



MARINE ENVIRONMENT PROTECTION
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PREVENTION OF AIR POLLUTION FROM SHIPS

Elements of a possible market-based CO₂ emission reduction scheme

Submitted by Norway

SUMMARY

Executive summary: This document presents a possible scheme to reduce CO₂ emissions from ships based on introducing a fund. The funds collected could be invested in emissions reductions on ships and to buy emissions reductions from other sectors through different trading schemes and project mechanisms. Also, funds collected could be a source of contributory funding for climate adaptation projects in developing countries.

Action to be taken: Paragraph 10

Related documents: Resolution A.963(23) and MEPC/Circ.471

Introduction

1 MEPC 55 adopted the work plan for follow-up of resolution A.963(23), and identified that MEPC 56 should consider technical, operational and market-based methods for dealing with GHG emissions. This document provides input for such a consideration.

2 The 4th assessment report of the IPCC demonstrates the multiple problems and the severe effects we are facing due to climate change. Furthermore, the increase in international shipping calls for the importance of joint efforts in the follow-up of the IMO GHG resolution. Therefore, Norway takes the view that the possibilities embedded in new ideas and concepts brought forward to the IMO should be examined thoroughly, rather than early rejection due to anticipated lack of feasibility. An open approach may be the key to an appropriate response by IMO to the challenge of climate change.

3 It is observed internationally that new hybrid policy instruments can be successfully employed without requiring a reliable baseline before a scheme starts. As an example, markets for CO₂ emissions have been created in the last few years and are maturing rapidly. Furthermore, the Subsidiary Body on Scientific and Technological Advice (SBSTA) of the UNFCCC has considered eight emission options for allocating GHG emissions from international aviation and shipping to countries. One of them is “no allocation”, which means that emissions are not allocated to countries. The concept to be presented in this document build upon the “no allocation” option, and can be characterized as a new hybrid policy instrument.

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Possible elements in a market-based emission reduction scheme

4 An IMO GHG regime should strive to reduce the maritime GHG impact through near-term technical and operational industry improvements and accelerating long-term step changes. The scheme presented in this document widens the scope to also include mitigation of emissions outside the maritime sector. The reason for this is to optimize cost efficiency in the regime.

5 The challenge of climate change calls for mandatory regimes to be established internationally, also at the IMO. For this scheme, an option could be to introduce it voluntarily in a test period for some ships, and expand it as a global regime at a later stage.

6 The elements in a scheme may be as follows:

- .1 Establishment of an emission target (cap) for ships included in the scheme in order to achieve a net effect on emission reductions.
- .2 Establishment of an international maritime GHG emission fund. The purpose of the fund is to allocate financial resources to:
 - ships' GHG emission reduction projects. Shipowners could, apply for financial aid for implementation of low-emission technology and practices, and to stimulate infrastructure improvements. These GHG reductions obtained must be additional to the ongoing technical and operational industry improvements;
 - CO₂-credits purchased on the emissions trading markets. Emission reduction certificates and units purchased on the emissions trading markets if the reductions from GHG projects within the shipping sector would not be enough to meet the cap. The emission reduction certificates would be purchased through existing carbon markets, *inter alia* project-based agreements such as the Clean Development Mechanism (CDM); and
 - adaptation projects in developing countries or to the adaptation under the UNFCCC.

7 Funding should be provided by the maritime sector. There are several ways to establish a funding mechanism. A basic principle should be that financial contributions should be proportional to CO₂ emissions. The important elements is though to discuss on which basis the funding could be calculated; e.g. reported emissions (fuel consumption) or the IMO CO₂ index, and how to collect the money. It should be underlined that money going into the system is allocated to GHG projects as identified in the paragraph above.

8 It is evident that an international entity should be established in order to administer the scheme. Furthermore, there are economic, administrative and legal aspects for which Norway at this stage only has initial ideas for discussion in an MEPC WG on air pollution.

Proposal

9 Norway takes the view that a scheme as indicated above should be further discussed in a MEPC WG. If the concept is considered as an option for further examination by MEPC, Norway proposes that the WG identifies how MEPC may proceed on the issue.

Action requested of the Committee

- 10 The Committee is invited to consider the proposal above and take action as appropriate.
