Common but differentiated responsibilities in international transport

Generating $billions for climate change action[1]

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Summary

Message from the Event: A differentiated levy on fuel for international shipping is feasible, affordable and will bring significant benefits.

Solution in 30 words: A technically sound and politically acceptable levy on fuel for international shipping, which differentiates responsibilities between developed and developing countries. Applied worldwide, collected centrally – bypassing national coffers – raising $6bn+ annually for climate action.

Scheme Details

The International Maritime Emission Reduction Scheme (IMERS) aims to raise much needed finance for climate adaptation in developing countries while simultaneously reducing shipping CO2 emissions, which are significant, growing and currently unregulated.

Under the proposed scheme, an emission cap for all destinations with emission reduction commitments – Annex I countries to the UNFCCC (A1) – is established. A carbon levy on ship fuel is derived from the amount of emissions above the cap and the prevailing market price for carbon. The levy is collected centrally based on ship fuel use and a ratio of delivered cargo to A1 countries, thereby differentiating responsibilities between developed and developing countries. The levy is paid periodically by the fuel payers, typically charterers. The liability stays with the ship and is enforced by A1 ports.

100% of revenue raised is disbursed to climate change action, comprising: (1) mitigation of emissions in excess of the cap, (2) climate adaptation, (3) maritime technology transfer and transformation.

The anticipated price impact of the scheme on final consumers is only circa 0.1% increase in the price of imported goods to A1 countries (equivalent to an extra $1 for every $1,000 of imported goods). There is no impact on imports to non A1 countries.

Innovative Elements

The scheme has highly innovative characteristics. It resolves the conundrum of reconciling the need for a uniform shipping regime with differentiated responsibilities enshrined in the UNFCCC. Economically, it is a novel hybrid quantity-price instrument which efficiently combines a pre-determined cap with the market price for carbon (therefore it can be called cap-and-levy). Operationally, it eliminates several barriers such as emission allocation, which has made traditional cap-and-trade impossible to implement effectively for shipping. Technologically, it is a centralized system rather than a patchwork of 100+ variants for different flag states. It is future-proof, as it can incorporate emission deviation commitments. Importantly, it creates new governance to address emissions outside national jurisdictions.

[1] We would like to thank: the European Federation for Transport and Environment (T&E) for agreeing for the event, Mr Jules Kortenhorst for participating in the panel, and all 70+ participants for their valuable input.

IMERS is a not-for-profit company limited by guarantee, registered in England and Wales (number 6765675).

Feasibility

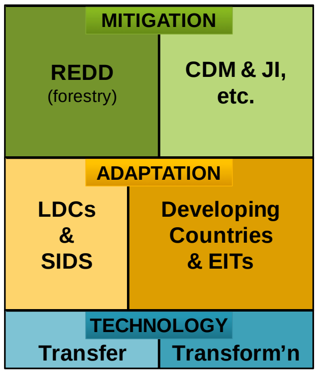
The feasibility of the scheme has been proven by its rapid ascent to the international negotiation table, and subsequent support for it. In 2007 Norway brought a uniform version of IMERS to multilateral negotiations, both in the IMO and UNFCCC. Support from the EU, Australia, other countries and organizations, as well endorsements/reviews in 10+ influential reports followed in 2007-2008.[2] The differentiated version was created in mid 2008 and is now informally supported by a number of developing countries. There are no similar schemes.

Contribution to Tackling Climate Change

IMERS could be the first global scheme to reduce emissions for an entire sector. It could: (1) Halve shipping emissions by 2050 at the lowest cost without constraining economic growth; (2) Provide $billions for climate adaptation & technology transfer; (3) Establish new governance for international emissions that are inherently beyond national jurisdictions.

For an emission reduction goal (cap) of 20% below the 2005 level by 2020 for developed countries, IMERS' annual contribution from 2013 onwards would be:

1. Emission reductions of 160+ million tons of CO_2, initially mostly through purchasing emission reduction credits from the REDD (forestry) and CDM/JI projects; in the longer term through efficiency improvements & technological breakthroughs.
2. Additional and predictable financing for adaptation to climate change in developing countries of $2.5bn+, of which $1bn+ is anticipated for the most vulnerable countries (LDCs and SIDS).
3. Dedicated financing for technology transfer and transformation of $1bn. This would lead to improved maritime transport, reduced costs and reduced emissions.



Potential fund distribution

Furthermore, the approach paves the way for early action. Accelerating the scheme's start by 1 year would raise $6bn of climate funding. The scheme can start as quickly as 2013 and would be permanent.

Implementation Points

The proposed levy is equitable, clear, predictable and effective. By being collected centrally, it bypasses national coffers and 100% of revenue raised goes directly towards climate action. In contrast to cap-and-trade, it can be rapidly and cheaply implemented; neither large bureaucracy nor complex reporting is required. Furthermore, the scheme is underpinned by existing law and trade rules (UNCLOS, WTO, GATT).

Momentum for Action

The site event and the subsequent presentation at the high-level event organised by the Global Leadership for Climate Action (GLCA) have increased momentum for the proposed scheme. IMERS is seen by insiders as one of the least controversial and most effective ways to raise $billions of additional financing for climate action. It would simultaneously resolve the deadlock in addressing CO_2 emissions from international maritime transport.

Additional effort and support is however required, including submissions from parties to the UNFCCC and the IMO processes. Otherwise, the risk of inaction is twofold: repeat Kyoto's failure to address maritime emissions, and fail to provide additional financing for adaptation to climate change crucially needed for the most vulnerable.

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[2] See: www.imers.org/buyin/achieve. Presentations from the side event are available at: www.imers.org/poznan, while answers to frequently asked questions are at: www.imers.org/faqs.