“The European Perspective”

ECSA/EMEC Industry Workshop
Shipping and Climate Change – the way ahead

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EU Climate Change Policy - Overview

- Fighting climate change is urgent, there is no alternative to reducing emissions.
- Even if we reduce, we need to adapt to the inevitable climate impacts as well.
- Reducing emissions and growing our economies is perfectly possible, thus industrialised countries should continue to take the lead.
- Developing countries' action must be scaled up, taking their differentiated responsibility, technical potential and economic capability into account.
- International negotiations under the UN should agree on a new and ambitious global framework in 2009.

Maritime Policy context (1/2)

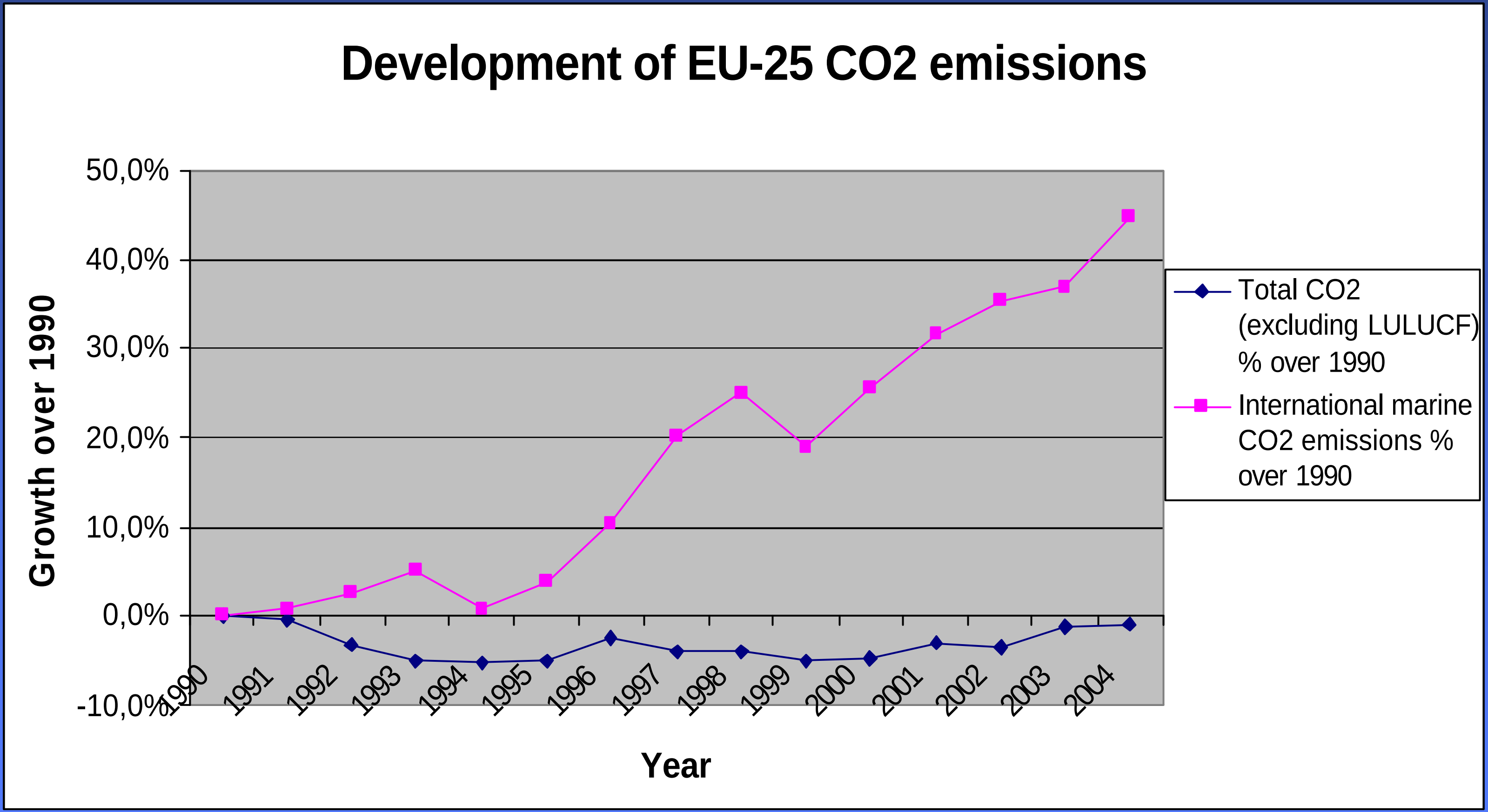
- Industry needs certainty – long term investments, ships last 30 years – need for stable framework
- Positive environmental image of shipping must be maintained
- Energy efficient means of mass freight transport
- Reducing emissions from ships is part of the development of the quality shipping concept – An Integrated Maritime Policy for the EU
- Quality shipping to be encouraged at global level
- Internalisation of external costs for all mode of transport (Communication, June 2008) : promoting the increased use of environmental friendly modes of transport

Comprehensive (and fair approach)

- **EC action on transport GHG**
  - **Aviation proposal 2006**
  - **Fuel Quality Directive 2007**
  - **CO_2 and cars 2007**
  - **Car Labelling (planned 2008)**
  - **Heavy Duty Vehicles (planned 2009)**
  - **Maritime Transport (if required)**

What reductions from International Maritime Transport?

EU shipping emissions growing



Transport reductions

"There is no doubt that the transport sector will also have to contribute to reducing green house gas emissions, just as all other sectors of economy "

Jaques Barrot, Vice-President of the European Commission

September 2007

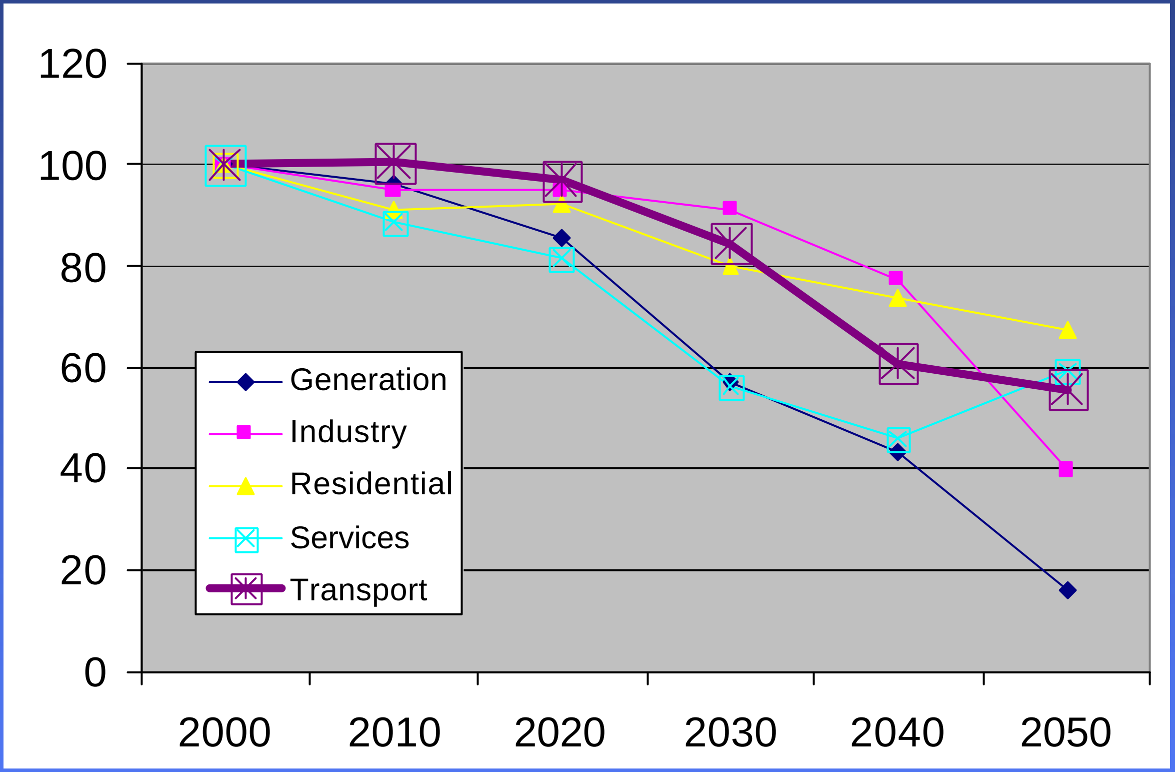
Key Question

What contribution should the maritime sector make to the 20% target (2020)?

- More than other sectors?
- Less than other sectors?

- **And importantly what about 2050?**

Index of U.K. Carbon Dioxide Emissions by sector - scenario showing least cost route to 60% reduction by 2050.



Source: DTI/UKERC MARKAL Macro model. Central fossil fuel price scenario, achieving 30% reduction by 2030 and 60% reduction by 2050.

Some figures

- **IMO Study (done for MARPOL VI revision 2007)**
  - **Emissions 2007 - 1.120 Mt CO_2**
    - Approximately 4% global emissions
    - + 43% from 1990
  - **Estimate for 2020 – 1.475 Mt CO_2**
    - + 90% from 1990

- **Significant reductions are possible (technology and operational improvements)**
  - **New ships – machinery measures 12%-23%**
  - **Existing ships – 5%-12%**
  - **Operational measures – 1% - 40%**

(IMO figures from 2000 – using available technology)

Towards a global agreement - IMO Process

- Serious work started at MEPC 55 in 2006
- Scheduled to decide on ‘methods for dealing with emissions’ in July 2009 (situation should be clear in October 2008)
- Large consensus on ‘principles’ – all ships
- Report on means to reduce emissions available
- Key meeting MEPC 58 (October 2008)
- Issues:
    - Technical, Operational - OK
    - Market Based Measures?
    - Level of ambition?
    - Blocking minority ?
- Commission ‘engaged but not optimistic’

Towards a global agreement - UNFCCC process (1/2)

- Relevant items:
  - Sectors to be covered
  - Means to achieve reductions
  - Flexibility Mechanisms
  - Financing
- Roundtable – Bangkok, April 2008 (Part 1)
- Roundtable – Bonn, June 2008 (Part 2)
- Key element of EU negotiation position
- Further negotiations (Bonn, Accra and Poznan)
- Possible 8 or 12 weeks of meetings in 2009
- Leading to: COP 15 Copenhagen (December 2009)
- New global post 2012 Climate Change regime

Towards a global agreement - UNFCCC process (2/2)

- **Issues:**
  - **IMO 'all flags' concept vs Annex I**
  - **Levy / ETS**
  - **Allocation based on 'beneficial ownership'**
- **Bonn:**
  - **Issues paper**
  - **Options (for negotiation in August)**

EU level action

- In case effective international action is not forthcoming the Commission will take action
- Policy criteria:
  - Effective
  - Long term framework
  - Polluter pays
  - Cost effective
  - Fair
  - Quantifiable
  - No distortion of competition
  - Proportionate
  - Contributes to building a global system

EU Policy Options

- Option 1 - Include shipping in EU ETS
- Option 2 - Variation in harbour dues
- Option 3 - Mandatory CO_2 index limit
- Option 4 – Design Index for new ships
- Option 5 – Reducing emissions from cooling gasses
- Option 6 – Slow steaming
- Option 7 - Better routing / port integration
- ……………..

Aviation ETS – current position

- **Key areas of discussion**
  - **Start date (Council 2012, EP 2011, Both support single start date for all flights)**
  - **Level of cap (Council 100%, EP 90% of 2004-6 average annual emissions)**
  - **Level of auctioning (Council 10%, EP 25%, Both support increase in accordance with general review of ETS)**
  - **Treatment of new entrants**
  - **Use of Kyoto project credits and credits from other sectors**
  - **Interaction with third country measures**
  - **How to take into account non-CO2 emissions**
  - **Use of auction revenues to fight climate change in the EU and elsewhere**

EU Policy Option

- Include Shipping in EU ETS
  - similar to aviation BUT different

- Issues
  - Changing – destinations, owners, operators..
  - Avoidance
  - Scale
  - Data
  - Diversity

EU Decision making process

- Supporting study (x -12 months)
- Stakeholder consultation (x – 6 months)
- EC Proposal (x)
- Discussions in EP and Council (27 EU Ministers)
- Decision of EP and Council (x + 12-18 months)
- Entry into force (Decision plus y months)

Need to involve others - outreach

- Discussion so far dominated by Europeans
- To agree a balanced and fair global approach important to engage/discuss with maritime actors throughout the world
- Call on you to use whatever means possible (conferences, meetings, suppliers, customers) to reach out to maritime actors outside Europe and discuss this issue.

Shipping is not in isolation

- **<u>Tokyo Declaration</u> (February 2008)**

"We, the undersigned companies, reiterate our belief that all necessary action should be taken to <u>limit the global average temperature increase to a maximum of 2 degrees</u> Celsius compared to pre-industrial levels.

We welcome the outcome of the climate talks in Bali and, in particular, its recognition of the Inter-governmental Panel on Climate Change (IPCC) report and its conclusion that global emissions of greenhouse gases (GHGs) <u>need to peak in the next 10–15 years</u> and be reduced to <u>very low levels, well below half of levels in 2000 by the middle of the twenty-first century"</u>

Signed by companies such as: **Sony, Nokia, Hewlett Packard, Tetra-Pak and Nike**

- **DPWN / Wal Mart / Maersk**

Next steps

- Start of supporting study (August 2008)
- IMO Meetings (June 2008, October 2008, 59 July 2009)
- UNFCCC meetings (June/August/December 2008 and 2009)
- Preparation of EU proposal
- Decision on EU action
  - Consult stakeholders
  - Impact assessment
  - EC proposal (could enter into effect 2012)
- Agreement of a new post 2012 Climate Change regime

Conclusions

- Preference for a global solution
- Hybrid solution (UNFCCC/IMO) - possible
- International negotiations – not optimistic
- EC proposal:
  - Sound analysis
  - Progress / concepts in global discussions
  - ‘Package’ of measures
  - Contributing / stepping stone to a global solution
  - Political support
  - All options under evaluation

- Situation being kept under constant review

Message to maritime industry

- Act now to define the solution
- Data
  - Marginal cost of reductions? Buyer / Seller? At 22€ / tonne CO_2
  - What are you doing now?
  - What has been achieved in the last years?
- Discuss with colleagues, customers, suppliers (particularly outside Europe)
- What is the right level of ambition
- Think about a long term solution
- Win / win solution

Thank you for your invitation

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