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Cutting Greenhouse Gas Emissions without Market-based Measures

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The Copenhagen Conference estimated that US$100 billion a year would be required from all sources by 2020.

Various studies after the Conference estimated that shipping could raise between US$9 and 25 billion i.e. 9% to 25% of the total required.
What the studies avoided saying was how raising this money would reduce emissions from ships.
At IMO virtually all countries agree is that there needs to be a reduction in the emissions of CO$_2$ from ships, despite the fact that shipping contributes only 2.7% of total global emissions of CO$_2$ while carrying about 90% of world trade.
Two current proposals

• An emission trading scheme
• A bunker levy
Emission Trading Schemes (ETS)

- Various versions but same basic concept.
- Carbon credits are required for the quantity of fuel used, if more credits are required then they have to be purchased, if less then they may be sold.
- A bureaucracy would be needed to collect, monitor and distribute these credits.
- The intention of an ETS is to encourage the use of less fuel.
For an ETS to be successful, three basic criteria must be met.

1. the countries involved must be at a similar level of development, to avoid distortions in their ability to participate.

2. the countries must have a degree of political cohesion to ensure that disadvantages between countries can be dealt with.

3. there must be a common central body to ensure proper coordination of measures.
Levy on bunkers

- When bunkers are taken, an additional charge would be made which would feed into global fund.
- From a shipowners' point of view this is a simpler solution than the ETS.
- But the bureaucracy necessary to administer the handling of the huge amounts of money coming from sources all around the world would be enormous.
• Total bunkers used worldwide each year is about 500 million tonnes,
• a levy of US$50 per tonne would raise about US$ 25 billion per year.
• No current body exists capable of handling this amount from such a wide variety of sources. Whenever very large sums are being handled, fraud is always a possibility.
• Who would decide how to spend the money and on what basis?
• At IMO, any proposal that involves a financial aspect would require a new Convention.
• To draw up a new Convention would probably take three to five years to gain sufficient ratifications to bring it into force for the majority of the world's fleet would probably take another 10 years.
The proposals addressed the problem in the wrong way for the following reasons:
• A penalty on shipowners would result in a penalty on trade.
• A penalty on trade would impact on developing countries, for them an increase in trade is necessary to achieve continuing development.
• Both systems would require a new IMO Convention and would result in a requirement for a large administrative bureaucracy.
The Bahamas Approach

If you want to reduce ship emissions - make reductions mandatory.
Some GHGs have already been subject to mandatory bans under MARPOL Annex VI, in particular HFCs. These bans derived from the Vienna Convention for the Protection of the Ozone Layer, 1985, and the Montreal Protocol on Substances that Deplete the Ozone Layer, 1987, as adjusted and amended on 29 June 1990.
In the cases of both Sulphur Oxides (SoX) and Nitrogen Oxides (NoX), reductions were achieved directly by mandatory technical and operational means. This gives us a template to use in the approach to reductions of CO$_2$ emissions from ships.
The same approach of using technical and operational measures can be used to reduce CO2 emissions.

How the reductions are to be achieved will be left to owners as they know their ships and trades best.
• Avoids the problems related to the provisions of the UNFCCC and the Kyoto Protocol, in particular CBDR.
• No need to resort to indirect methods to achieve the desired ends.
• Existing survey, inspection and certification methods can be used.
• No expensive new bureaucracy would be necessary.
• Many of the enormous fraud problems associated with both an Emission Trading Scheme and a Fuel Levy would be avoided.
How would this mandatory system work?

Four Phases

1. Data Collection
2. Voluntary implementation
3. Mandatory implementation
4. Review of effectiveness
Data collection

- Recording of actual emissions for a 3 year period
- Cross reference with IMO baseline
Implementation

• 2 year voluntary implementation period to allow owners to get used to reduction

• Mandatory implementation, certification required

• 2 years after mandatory implementation—review of effectiveness
From an owner’s point of view

An initial expenditure to achieve the reduction but no further charges. Because fuel consumption will be reduced, long-term running costs will be reduced.
From a developing country’s point of view

Because there will be a reduction in ship operating costs, the costs of imports and exports will be reduced. This is particularly important to allow a country to continue to develop by increasing its trade through reducing costs.
Summary of Strong Points of Bahamian Proposal

• Direct reduction of CO₂ emissions achieved in short time period.
• No new Convention required.
• Can be applied to both new and existing ships.
• Can be monitored and enforced in the same way as other IMO Convention provisions by both Flag and Port State surveyors and inspectors

• No large bureaucracy required to administer.

• Apart from initial cost, no large financial implications to cause worries about fraud.
• Does not conflict with UNFCCC principles.
• Reduces the cost of transport by reducing fuel consumption.
• Benefits developing countries directly by reducing import and export costs.
• Shipowners can choose how to achieve the required reductions.

• Benefits shipowners by reducing operating costs.
Thank you for your attention