IMERS

International Maritime Emission Reduction Scheme

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January 2009

IMERS Summary

1. IMERS 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.

2. Proposal outline, novelty and proven feasibility

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 & currently unregulated.

Under the proposed scheme, an emission cap for all destinations with emission reduction commitments - Annex I countries (A1) – is established. A carbon levy on ship fuel is derived from the amount of emissions above the cap & 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 & 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 ($1 in $1,000). There is no impact on imports to non A1 countries.

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. Operationally, it eliminates several barriers such as emission allocation, which has made traditional cap-and-trade impossible to implement effectively. 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 from developing countries. Importantly, it creates new governance to address emissions outside national jurisdictions.

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 it to multilateral negotiations, both in the IMO and UNFCCC. Support from the EU, Australia, other countries and organizations, as well as endorsements from 10+ influential reports followed in 2007-08. The differentiated version is now supported by a number of LDCs, and is being considered by India and China. There are no similar schemes.

3. IMERS contribution to tackling climate change

IMERS will be the first global scheme to reduce emissions for an entire sector. It will: (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. The approach could also be applied to aviation.

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

1. Emission reductions of 150+ million tons of CO2, initially mostly through purchasing emission reduction credits from the CDM/JI & REDD 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 maritime technology transfer and transformation of $1bn. This would lead to improved transport, reduced costs and reduced emissions.

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 in 2013 and will be permanent.

4. Other key 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).

IMERS is seen by insiders as one of the least controversial and most effective ways to raise $billions of additional financing for climate action.

Further details on: www.imers.org