration of an international emissions “cap” or reduction target for shipping from the perspective of broader transportation and environmental policy practices.

Emission Caps and Emission Reductions in the Transportation Sector

- 2 During COP15 the parties discussed the question of whether specific carbon emission reductions targets or emission caps should be established for international bunkers. The parties to COP15 did not reach any agreement on the subject of establishing targets applicable to international aviation or international maritime traffic. Although no decision was made on this issue at COP 15, we believe the IMO should continue to address this topic directly as it moves forward with its discussion at MEPC 60.
- 3 The World Shipping Council (WSC) believes that it is important to consider this question in the context of regulatory practices addressing transportation emissions broadly. As noted in the 2nd IMO GHG Study, transportation produces roughly 27.7% of the world’s CO₂ emissions. Roughly 21.3% of those emissions are from road transportation (trucks and cars), 2.6 % from aviation, .5% from rail, and 3.3% from all marine transportation (2.7% comes from international maritime shipping and .6% from domestic shipping and fishing).¹
- 4 As reported in the 1st and 2nd IMO GHG Studies, maritime shipping is the most carbon efficient means to transport goods. An important objective when considering the design of any regulatory regime to address carbon emissions from shipping should be to ensure that maritime transportation is treated in a manner that is consistent with broader regulation of other modes of transportation. Because maritime transportation is the most energy efficient way to transport goods, it should be encouraged, not treated more severely than other forms of transportation. This conclusion is not merely a convenient point to be promoted by those interests involved in maritime transport; it is sound environmental policy.
- 5 As the discussion at the IMO proceeds, it may be helpful to consider how carbon emissions from other transport modes are being regulated. For those governments which are seeking to reduce carbon emissions from transportation sources, the approach is generally through vehicle or conveyance emission and/or efficiency standards. Governments have NOT chosen to establish limits to the aggregate emissions associated with transportation sources. Rather, the approach has been to establish emission or efficiency standards applicable to the design and manufacture of vehicle classes. Establishing absolute emission limits on the transport sector as a whole has not been deemed appropriate. This is true, even in the European Union, where an emissions trading scheme was put in place in 2005.
- 6 While some governments have proposed that international aviation and international maritime shipping should be subjected to a specific emissions cap, few, if any, have proposed that carbon emissions from their domestic surface modes of transport be capped at a particular level. For example, few, if any, governments are proposing that automobiles, trucks, or railroads must be limited pursuant to an emissions cap or ceiling on those sectors.

¹ Second IMO GHG Study, 2009 (MEPC 59/INF.10) 9 April 2009, International Maritime Organization, London.

- 7 Establishing reduction targets for transportation sources may be appropriate, but we must also be cognizant of the environmental and economic equity of establishing reduction targets for a specific transportation mode in light of the goals to be achieved by transportation sources broadly. For example, some stakeholders have advocated a 20% reduction in emissions from shipping, while proposing that aviation should be subject to a 10% reduction. The resulting economic and environmental incentives would be odd when one considers that aviation is the least carbon efficient mode of transport with carbon emissions that are roughly 47 times greater than those produced in moving the same goods by sea.
- 8 As noted earlier, maritime shipping is the most carbon efficient way to transport cargo. Furthermore, growth in world trade is arguably the single greatest factor in helping raise the standard of living (in both developed and developing countries) across the globe and maritime transport is critical to continued growth in world trade. The introduction of containerized inter-modal cargo units has not only revolutionized how many goods are shipped within a country and around the world, it has resulted in tremendous increases in efficiency, and enabled the developing world to participate in the production and distribution of manufactured goods at a scale scarcely imaginable prior to the introduction of containerized transport. Indeed, in 2006 it was noted that “the cost of transporting goods from factories to marketplaces halfway around the world is typically one percent or less of the retail price.”² Recognizing these developments, shipping should be encouraged because it is the most carbon efficient form of transportation on the planet and because it has played a significant role in expanding production and economic activity around the world. In short, a efficient marine transport should be encouraged, not discouraged by any regime that seeks to reduce global carbon emissions.
- 9 The discussion of an emissions “cap” applicable to shipping could be meaningful in the context of a global, cross-sectoral emissions trading regime, which would cap carbon emissions and provide for trading of emission allowances in a broad, defined, and commonly regulated international market. A global, cross-sectoral emissions trading market does not currently exist however, and after evaluating the results of COP15, it is not clear that this will be the approach adopted as a result of future debate. Establishing and overseeing a system that is truly cross-sectoral in application is arguably beyond the competence of the IMO to establish or regulate. Carbon emission caps and trading have not yet been agreed to or established within most Annex I countries represented at the IMO, within any non-Annex I countries, or for other transport sectors. If such an international regime and market were created, governments and other interested parties would need to assess how shipping may function within such a system. However, discussion of a “cap” on shipping emissions is not appropriate absent a broader global framework that has established emission caps applicable to the broader economy including other transportation modes.
- 10 The World Shipping Council and its members fully support the establishment of an effective global regime addressing CO₂ emissions from ships, and we believe that IMO is the most appropriate forum for developing such an agreement. The IMO should move forward with development of a global agreement to improve the efficiency of the world’s fleet with a

² Arthur Donovan and Joseph Bonney, *The Box That Changed The World*, (East Windsor, New Jersey: Commonwealth Business Media, 2006), p. xxiii.

consequent and significant reduction in emissions. Improving the efficiency of shipping will serve society well, will improve global environmental results, and will reduce resource consumption while continuing to foster trade and improved quality of life. Adoption of explicit carbon emission caps applicable only to maritime shipping would, in our judgment, be inappropriate in the absence of a broader approach to regulating transportation emissions at the national and global level.

Action requested of the Committee:

- 11 The Committee is invited to consider the information in this document and take these views into account as it proceeds with addressing this important issue.