Common but Differentiated Way Forward to Emissions from International Transport

How to Act Now, Together, and Differently?

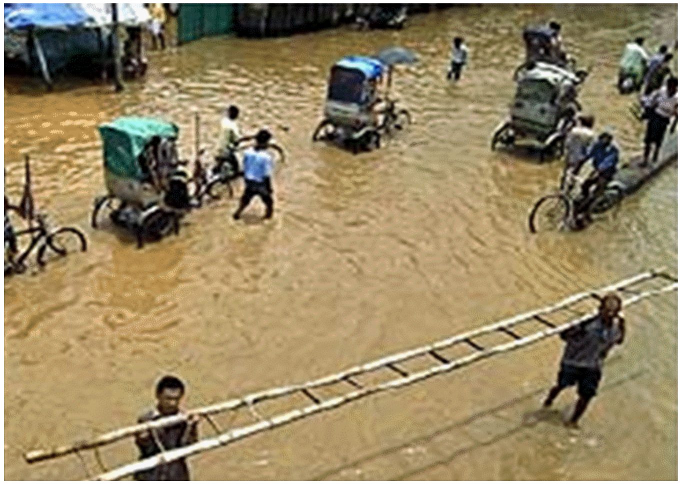
Carbon Forum Asia,
Singapore, 26 – 27 Oct 2009

Dr Andre Stochniol
IMERS Founder, London, UK
andre@imers.org, +44 7809 764 894

Two Problems ... in this order (shipping example)

1. **Current mechanisms to finance climate change action in developing countries are inadequate**, both in scale and design
   - The financing gap for adaptation alone is huge, circa 100:1
     - Tens of $billions are needed annually
     - Available total: $0.5bn

   Yet the poorest countries are most vulnerable, will be hit hardest by climate change and did not create the problem



Financing gap

$0.5bn — $50bn+

2. **International shipping CO2 emissions are outside of the Kyoto Protocol**
   - Significant and rapidly growing
   - Double aviation emissions
   - Attempts to address them have failed
   - Global and complex
   - All uniform proposals on the table are **unacceptable to developing countries**

The Core Issue

How to reconcile:

1. Differentiated climate principle (CBDR) with
2. Uniform policy of IMO/ICAO?

Or must we scrap one of them? Which one?

One Solution ... Common but Differentiated

- Global financing & reduction scheme for shipping CO_2 emissions:
  - **Market carbon price →** applying to all ships
  - Each developing country is entitled to a **refund**
    - According to its share of worldwide imports ("shipping CBDR")
  - **100% of revenue generated goes to climate change**, to existing multilateral funds

- Ships would be liable to pay a levy on fuel to a central account
  - **Levy is preferred**, for political, practical & financing reasons
  - Enforcement through the IMO rules
  - Could start in 2013

  - The alternative option of a variable levy or trading based on final destination of goods is just too complex

Outcome

- **Easily Affordable:**
  - Max marginal cost: circa 0.1% on import prices (**$1 per $1,000**)
    - In fact, benefits from reduced costs of transport are anticipated
  - No negative impact on non-Annex I (due to refund or no-payment)

- Worldwide, the share of goods imported by developed countries (Annex I parties to the UNFCCC) is near **70%**
  - Significant funding would be raised
    - Equal to 70% of emissions x price
  - These funding could go to:
  - **Legal** under international laws and rules (UNCLOS, WTO, GATT; IOPC Funds provide a precedent for direct collections)

FUNDS pa*	2013
Mitigation	4
Adaptation	**4**
Technology	2

* In $billions per annum

TOTAL: circa $10bn

For levy = $15/tCO2

Conclusion & Summary

- It's time to focus on **what's politically acceptable** by COP15
  - The refund proposal is disclosed publicly for the first time
  - Already informally negotiated, likely to be tabled at Barcelona CC talks
- It's time to focus on **what's good for business & environment, too**
  - It's a perfect win-win opportunity to solve the Two problems simultaneously (i.e. "2 for 1")
  - Moral support from various stakeholders would help your governments

Executive Summary (other details: www.imers.org)

- A market-driven levy on emissions from international shipping, which differentiates between developed and developing countries
- Easy to grasp by Presidents; both technically sound & **politically acceptable**
- Applied worldwide, collected centrally – bypassing national coffers – raising circa $10bn annually for climate action

Additional Details

Halving Emissions & Financing Climate Change Action

How Will the Imers Scheme Reduce Emissions?

1. It will bring additional **incentives and certainty** to invest in efficient engines, ships, and practices

2. It will collect data on ship efficiency, thereby giving charterers a **mechanism to choose more efficient ships**

3. Seed financing provided for R&D will **bring forward adoption of hydrogen engines** by a decade or so

4. Financing provided for **capacity building** of developing countries will increase their openness to globally applicable **efficiency measures** (through the IMO)

5. **Supplemental emission reductions** will be achieved through carbon markets, and forestry (REDD+)