Two birds with one stone: Cutting shipping emissions and financing climate action

By Andre Stochniol, founder, International Maritime Emission Reduction Scheme (Imers)

Progress in addressing shipping emissions has been slow, to say the least. But progress in dramatically increasing the flow of climate financing to developing countries has been even slower.

Both needs are undisputed but it is the lack of scaled-up financing, estimated to be at least $100 billion annually, which is the make-or-break for UN climate negotiations later this year. Shipping emissions alone are peripheral to many even though they amount to double the emissions from aviation.

Addressing both issues simultaneously provides the best chance of progress. That was the idea I brought to the UN's International Maritime Organization (IMO) in 2007. It led to two years of shaping the idea with 30 national delegations, half of which were from developing countries.

Next week, market-based measures to reduce emissions from shipping will be discussed in-depth at the IMO Marine Environment Protection Committee (MEPC), at its 59th session in London. The two main proposals are for a fuel levy and for a cap-and-trade scheme. Both proposals require a uniform global application, resulting in passing on carbon costs to end customers in both poor and rich countries.

At the UNFCCC climate change negotiations last month in Bonn, many developing countries strongly opposed any uniform scheme to raise additional climate financing. For them, that would be against the principles of the UNFCCC convention, including the principle of common but differentiated responsibilities and respective capabilities. These require rich nations to take the lead on climate action, based upon their historical contribution to the amount of greenhouse gases in the atmosphere.

In this context, it seems paramount to discuss first ways of resolving the conundrum of making a shipping scheme both global (as per the IMO) and differentiated (as per the UNFCCC). Whether the scheme is based on a levy or a cap-and-trade is secondary.

The potential differentiation on international aviation and shipping has now been included as an option in the UNFCCC negotiating text after the Bonn meeting.

This opens a possibility of agreeing a differentiating shipping mechanism under the UNFCCC in Copenhagen in 2009, with the IMO implementing an enforcement mechanism. Such a mechanism could then start rapidly as no new convention or treaty would be required. This would also enable the IMO to adopt compulsory shipping energy efficiency measures, as financing for capacity building in developing countries could be provided.

Although not officially proposed for the MEPC 59 debate, a proposal I have developed called the International Maritime Emission Reduction Scheme (Imers) is being seriously considered by many countries as a third, hybrid way which is consistent with levy proposals put forward by India and Nicaragua to the UNFCCC.

Imers is a 'cap-and-charge' scheme as opposed to cap-and-trade, based on a carbon levy on emissions from international shipping that recognizes different national circumstances.

Under Imers, a carbon levy would be charged on fuel used for carrying cargo to countries with emission reduction commitments. The levy would be set at the average market price of carbon. It would be obtained directly from ships or shipping companies, thereby bypassing national coffers.

The liability would stay with the ship, irrespective of the flag it flies, the nationality of the shipowner and where the fuel is bought in the world. The scheme would be enforced by port entry conditions. The anticipated price impact of the scheme is only about 0.1 percent increase in the price of imported goods to developed countries (equivalent to an extra US$1 for every US$1,000 of imported goods). There is no expected impact on imports to developing countries.

All of the revenue raised would be disbursed to climate change action, comprising mitigation (including deforestation), adaptation, and technology in the maritime sector.

Roughly 60 percent of global maritime emissions would be subject to the levy at the start of the scheme - based on developed countries' share of worldwide imports - a levy of US$15 per ton of CO2 would raise approximately US$10 billion in 2013.

This is nothing to sneer at when the G8 has just failed to agree on financing climate action in developing countries

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