



Intergroup on Sustainable Development

SHIPPING & CLIMATE CHANGE

Working Lunch

16th July 2008, 13:00-15:00

European Parliament
Brussels

REPORT

On Wednesday 16th July 2008, the Maritime Affairs Subgroup of the European Parliament Intergroup on Sustainable Development¹ held its meeting on **Shipping and Climate Change**.

The meeting was attended by 41 people, amid stakeholders, European Parliamentarians, political advisers of the European Parliament, European Commission officials, representatives of Member States and a press officer.²

Dirk STERCKX, MEP, Chairman of the meeting and of the Subgroup, welcomed the audience and the participation of high-level speakers.

He then gave the floor to João VIEIRA, Policy Officer of *T&E, European Federation for Transport & Environment*, to Tony MASON, Secretary General of the *International Chamber of Shipping* and to Jos DELBEKE, Deputy Director-General of DG Environment, on behalf of the *European Commission*.

In the first part of his speech, Mr. **VIEIRA**, as the first speaker, gave an overview of the main lines of IMO policy **(1)** and in the second part he focused on the actions undertaken by the European Union **(2)**.

(1) He made a general presentation of measures and proposals of IMO and analyzed the total emissions from ships.

According to several data as preliminary results for IMO study, they represent approximately 3% of worldwide CO2 emissions³.

He then focused on the progresses made by IMO in limiting or reducing emissions from ships, since the adoption of a workplan in 2003 until the next step of a workplan which aims to be concluded in July 2009 before UNFCCC Meeting.

In October 2008, a work on an emissions baseline and CO2 index scheme should be finalized as well by IMO.

In the frame of IMO, Mr. Vieira pleaded for the use of a multi-instrument approach including technical, operational and economic measures to be implemented (ex. CO2 design index, speed limits, traffic management, emissions trading).

His main concerns related to IMO's workplan, are:

¹ EBCD provides the secretariat of the Intergroup which is a multistakeholder' *forum*, recognized by the European Parliament (EP), aiming at informing his Members (MEPs) on different topical issues.

² ANNEXE III, List of participants.

³ ANNEXE I, page 5.

- The development of mandatory measures,
- The implementation date,
- The effectiveness of these measures in the short and long term,
- The level of ambition.

According to Mr. Vieira, Member States should have a more constructive role and a clearer coordinated position in this process.

(2) Concerning the European Union, he made a general presentation of measures undertaken, identifying three promising options:

- The inclusion of maritime transport in ETS,
- The differentiation of harbor dues,
- The requirement of ships calling at EU ports to meet a unitary CO2 index limit value.

In his conclusions, he talked about a diversity of signals coming from IMO's Secretary-General and not necessarily shared by all Member States.

He underlined that IMO is unlikely to deliver solutions in the short and medium term and that UE can and should prepare action complementary to IMO.

Mr. **MASON**, on behalf of International Chamber of Shipping, Bimco, Intercargo, Intertanko, ECSA, CESA, European Marine Equipment Council, IACS and IGP&I, took the floor and pointed out that shipping is the most energy efficient form of transport, producing around 4% of global CO2 emissions while carrying 90% of world trade.⁴

He proceeded in presenting the objectives of the shipping industry which he summarized in the following points:

- A proactive approach in the reduction of CO2 emissions,
- Innovation to improve performance,
- Support global trade,
- Encourage modal shift to shipping to reduce overall emissions,
- Common industry approach – shipowners, shipbuilders, equipment, manufacturers, classification societies.

He then presented the vital importance for shipping of an International Framework for Regulation of CO2 emissions with IMO being uniquely placed to deliver this framework, pointing out that there can be useful tools to improve energy efficiency and reduce GHG emissions through dissemination of existing and new technologies in a manner compatible with economic growth.

⁴ ANNEXE II, Slide 3.

Mr. Mason quoted from the G8 declaration of 8 July⁵, and stated that the industry was reassured that the approach being adopted was fully in line with this declaration,

Concerning practical measures to reduce CO2 emissions, Mr. Mason referred to the opportunities already being explored by industry. On new buildings:

- Energy generation (engines),
- Hull design,
- Propulsion Equipment,
- Integration of Equipment,
- New Ship Design Index.

On existing ships:

- Ship Efficiency Management Plan,
 - Monitor energy efficiency of each ship over time ('Operational Index')
 - Best practice on measures to reduce CO2 emissions
- Port Efficiency, with the need for better integration between ship and port/terminal operations so as to improve energy efficiency throughout the transport chain,
- The role of users of shipping services, whose involvement through commercial transactions also had a bearing on whether the ship was used in the most energy efficient manner.

According to him, there are several possible economic measures under discussion with a view to playing a part in reducing CO2 emissions.

Discussions are at an early stage with differing views of governments.

The industry is concerned that such market based instruments (MBI's) may not actually lead to reductions, and may distort modal competition. However the industry retains an open mind as discussions continue while believing that any scheme should meet the following practical requirements:

- Effective in reducing global GHG emissions,
- Binding and applied to all flag states,
- Cost effective,
- Will not significantly distort competition,
- Sustainable environmental development without penalising trade growth,
- Promoting technical innovation and leading technologies,
- Practical, transparent, fraud-free, easy to administer.

⁵ ANNEXE II, Slide 8.

The next important stage in the IMO timetable is the meeting of its Marine Environment Protection Committee (MEPC) in October when it is expected that progress will be made through reporting on practical experience with the new ship design index – (industry and flag states), industry developing Ship Efficiency Management Plan and all parties working on MBI's, including alternative concepts.

Mr. Mason concluded by emphasising that the Shipping Industry is committed to playing its part in finding solutions to reduce greenhouse gas emissions.

Jos **DELBEKE** thanked for organising this timely debate on this important issue, considering the opportunity to debate with MEP's, representatives of Member States, industry and NGO's.

All sectors of the economy, including transport, need to contribute to tackling climate change.

Without action shipping emissions will simply replace the emission reductions that other sectors of the economy, who are already regulated, have worked hard to achieve.

Spot on Aviation agreement:

Parliament and Council have just reached an agreement on a EC proposals to include aviation emissions in the EU ETS.

According to Delbeke, this is a significant development and set a **limit on the climate impact** of aviation to/from European airports.

Aircraft operators will have to surrender allowance for all emissions from all incoming and outgoing flights from European airports from 2012.

In 2012, the number of emissions allowances allocated to the aviation sector will be 3% below the sector's average annual emissions for the years 2004 to 2006 and from 2013 5% below.

Transition

Aviation should not be singled out in the fight against climate change **we must address all the modes of transport in a fair and balanced way**.

Measures for cars and transport fuels have already been proposed. EC is thinking about proposals for next year to address GHG emissions from freight transport.

Reductions from ships

- **Significant reductions from maritime transport are possible** even for existing ships using well established strategies and technologies. For new ships there is already great potential and research and development and new innovations will enable even further reduction in the future.
- Given the energy efficiency of maritime transport and, for the vast majority of intercontinental freight transport the lack of competition, properly addressing GHG emissions is **a win / win strategy for the maritime transport industry**:
 - Meet the increasing demands of customers,
 - improve the green image of the industry,
 - reduce the reliance on fossil fuels and
 - stimulate innovation and improve a competitive position.

The need for a global solution

- The European Commission has a **strong preference for such a global solution**. The shipping industry and the climate are best served by global solutions applying to all ships worldwide.
 - Avoids possible evasion, administrative complexity and unnecessary costs.

Wherever possible EC is working to support the agreement of such a global solution – most notably in the IMO and the UNFCCC.

But the reality of progress with these discussions in the UNFCCC and the IMO, the prospect of effective global action in the near future is **not promising**.

- Although the IMO first started discussing this matter in 1997, and produced a good report on the issue in 2000 – there are still no rules to reduce CO₂ emissions from ships.

The lack of progress towards global action is regrettable for several reasons:

- Global GHG emissions need to peak in the next decade if the worse effects of climate change are to be avoided.
- Ships being built now – which will last for 25 or 30 years - are not optimised for GHG reduction.
- Delaying action dramatically increases the costs.
- The positive image of shipping is undermined

European action

If there is no significant progress towards effective global measures by Copenhagen UNFCCC meeting we will come forward with a proposal for European legislation.

- Requested by the EP and the Council.
- Included in the EC Work Programme for next year and
- work is already underway.

Design considerations:

- effective,
- does not lead to distortions of competition,
- sound legal basis,
- evasion and counter productive avoidance behaviour will need to be minimised. (The ownership structure, lack of data and administrative traditions in maritime transport provide some particular challenges).

No decisions have been taken regarding the nature or scope of measures. That will only be possible once the analysis has been completed.

Package of measures would probably be necessary (technical and operational aspects as well as market based measures).

One possibility - **include maritime transport in the ETS** (as EC has done for aviation).

This would:

- Limit the climate impact of shipping and,
- stimulate the global carbon market and,
- minimise the cost of action,
- stimulate innovation and,
- allow operators to make their own choices about HOW best to reduce emissions.

Stakeholders consultations next year.

Key messages from Delbeke:

- **We all must do whatever we can, over the next year, to agree effective global solutions.** Particularly need to work with actors in China and India.
- The shipping industry should clearly **commit itself to a clear target to limit its climate impact.**
- Industry actors should more clearly say **what are the best ways to achieve reductions?**
- Industry needs to provide **better data** on what emissions actually are and what reductions have already been achieved.

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