



ECSCA

European Community Shipowners' Associations

Hold the global course: EU policy and CO₂ emissions of shipping

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The international shipping industry endorses the spirit and objectives of the Paris agreement on climate change. COP21 set out a clear course of how the world's nations will work with climate change mitigation in years to come. The international shipping industry is committed to developing CO₂ reductions across the world merchant fleet that are both ambitious and realistic.

The EU can support this commitment by pursuing the following approach:

1. *Hold the global course charted by the European Commission*
2. *Track progress through data collection*
3. *Steer clear of the EU Emission Trading Scheme*
4. *Work in trusted partnership at IMO*

1. Hold the global course charted by the European Commission

In 2011, the European Commission set out a clear plan to curb CO₂ emissions from shipping. It charted a course towards a global solution developed by the International Maritime Organization (IMO), which is the United Nations' specialised agency with responsibility, amongst others, for the prevention of environmental pollution by ships.

Significant progress has been made since 2011, but the end of the journey has not been reached yet. Holding the charted course is however the best way of achieving results.

Including shipping in a regional EU scheme such as ETS, even as a means to exert pressure on the IMO, would be counterproductive. It will be seen as protectionist, provoke retaliation from third countries and stop progress on the much-needed global framework.

2. Track progress through data collection

The first stage of the 2011 EU plan consists of a tool to monitor, report and verify (MRV) CO₂ emissions of shipping. This tool was proposed in the form of an EU Regulation, adopted in 2015. In 2017 shipowners will have to submit a CO₂ monitoring plan to external verifiers and the actual monitoring and reporting will start in 2018.

The EU MRV Regulation was specifically introduced to avoid a repetition of the process which saw aviation included in an EU-only Emission Trading Scheme (ETS) without exact baseline monitoring of its emissions. In addition, according to the European Commission, the MRV Regulation for shipping in itself is expected to lead to a further emissions reduction of up to 2% compared to a business-as-usual scenario.

On 22 April this year the IMO has agreed upon a global data collection system, which will be formalised in October. The global scheme will facilitate consideration of further CO₂ reduction measures, consistent with the process already agreed by the IMO. The adoption of the global scheme will also enable the international alignment that is foreseen in the relevant clause of the EU MRV Regulation.

IMO achievements on GHG emissions from international shipping

2003

IMO MEPC obtains mandate to develop mechanisms to achieve reduction of GHG emissions from international shipping

2011

Adoption of mandatory technical and operational measures (EEDI and SEEMP) via amendments to MARPOL Convention - all ships built after 2025 will be at least 30% more CO₂ efficient than in the 2000s

2013

Global entry into force of MARPOL amendments

2014

Third IMO study on GHG emissions of ships published - over 10% CO₂ reduction by entire sector (2007-2012)

2015

Implementation of EEDI Phase One - all new ships now 10% more efficient

2016

- Approval and adoption of mandatory global CO₂ data collection system
- Review of the EEDI goals
- Work on CO₂ reduction commitments for international shipping sector, in response to Paris Agreement



3. Steer clear of the EU Emission Trading Scheme

Including shipping in the EU ETS would be equivalent to hitting an iceberg. Whilst the tip may appear to be a minor obstacle only, underneath the surface hide substantial dangers, with little or no gain for the climate:

- ★ Unlike aviation, international shipping is rarely A to B transport. Shipping predominantly carries cargoes in constantly changing trading patterns all over the world. Most EU vessels have as port of loading or discharge non-EU ports. Ship designs are not standardised, so an emissions benchmark is difficult to establish. Refuelling of ships may take place in non-EU ports and several countries could be involved in the allocation of ETS emissions: e.g. the country of the shipowner, ship operator, cargo owner or cargo receiver.
- ★ Applying an EU ETS to international shipping would inevitably lead to carbon leakage as ships will avoid calling at EU ports or adjust calling patterns such that the journey within EU waters will be minimal. It will lead to modal shifts and changing freight routes which will in turn have negative consequences for traffic in EU ports, leading to job losses in the wider EU maritime cluster and stifling of investments, deviating from the EU jobs and growth agenda.
- ★ Ocean shipping is a global enterprise with operations that span different geographic, national and regulatory jurisdictions. Including shipping in an EU-only ETS would distort competition. The case of aviation has amply demonstrated that including an international sector in a regional market-based measure does not work. The EU had to give in to international pressure and legal action by essentially exempting all foreign flights from complying with the ETS. This reduced the potential amount of CO₂ emissions covered by three quarters compared to the original scheme. A similar outcome for shipping would gravely hurt the already vulnerable position of short sea shipping, with a zero or even negative net environmental result, as only a limited part of global shipping will be covered and maritime traffic may shift to land-based modes.

The European Commission has wisely decided to hold the global course and refrained from including shipping in its recent proposal to review the EU ETS Directive. Member States have also repeatedly confirmed their commitment to the 'global voyage plan', as recently as during the Informal Council of Transport and Environment Ministers, held on 15 April under the Dutch Presidency.



4. Work in trusted partnership at IMO

The IMO has been taking steps to mitigate climate change for two decades and achieved in 2011 the first binding global agreement to reduce CO₂ emissions from an industry sector. This agreement includes the Energy Efficiency Design Index (EEDI) for new ships and the Ship Energy Efficiency Management Plan (SEEMP), which entered into force in 2013. Both provide meaningful and lasting improvements in energy efficiency and reduce the amount of fuel required for ship operations.

The EEDI for new ships is the most important technical measure. Since 1 January 2015 new ship designs need to meet a 10% CO₂ reduction level. The level will be tightened every five years to keep pace with technological developments of new efficiency and reduction measures. The International Civil Aviation Organisation (ICAO) reached agreement earlier this year on a similar design index for newly built aircraft, which will systematically apply as from 2020. This was hailed as a major achievement, whilst it already applies to international shipping.

In April this year, the IMO agreed on a global data collection system that will provide information on the emissions from maritime shipping on an annual basis. The agreement will be formalised in October, with mandatory application across the global fleet. The IMO has further agreed to continue work on improving the EEDI and to start an in-depth discussion in October this year on a workplan and timetable to establish a CO₂ reduction commitment for international shipping.

These recent decisions represent another significant step forward towards a comprehensive global framework to curb CO₂ emissions of shipping, in the spirit of the Paris agreement. The overall support that came from a clear majority of the IMO Member States and the international shipping industry to define the fair contribution of shipping to international climate change efforts cannot be ignored.

The EU should foster these encouraging signs of progress at IMO and work in trust with its global partners to make the global data collection system and the definition and implementation of the sector's fair share work, all according to the original voyage plan agreed in 2011.

The European Community Shipowners' Associations (ECSA), formed in 1965, comprises the national shipowners' associations of the EU and Norway. ECSA aims at promoting the interests of European shipping so that industry can best serve European and international trade and commerce in a competitive and free business environment, to the benefit of both shippers and consumers.

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