IMERS
International Maritime Emission Reduction Scheme

Equitable Financing & Emission Reduction Mechanism for International Transport

Technically sound and **politically acceptable market-based levies on emissions from** international aviation and **maritime transport**

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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: circa $1bn

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

Financing gap

$1bn $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, irrespective of flag
  - 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
  - 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 (especially for Presidents)
    - True cap-and-trade, with emission allocations per ship/company, would also be rather complex

IMERS Road to COP 15

3 years ago – Initial idea

2007

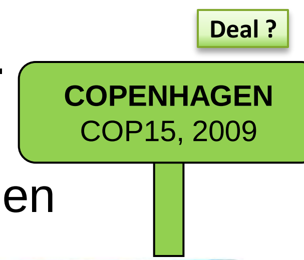
- Aviation – no traction, maritime OK
- IMO MEPC 56/4/9 submission
- Seoul (Innovative Fin.)
- Oslo (technical workshop)
- Bali, 1st side event

2008

- Malta
- London, MEPC 57 (informals)
- Bangkok (hybrid scheme)
- Bonn, “final destination version”
- Accra, LDCs support
- MEPC 58 (impact analysis)
- UK Parliament
- Poznan, high-level

2009

- ++ Endorsements; Tokyo award
- Brussels
- Geneva, UNCTAD
- Washington, consultations
- Manado, Indonesia, WOC
- Panama
- Sustainable Shipping award
- MEPC 59 (IUCN; informals)
- Abuja, Nigeria
- Bangkok, GLCA recomm.
- Singapore
- Barcelona → Copenhagen



← Consultations with 30 countries →

Textual Proposal in Barcelona (04 Nov 2009)

Location in the AWG-LCA 7th report: section 1b(iv)

EXTRACT from FCCC/AWGLCA/2009/14, Page 102

26. … [One option to raise revenue is to implement a market-based levy on emissions from international maritime transport which differentiates between responsibilities [and capabilities] of developed and developing countries. Such levy would apply globally.[4]]

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[4] A detailed proposal for innovative financing through the International Maritime Emission Reduction Scheme was submitted and is available at <http://unfccc.int/files/meetings/ad_hoc_working_groups/lca/application/pdf/awglcafinancenigeria051109.pdf>.

(Relates to AWG-LCA INF.1 para 173 option 4 & non-paper 34: para 10 option 4; Levies on emissions from international maritime transport for developed countries …)

Innovative Financing & IMERS (2 of 7)

1. An innovative mechanism for financing climate change action and simultaneously reducing emissions from international maritime transport is hereby established. The mechanism shall be called the International Maritime Emission Reduction Scheme (IMERS).

2. The mechanism shall be based on a market-driven levy on emissions from international maritime transport.

3. In order to comply with the principles of the Convention, the application of the levy shall be differentiated.
4. Developing country Parties shall obtain refunds. The amount of refund shall be calculated annually in proportion to a country's share of worldwide imports. A developing country Party could voluntarily decide to forego a refund, or a part of it, and record its decision.

Why share of imports?

Country	Share of import %	*Share of GDP %*
USA	**16.2**	*27.4*
Japan	**4.8**	*10.1*
Germany	**7.3**	*6.2*
China	6.2	*5.5*
UK	**4.8**	*5.0*
Brazil	0.7	*2.0*
Greece	**0.5**	*0.5*
Nigeria	0.2	*0.3*

* Source: IMF & World Bank, for 2005;

5. The levy shall apply to all ships over a predetermined size.

6. The levy shall be set at the rolling average market carbon price.[1]

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[1] Until a global carbon price emerges, the levy shall be set at the rolling average carbon price of the largest economy-wide emission reduction scheme, over a predetermined period of time, adjusted for any free emission allowances existing in the scheme.

7. Revenue generated by this mechanism will contribute to the fulfillment of financial obligations under the Convention of Annex II Parties.

8. Revenue generated from the mechanism shall be split between assisting developing countries in implementing climate change action and the global shipping sector to accelerate reduction of its growing emissions. Financial resources shall be provided for:
   a) Adaptation to climate change
   b) Reduction of emissions from deforestation and forest degradation (REDD+)
   c) Technology R&D, transfer, and transformation in the shipping sector

9. The proportion of funding between adaptation, REDD+ and technology shall be decided by the Conference of Parties and may change with time. [2]

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[2] The funding for adaptation and REDD+ will be directed through existing funding mechanisms under the Convention, and Technology funding will be directed through a mechanism established by the International Maritime Organization.

Innovative Financing & IMERS (6 of 7)

10. In order to enable integrity of national carbon accounting, a quantity of emissions accountable to each developed country Party could be calculated by the mechanism. [3]

TOTAL EMISSIONS (say 1GtCO2) → UK 5% of worldwide imports (by sea) = UK share of int. shipping emissions = 50MtCO2

[3] This quantity of emissions shall be obtained by multiplying a global quantity of emissions from international shipping and a country's share of global imports by value. The Conference of Parties may replace the country's share of global imports with another measure when such becomes available.

Innovative Financing & IMERS (7 of 7)

11. In order to create an efficient and effective mechanism, the implementation provisions for the levy collection and compliance shall be established through the International Maritime Organization (IMO). These provisions shall build on existing maritime conventions and practices, and existing global institutions.[4]
12. The Conference of Parties shall adopt further principles, modalities, rules and guidelines for the functioning of the IMERS mechanism at its 16th session.[5]

[4] In order to provide predictable funding and global compliance, the levy could be collected worldwide directly from ships, based on fuel consumption. The ships could be liable to pay the levy periodically to their carbon accounts, established with an appropriate existing global institution. Compliance could be included as part of ship certification. It may be enhanced by port entry conditions, declining entry to the port or detention until ship's compliance is met.

[5] This may include expanding scope of the refund mechanism to Economies in Transition.

Complying with Negotiating Positions

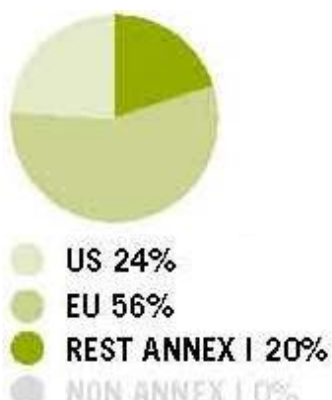
- Complies with the Convention principles (including CBDR)
- It's global & applies to all ships, irrespective of flag
- It's simple, but not simplistic
- It puts the same carbon price on shipping emissions (shipping would pay the same price as other industries; no more, no less)
- It's easily affordable (as shipping is an energy efficient transport)
- It's flexible to accommodate national circumstances (incl. the USA)
- It would deliver ambitious emission reductions efficiently, while raising $billions annually for climate change
- It would provide $billions for technology & incentives in shipping
- It's win-win: good for environment and good for shipping/trade
- It can be implemented from 2013
- It does not require setting of a global cap on shipping

"It's as sexy as it gets"

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)

- Worldwide, the share of goods imported by developed countries (Annex I parties to the UNFCCC) is circa **70%** →significant revenue
  – Who effectively pays & where the money goes?



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

[*] In $billions per annum

TOTAL: circa $10bn

For levy = $15/tCO2

  – One of 2 schemes only where non-Annex I don't pay
    – Source: Global Canopy Programme, 2009
  – **Legal** under international laws and rules

  (UNCLOS, WTO, GATT; IOPC Funds provide a precedent for direct collections)

How Will the Scheme Reduce Emissions?

1. It will bring additional **incentives and certainty** to invest in efficient engines, ships, and practices
2. It may collect data on ship efficiency, thereby giving charterers a **mechanism to choose more efficient ships** (working as part of the IMO toolbox)
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+)

Conclusion & Summary

- It's time to focus on **what's politically acceptable**
- It's time to focus on **what's good for environment & good for shipping**
  - It's a perfect win-win opportunity to solve the Two problems simultaneously (i.e. "2 for 1")

Executive Summary

- A market-driven levy on emissions from international shipping, which differentiates between developed and developing countries
- Applied worldwide, collected centrally – bypassing national coffers – raising circa $10bn annually for climate action

- Easy to grasp by Heads of State
- Both technically sound & **politically acceptable**

Details: www.imers.org

Q&A Debate

How to galvanize the negotiations to seal the deal?