

MARINE ENVIRONMENT PROTECTION
COMMITTEE
63rd session
Agenda item 5

MEPC 63/5/2
25 November 2011
Original: ENGLISH

REDUCTION OF GHG EMISSIONS FROM SHIPS

Further work on Market-Based Measures towards MEPC 65 Impact assessments of proposed MBMs to continue

Note by the Chairman

SUMMARY

Executive summary: This document is submitted to facilitate further progress on development of a suitable Market-Based Measure for international maritime transport to complement the technical and operational measures adopted as a new chapter of MARPOL Annex VI. It sets out proposals on how an impact assessment may be undertaken, to determine the possible effects of introduction of a Market-Based Measure for international shipping, including establishment of the method and criteria for the assessment.

Strategic direction: 7.3

High-level action: 7.3.2

Planned output: 7.3.2.1

Action to be taken: Paragraph 12

Related documents: Resolution A.963(23); MEPC 59/INF.10, MEPC 59/24, annex 16; MEPC 61/INF.2; MEPC 62/5/1 and MEPC 62/24

Background

1 Assembly resolution A.963(23) urges the Committee to identify and develop the mechanisms needed to achieve limitation or reduction of GHG emissions from ships and to give priority to the evaluation of technical, operational and Market-Based Measures (MBM).

2 As the Committee will be aware, due to time constraints, MEPC 62 was unable to address, amongst others, MBMs and agreed to defer relevant submissions to MEPC 63. This document is intended to facilitate further progress on development of a suitable MBM for international maritime transport to complement the technical and operational measures adopted as the new chapter 4 of MARPOL Annex VI.

Feasibility study completed by MBM-EG

3 The Committee should acknowledge that the feasibility study called for by the work plan for further consideration of MBMs, which was adopted by MEPC 59 (MEPC 59/24, annex 16), was successfully completed by the Expert Group on Feasibility Study and Impact Assessment of possible Market-based Measures (MBM-EG). The report of the MBM-EG concludes that all MBM proposals under review could be implemented, notwithstanding the challenges associated with the introduction of new measures (MEPC 61/INF.2, paragraph 1.61). The implications and challenges of implementing the different MBM proposals for international shipping under IMO were directly related to the stringency of the proposed measure.

Impact assessment to continue

4 On the other hand, it is also clear from the debates at MEPC 61 and those held during GHG-WG 3 that analyses of possible impacts of introducing an MBM for international shipping under IMO, in particular on consumers and industries in developing countries, need to continue. This conclusion is also in line with the recommendations of the MBM-EG itself.

5 In this regard, the MBM-EG also concluded that its evaluation was complicated by the different levels of maturity of the various MBM proposals. Proposals with a high level of maturity generated more discussion compared to those that were less developed. The Group highlighted that elements of the proposed measures would require further elaboration and development and that proposals at an early stage of development would be required to be developed further (MEPC 61/INF.2, paragraphs 1.54, 1.55 and 1.63).

6 Against this backdrop, it should be recognized that further development of the MBM proposals is essential to enable a comparable analysis to be conducted and a comprehensive impact study to be undertaken giving priority to the possible impacts on consumers and industries in developing countries, in particular, in least developed countries, small island developing States and remotely located developing countries with large trading distances which thereby depend heavily on sea transport.

7 The debate on the compelling need for an MBM for international shipping under IMO, as a possible mechanism to increase energy efficiency and thereby reduce GHG emissions from the maritime sector, should continue in parallel with the aim of reaching a final conclusion on the MBM work at MEPC 65.

Proposal

8 To achieve further progress, it is proposed that the Committee consider and further develop draft Terms of Reference and criteria for the impact assessment as set out in the annex to this document so it can be launched following MEPC 63 with the aim of delivering a final report to MEPC 65 (July 2013).

9 The Committee should consider and develop the method and criteria for the impact assessment as well as criteria for which MBM proposals the impact study should address, e.g. only those which have been satisfactorily matured in all details and also have associated draft legal text. The MBM proposals to be analysed should describe in detail all elements needed to evaluate the proposals against the criteria used by the MBM-EG.

Method of work

10 The impact assessment will involve substantial gathering of trade and other data as well as computer modelling and will need to be undertaken by relevant consultants with appropriate expertise and experience within the scope of the assessment. The assessment should be commissioned by the Secretary-General based on Terms of Reference and criteria which should be adopted by the Committee at its present session and should be conducted by selected experts/consultants in conformity with IMO's Procurement Procedures.

Financial contributions

11 MEPC 63 should further encourage Member States and observer organizations to contribute financially towards the impact assessment, the cost of which is estimated to be about US\$500,000.

Action requested of the Committee

12 The Committee is invited to note the information and arguments provided above and to consider and adopt Terms of Reference and criteria for the impact assessment set out at annex, and to request the Secretary-General to commission a study to that effect following MEPC 63, and to take other actions as it may deem appropriate.

ANNEX

DRAFT TERMS OF REFERENCE FOR FURTHER IMPACT ASSESSMENT OF PROPOSED MARKET-BASED MEASURES FOR INTERNATIONAL SHIPPING

INTRODUCTION

1 The Marine Environment Protection Committee (the Committee), at its sixty-third session (MEPC 63), decided to undertake a further impact assessment of proposed Market-Based Measures (MBM) for international shipping as follow up to the work undertaken by the Expert Group on Feasibility Study and Impact Assessment of possible Market-based Measures (MBM-EG), which was established by MEPC 60 and reported to MEPC 61 in document MEPC 61/INF.2, as well as to the subsequent examination of the report of the MBM-EG by the third session of the Greenhouse Gas Working Group (GHG-WG 3).

2 In order to fulfil the above, the Committee requested the Secretary-General to undertake an Impact Assessment of the proposed Market-based Measures (MBM) and report on progress and status to MEPC 64 with the aim of completing the assessment by MEPC 65. The scope of the impact assessment is to compare the MBM proposals to assess the extent to which they could assist in enhancing energy efficiency and reducing GHG emissions from international shipping. It will detail possible implications for national Administrations, the maritime sector in general and the global shipping industry in particular, international trade as well as sustainable development. It will, in particular, set out possible impacts, both positive and negative, on least developed countries and small island developing States as well as on their consumers and industries.

3 The Assessment should address both potential positive and negative impacts up to 2050 assuming that the measures are in force by 2017 and with detailed analyses for the years 2020 and 2030. It should also analyse the impacts and costs for the global community associated with no further regulatory action for international shipping in addition to the mandatory technical and operational measures adopted by Parties to MARPOL Annex VI in July 2011. The impacts on consumers should be compared with expected increases in energy and food prices, as well as other consumer prices, over the same time period in order to assess the relative impact of a possible MBM for international shipping under IMO, compared with other cost impacts over the same time period.

4 The Committee agreed that the following MBM proposals should assess:

[to be completed by MEPC 63]

METHODOLOGY

5 The Impact Assessment should be undertaken taking into account the following Terms of Reference:

- .1 The scope of the impact assessment is to review the effectiveness and distribution of impacts of implementing the various options for a MBM that have been proposed to the Committee as referred to in paragraph 4 above.
- .2 The assessment shall aim to identify, for each analysed MBM, the reduction potential on GHG emissions from international shipping; its impact on world trade (impact on overall world trade levels and potential

impacts on trade routes or distribution of trade) and the shipping industry; and the maritime sector in general, giving priority to the maritime sectors in developing countries.

- .3 The assessment will be conducted by selected experts/consultants, following IMO's Procurement Procedures, with appropriate expertise and experience on matters within the scope of the assessment.

6 It is imperative that the final report contains clear, precise and robust conclusions and factual information. The end result should aim at assisting the Committee to make well-informed decisions and should not make specific recommendations on policy issues.

CRITERIA

7 Following the methodology used by the MBM-EG and taking into account its findings and recommendations, giving priority to the overall impact on the maritime sectors of developing countries, the assessment should, for each of the MBM proposals referred to in paragraph 4 above, **assess**:

- .1 the environmental effectiveness, e.g., the extent to which the proposed MBM is effective in contributing to the reduction of GHG emissions from international shipping;
- .2 the cost-effectiveness of the proposed MBM and its potential impact(s) on trade and sustainable development;
- .3 possible impacts on consumers, in particular in developing countries;
- .4 possible impacts on industries which rely on maritime transport through their import or export activities, in particular industries in developing countries;
- .5 the proposed MBMs potential to provide incentives for technological change and innovation – and the take up of current and new emission reduction and energy efficiency technologies and practices;
- .6 the MBM proposals' potential to mobilize climate change finance for mitigation and adaptation actions in developing countries;
- .7 the potential additional administrative burden for national Administrations by implementing and enforcing the proposed MBMs;
- .8 the potential additional workload, economic burden and operational impact for individual ships, the shipping industry and the maritime sector as a whole, of implementing the proposed MBMs;
- .9 the MBMs compatibility with the existing enforcement and control provisions under the IMO legal framework;
- .10 the impacts and possible costs for the global community of no further regulatory actions for international shipping under IMO other than those measures which were adopted as a new chapter 4 to MARPOL Annex VI in July 2011; and
- .11 the relative impact of a possible MBM for international shipping under IMO, compared with other expected cost increase impacts over the same time period.