# IMERS

International Maritime Emission Reduction Scheme

## IMERS

**A levy on fuel for international shipping, which differentiates responsibilities between developed and developing countries**

**UNCTAD Expert Meeting**

Maritime Transport & the Climate Change Challenge

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# Two Problems ...

1. **Current mechanisms to finance climate change adaptation in developing countries are inadequate**, both in scale and design
   - The financing gap is huge, circa 100:1
     - Tens of $billions are needed annually
     - Available total: $0.4bn

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

**Financing gap**

$0.4bn $50bn

2. **International shipping CO2 emissions are outside of the Kyoto Protocol**
   - x2 aviation emissions
   - Significant and rapidly growing
   - Attempts to address them have failed
   - Regulation needs to comply with the differentiated climate regime (CBDR)
   - Global and complex

**Example:**
How to attribute ship's emissions:
- Swiss owned
- Flying Liberia flag
- Chartered by Danish company
- Leaving Saudi Arabia
- Cargo for NY, and Shanghai
- Via international waters

# ... **One Solution** (supra-national)

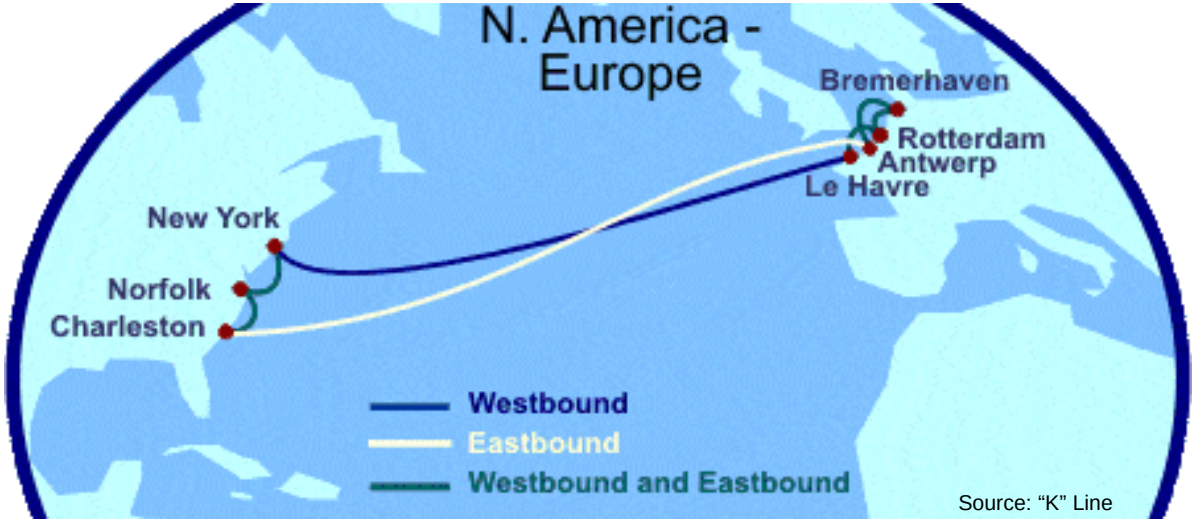
- International shipping $CO_2$ emissions would form one emission bubble (no allocation to countries)

- Ships would be liable to pay a levy on fuel for transporting goods to:
  - Rich countries only: @100% (rich = Annex I countries)
  - Poor countries only: 0%
  - Both to rich & poor: 60%, on average
    - Based on % of goods transported to rich countries annually by the ship/company
    - Enforcement in Annex I ports: pay up 100% or prove you should pay less

- Level of levy would be determined by an emission cap and the market carbon price (cap-and-levy; by a formula not a political body)
  - Levy paid to the central ship account - bypassing national coffers!
    - Based on already compulsory fuel receipts
  - **100% of revenue generated goes to climate change**

# Three Examples

| | Vessel | Route/Voyage | Cargo Destination | Levy % |
|---|---|---|---|---|
| 1. | Tanker | Persian Gulf → Rotterdam | Annex I (A1) | 100% |
| | | | » on the entire fuel, incl. the ballast leg | |
| 2. | Bulk | Australia → China | non A1 | 0% |
| 3. | Container | N. America ←→ Europe | A1 | 100% |

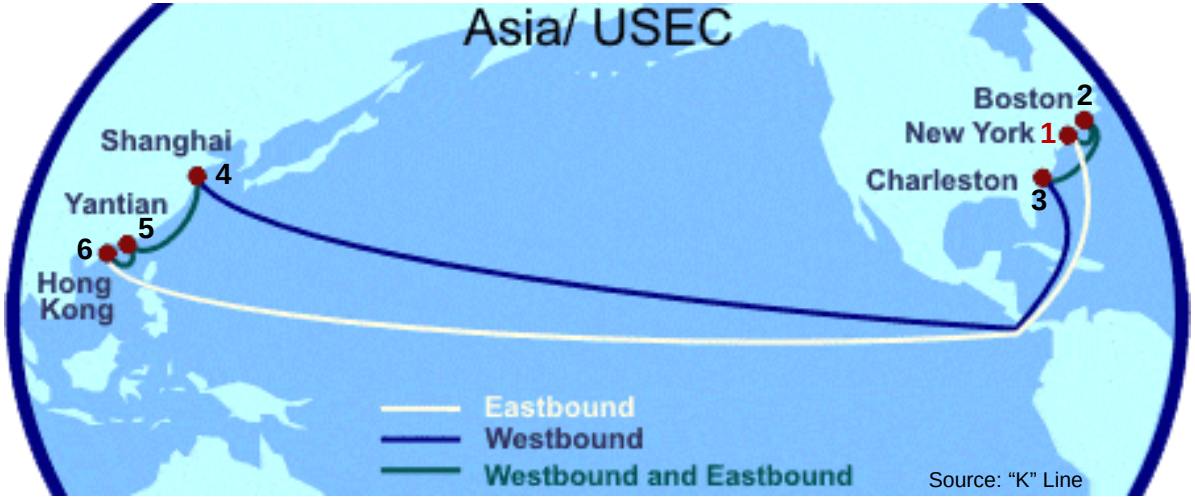



**Equally applicable** to all vessels **irrespective of flag** they fly **and nationality** of the ship-owner

# Multiple Destinations

(1 statistical ratio needed to qualify for a lower payment)

| Vessel | Route/Voyage | **Cargo Destination** | **Levy %** |
|---|---|---|---|
| Container | Asia – US (East Coast) | A1 & non-A1 | variable |




» Based on a ratio of delivered containers to A1
(% of full containers unloaded/ transported to A1 countries; the final destination counts)

*EXAMPLE* Number of full containers (TEUs) unloaded/transported to: *(illustrative)*

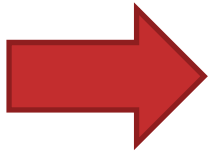
| Ports | A1 | non-A1 (incl. trans-shipments) | TOTAL |
|---|---|---|---|
| Asia | 200 | 2,000 | 2,000 |
| US | 2,800 | - | 3,000 |
| Total | 3,000 | 2,000 | 5,000 |

A1 cargo ratio: **60%** (i.e. emission payment = 0.6 x fuel used x levy level)

# Outcome

- Worldwide, the share of goods transported to Annex I is **60%**
  - Day 1 of scheme: 60% of maritime emissions covered, with an ambitious emission cap e.g. **20% emission reductions** for Annex I (by 2020)

- **Easily Affordable:**
  - Marginal cost: just +0.1% on import prices to Annex I (**$1 per $1,000**)
  - No impact on imports to non-Annex I



- **Significant Impact:**

| FUNDS pa* | 2013 |
|---|---|
| Mitigation | 2.5 |
| **Adaptation** | **2.5** |
| Technology | 1 |

* In $billions per annum

**TOTAL: $6bn+**

# Approach Benefits

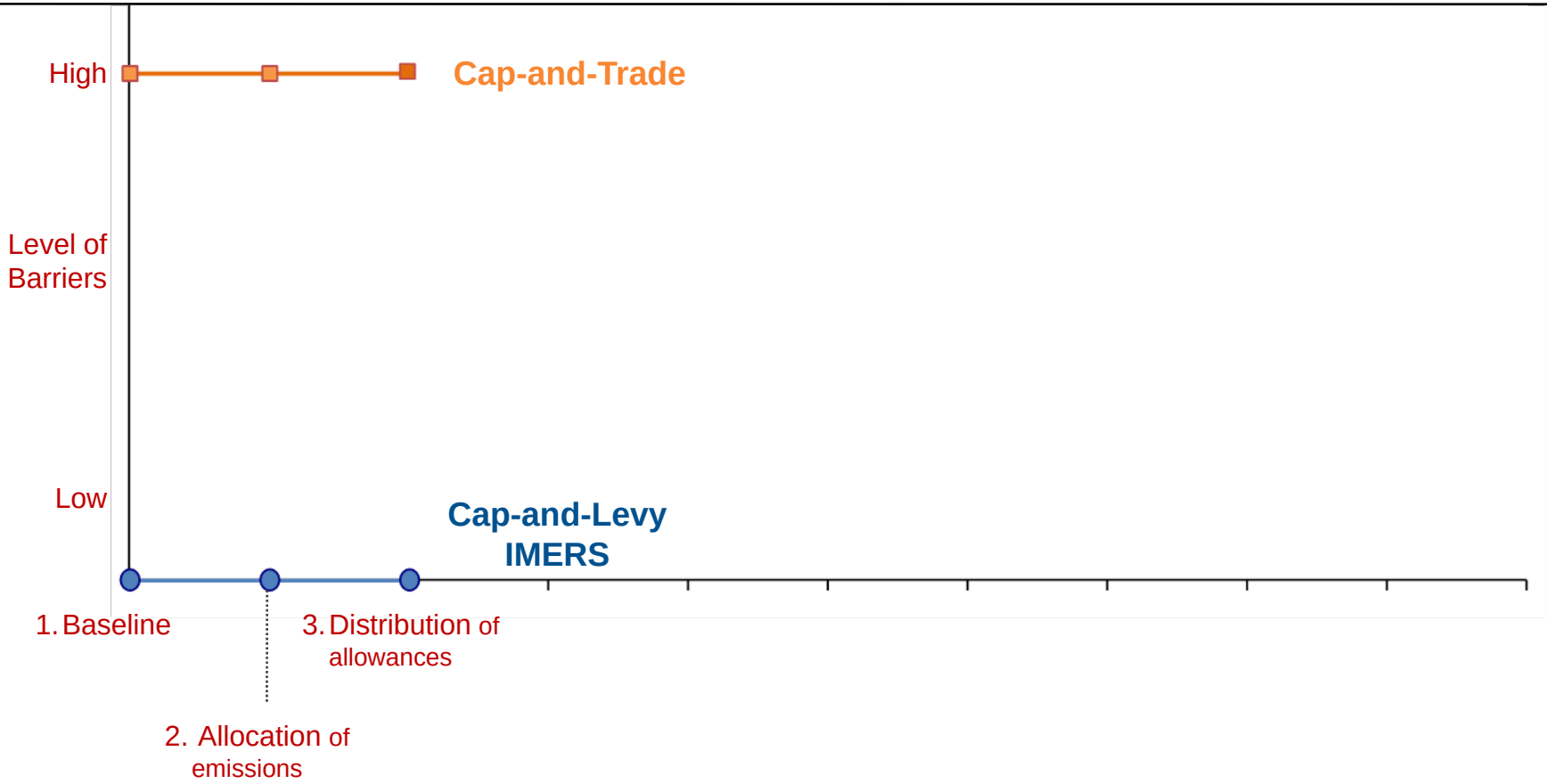
- A central, supra-national differentiated approach would:
  - Resolve the conundrum of reconciling the need for Global rules (as per the IMO) with Differentiated responsibilities (as per the UNFCCC)
  - Efficiently combine a cap with carbon price through cap-and-levy
  - Eliminate several barriers such as emission allocation allowing rapid start; it could operate from 2013 vs. decades for the separate country-by-country approach
- Its implementation would:
  - Provide an effective centralized system rather than patchwork of multiple variants for different flag states
  - Be future-proof, by being automatically compatible with any CC regime as it allows taking emission deviation commitments, and similar
- Importantly, it would create a new governance to effectively address emissions that are inherently beyond national jurisdictions
  - Legal under international laws and rules (UNCLOS, WTO, GATT; would use IOPC Funds as the precedent for direct collection of funds)

# How does IMERS compare with a cap-and-trade scheme?

## Barriers 1 – 3

Eliminates the three central barriers 1 – 3



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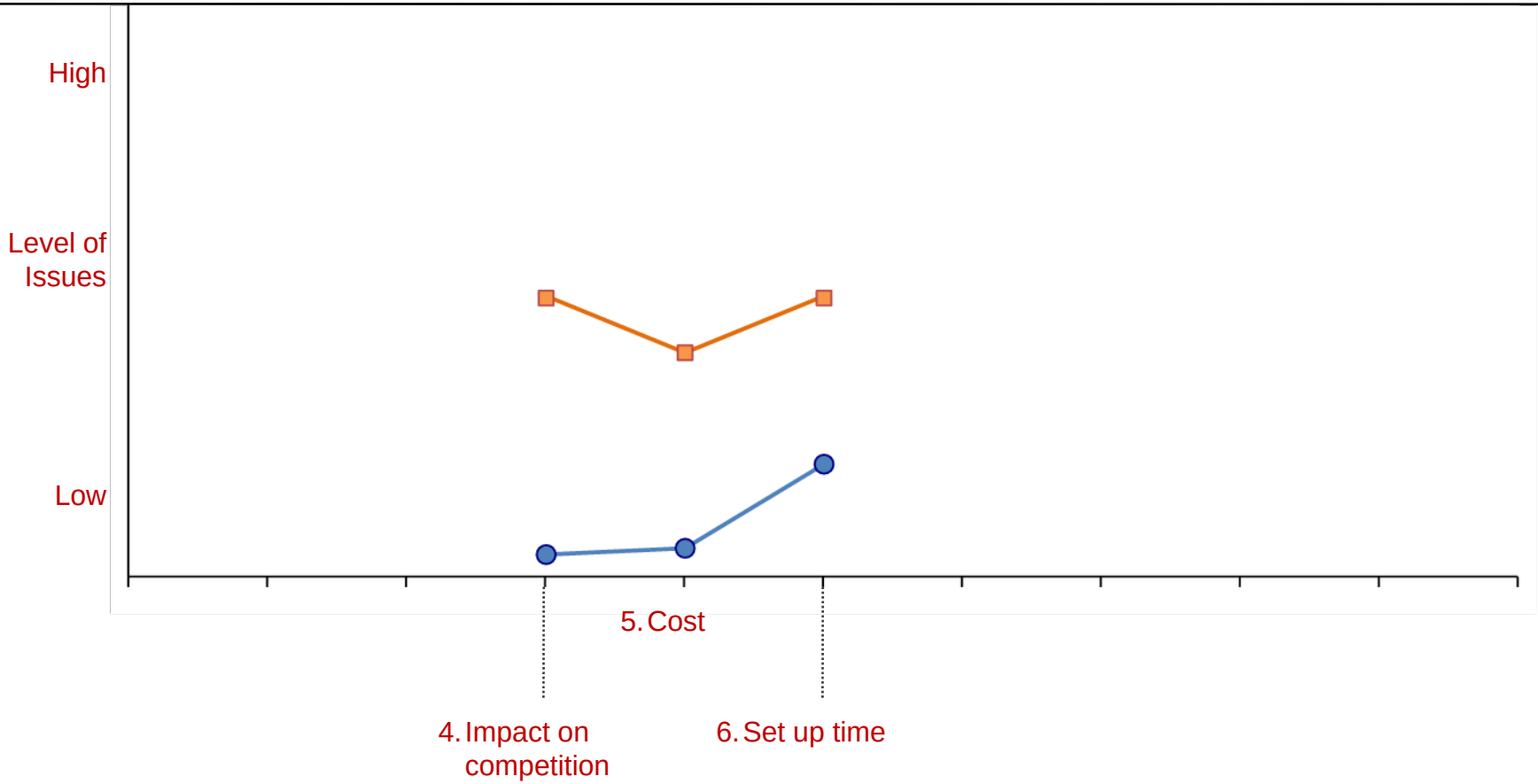
## Issues 4 – 6

Reduces the negative impact of key issues 4 – 6



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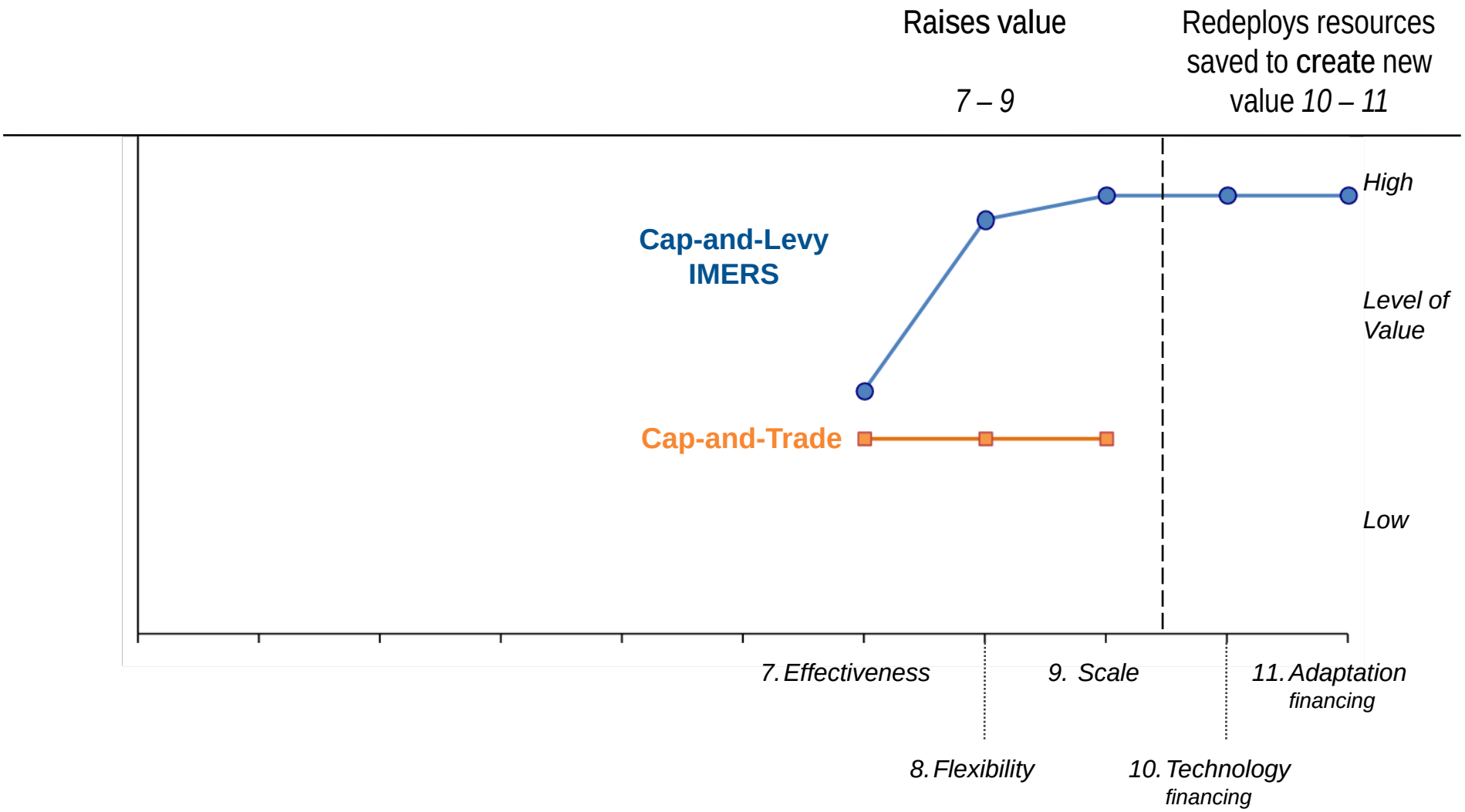
## Value 7 – 11



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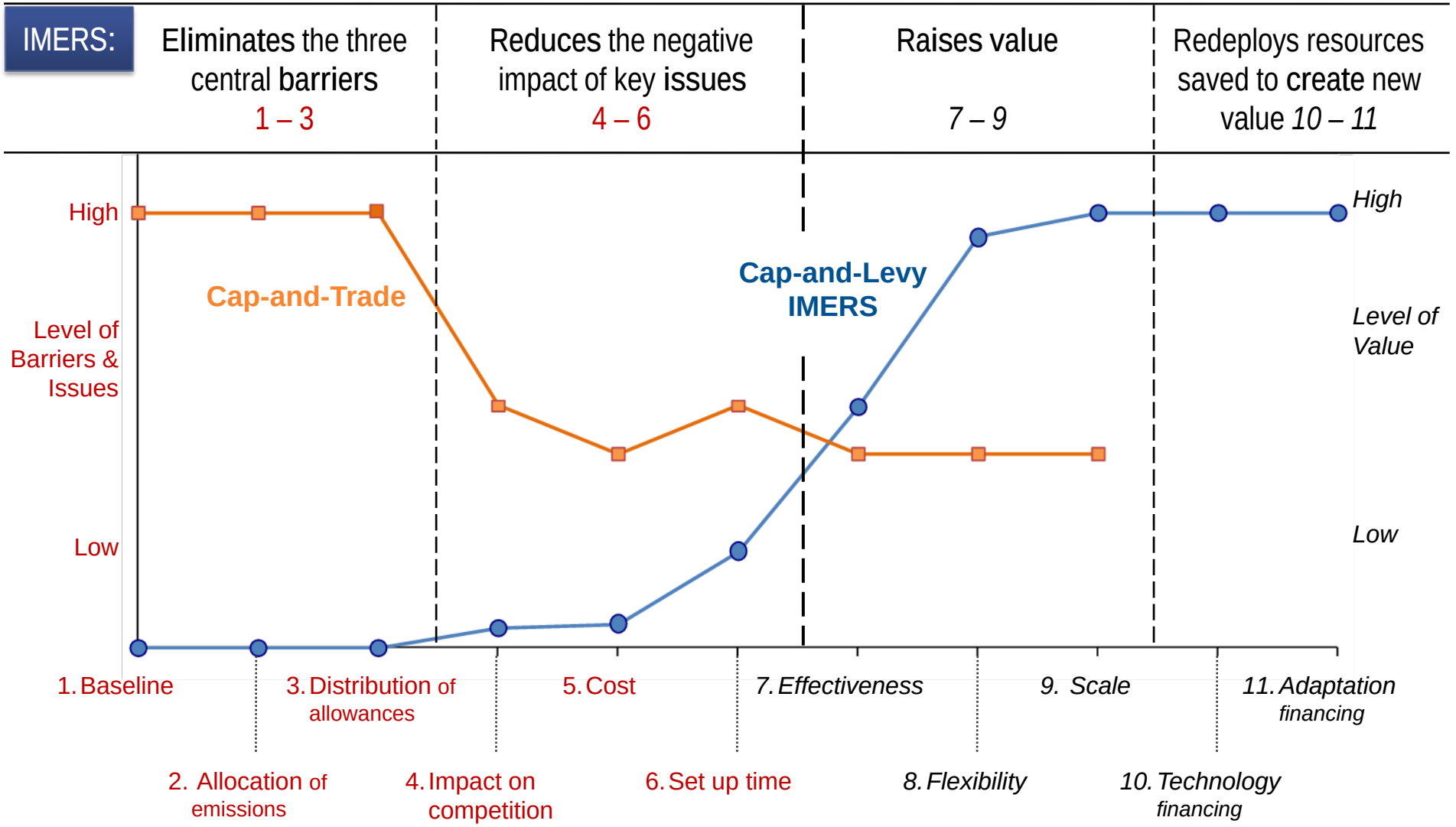
## Comparison Summary



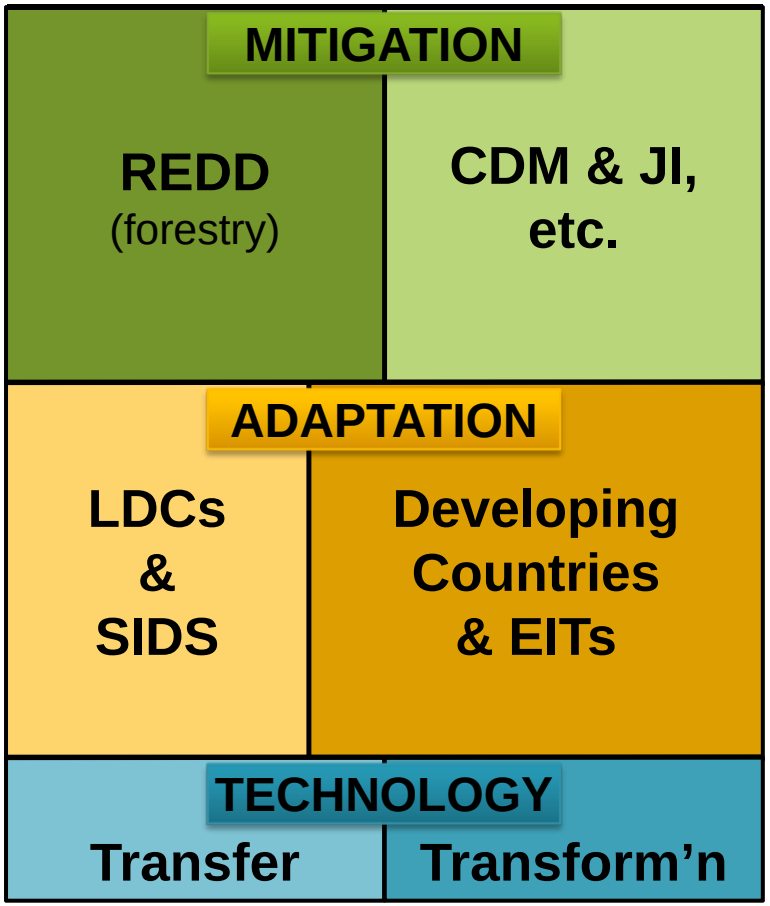
# Use of Funds

FAQ 6 & 7

6. What would the funds be used for? Who would benefit most?

   – Mitigation, Adaptation & Technology →

   – LDCs & SIDS would benefit most




7. Where does the money for adaptation come from?
   – Aggregated demand provides access to cheaper emission credits
   – Generated gains are utilized to address adaptation issues

# Conclusion

- The proposed differentiated levy:
  - Is equitable, clear, predictable and effective
  - By being collected centrally provides 100% payout to climate action
  - In contrast to cap-and-trade, it can be rapidly and cheaply implemented
    - Neither large bureaucracy nor complex reporting is required
  - It is underpinned by existing law and trade rules

- From our experience, it still requires:
  - Proactive approach to scale up *(including submissions & financial support)*
  - Practical solution demonstrators to convince sceptics
  - Mobilization of various stakeholders

- UNCTAD could take a leading role to obtain expert consensus for IMERS:
  - Submissions from developing countries are still needed

# Executive Summary

- 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

"It is one of the least controversial and most effective ways to generate significant additional climate change funding"

Online: www.imers.org/geneva