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**Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on the monitoring, reporting and verification
of carbon dioxide emissions from maritime transport and amending Regulation
(EU) No 525/2013**

ECSA POSITION PAPER

(11 October 2013)

As a contribution towards finding an appropriate global solution for CO₂ monitoring from international shipping European shipowners welcome the Commission's proposal for a Monitoring, Reporting and Verification (MRV) system of CO₂ emissions from maritime transport. ECSA however believes that any mandatory requirements on MRV for the international shipping sector must be agreed upon at IMO level, as this is the only way of securing a globally harmonised system.

ECSA considers that reporting of commercially sensitive cargo information per-ship is premature. Publication of such data would in any case be unwarranted. As a potential way ahead, ECSA recommends an MRV system that solely includes the aggregated data from ships' fuel consumption in combination with distance sailed. This combination will substantiate shipping's advantages as the most energy efficient and environmentally friendly mode of transport and allows correlating the trends of CO₂ emissions with already available data on world trade.

Overall, ECSA believes that the proposed MRV system should ensure that the realities and practicalities of the shipping industry enables a CO₂ monitoring system that is workable both for the industry and for the authorities.

The support in principle for an MRV system does not imply that ECSA would accept that MRV were to be used to establish regional Market Based Measures, mandatory application of energy efficiency improvement measures or indexing for existing ships. Whilst acknowledging the expressed long term intention of further improving the environmental performance of the existing fleet, ECSA considers it premature for the European Union to go along this path. Detailed input values for operational efficiency vary to a degree where any averaging and aggregation would make the result useless. Calculating such gross average indices for operational efficiency would expose the commercial viability of ships in a manner that is unjust and misleading.

A transport work value, expressed in CO₂ emissions per distance travelled per amount of cargo carried, suggests comparability over a large range of ship types and transport routes. ECSA doubts the validity and feasibility of such a system. Ships operate in an environment which produces many variables that can be under the control of different parties (whether the owner, the technical operator, the commercial operator or the charterer) and which influence its performance. Each individual ship achieves its service and transport performance within an individual transport environment subject to constant variation of economical aspects (fuel price, freight rates), operational aspects (amount of cargo carried, speed, routeing, ballast legs) and environmental aspects (current, weather and sea conditions, winter and ice navigation). These factors would even make it difficult to compare sister ships in the same trades, or seemingly identical voyages of the same ship during

different seasons. Any attempt to formulate emissions regulations that ignore the abovementioned facts is therefore bound to be ineffective.

ECSA is furthermore concerned about the negative impact the publication of commercially sensitive data would have on shipping companies. Rating of performance of existing ships using variable factors, will lead to unfair comparison of ship operators creating market distortions, as it happens today with the use of certain non-authorised industry ship rating systems. ECSA therefore believes that publication of individual ship's commercial sensitive data is unwarranted.

In addition, the sanctions as stipulated in the proposed Regulation are disproportionate. Introducing the same strict sanctions for an MRV pilot project which Member States use in their existing emission trading schemes and whose sole purpose is to collect data and serve as a paradigm for an international system is inappropriate and excessive.

ECSA is also concerned that, even if the vessel operator possesses the operational data that might be required to be recorded or reported under the current version of the Commission's legislative proposal, there are significant complexities and costs that would arise from a mandatory third-party verification of such huge amount of data. Monitoring of ships data on a per-voyage basis might be easier for some markets (e.g. deepsea trading incl. bulkers, tankers, liner containerhips) than others (e.g. short sea shipping incl. RoRos, RoPax, feeders). A monitoring on a per-voyage basis is not a practical approach for vessels operating in short sea trades, particularly for those vessels performing multi-voyages per day, as this would create a substantial administrative burden and impracticable verification process. Therefore, these vessels should be allowed to average on a monthly basis for instance.

For all these reasons, ECSA recommends to focus on aggregated data from ships' fuel consumption in combination with distance sailed. This combination will substantiate shipping's advantages as the most energy efficient and environmentally friendly mode of transport and allows correlating the trends of CO₂ emissions with already available data on world trade.

The EU initiative should primarily encourage ways and means of collecting data on CO₂ emissions through the IMO. ECSA therefore believes a stepwise approach needs to be taken, which first focuses on data collection and data collection only. In a second phase, the IMO can address to what extent the existing global fleet can reduce its CO₂ emissions and consider whether a compulsory instrument for the existing fleet is the appropriate tool. It is therefore of the utmost importance that the foreseen reviews of Annex I and II of the EU MRV system will be fully aligned with future IMO requirements. It is doubtful whether the use of 'delegated acts' empowering the European Commission to design and draft important parts of these annexes at its own discretion is the best way of achieving this goal.

In sum, ECSA believes that the EU Regulation proposal has the potential to contribute to the development of a globally harmonised MRV system when taking into account the specificities of the shipping sector. The Commission's proposal should therefore be simplified and focussed in order to achieve the overall goal to collect useful data in an efficient and flexible way.

Background explanatory note:

ECSA welcomed the decision of the European Commission to refrain from imposing regional climate change measures for the reduction of CO₂ emissions on international shipping and to pursue instead an agreement in the IMO on further global measures.

The pursuance of an EU Monitoring, Reporting and Verification (MRV) system as an intermediary step to deliver CO₂ emissions reductions may therefore fit well in the current IMO process to establish a global system to further enhance energy efficiency in international shipping.

It is widely recognised that international shipping is already, by far, the most carbon efficient mode of commercial transport. With their joint statement of 1 October 2012, Vice-President of the European Commission Siim Kallas and EU Commissioner for Climate Action Connie Hedegaard acknowledged that the shipping industry itself is best placed to take the lead in delivering fast and effective greenhouse gas emission reductions – thereby cutting cost and making the sector fit for the future.

In this connection, it should be underlined that as a matter of fact, atmospheric pollution from ships has reduced in relative terms in the last decades mainly due to significant improvements in engine efficiency. Improved hull design and the significant increase in the average cargo capacity of ships with larger cargo carrying-capacities have also led to a reduction. Nevertheless, and despite recent discoveries of alternative sources of energy, shipping will remain captive to fossil fuels in the foreseeable future. Fossil fuels will continue to be the predominant source of energy for maritime transport.

The European Commission attributes the MRV initiative to the projected increase of CO₂ emissions from shipping. These would not be in line with the EU climate change commitments and objectives, but at the same time the Commission acknowledges that the main driver for the increase is the expected increased demand for maritime transport triggered by growth of world trade. Shipping is the enabler of globalisation and international prosperity. The size and activities of international shipping are reflections of the transport needs of other industries and consumers. Hence, in the first place, those who benefit from the transport services should become aware of and sensitive to the environmental cost of trading goods by sea. Any increase in the cost of maritime transport or any measure that may adversely curtail shipping activities would run counter to these benefits of globalisation by increasing transport cost. In any event, the cost of fuel is in itself a strong incentive for shipowners to reduce consumption and emissions, without any prompting from authorities.

Brussels, 11 October 2013.

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. The European Economic Area maintains its very prominent position with a controlled fleet of 40% of the global commercial fleet.

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