

Including maritime transport emissions in the EU's greenhouse gas reduction commitment

General Information	
<p>Are you answering as an individual or on behalf of an organisation or institution?</p> <p>-single choice reply-(optional)</p>	<p>I am answering on behalf of an organisation or institution (company, NGO, public authority, ...)</p>
<p>Please select the option which is the best description of your organisation (1 choice only).</p> <p>-single choice reply-(optional)</p>	<p>non-governmental organisation / association of NGOs</p>
<p>Please enter the name of your organisation. Please briefly describe which stakeholders (or members) you represent.</p> <p>-open reply-(optional)</p>	
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<p>Please enter an email address for contact purposes (to be used in case of clarification questions only):</p> <p>-open reply-(optional)</p>	<p>ulriikka@caneurope.org</p>
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General context	
<p>Do you consider that the maritime sector should contribute to European emission reduction efforts as other sectors?</p>	<p>Yes</p>

-single choice reply-(optional)

Please substantiate your answer.

-open reply-(optional)

Emissions from the maritime sector are large and growing fast, yet they are not regulated under a global regime. Shipping is also the only sector the EU has not included in its own efforts to decarbonise the economy. The IMO has been mandated by the UNFCCC to address shipping emissions on a global basis but has failed to do so after nearly 15 years. According to the EU ETS Directive and the Effort Sharing Decision the EU should include maritime sector emissions in its overall 20% commitment in the absence of an international agreement by the end of 2011. CAN Europe believes that addressing shipping emissions in the EU is long overdue. We urge the EC to propose a measure for EU shipping that takes account of developments at IMO, avoids incidence on Least Developed Countries, and is designed in a way that can develop into a global system. The EU measure should also incorporate global climate finance objectives by allocating automatically at least 50% of revenues to the Green Climate Fund.

Do you consider that revenues should primarily be used to support investments to reduce emissions in the maritime sector?

No

-single choice reply-(optional)

Do you consider that revenues should primarily be used for international climate change finance?

Yes

Do you consider that revenues should be used for other purposes?

Yes

Please substantiate your answer.

-open reply-(optional)

Both the World Bank/IMF G20 report and the UN Advisory Group on Climate Change Financing identified carbon pricing of shipping emissions as a promising source of climate finance and an effective means to reduce shipping emissions. Under the UNFCCC the EU has committed to deliver its part of the US\$ 100 billion annual climate finance commitment to help developing countries both in climate adaptation and mitigation efforts. All revenue needs to be automatically allocated to benefit climate and adaptation, with at least half of revenues going to the Green Climate Fund. That would also make a regional scheme more politically acceptable. This approach would also help substantiate EU claims that a global agreement is what is being sought. Revenues being directed to international climate finance need to be set aside at a central level and not dependent on the political will of member states.

Definition of the scope

Routes covered

Do you think that **routes related to search and rescue, fire fighting or humanitarian operations authorised by the appropriate competent authority** should be excluded from the scope ?

-single choice reply-(optional)

Do you think that **routes performed exclusively for the purpose of scientific research or for the purpose of checking, testing or certifying vessels or equipment** should be excluded from the scope ?

No

-single choice reply-(optional)	
Do you think that routes performed in the framework of public service obligations in accordance Council Regulation (EEC) N° 3577/92 of 7 December 1992 applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage) should be excluded from the scope ?	No
-single choice reply-(optional)	
Do you think that routes performed from or to a <u>Least Developed Country</u> as defined by the United Nations should be excluded from the scope ?	No
-single choice reply-(optional)	
Do you consider that any other routes should be considered for exclusion ?	No
-single choice reply-(optional)	
Please substantiate your answer.	
-open reply-(optional)	
Exemptions on the basis of route are complicated as they could easily be a source of carbon leakage. The impact of any potential exemptions on the behaviour of ships should be investigated by the Commission before decisions are taken. There is no justification for limiting the scope of the measure to take account of impacts on European countries. While the negative impact on Least Developed Countries could be addressed through limiting the measure's scope via routes or ship types, there should be robust evidence to ensure that any such measure does not significantly reduce the measure's environmental impact or give rise to carbon leakage problems.	
Do you have any other remarks on the routes covered? -single choice reply-(optional)	Yes
Please substantiate your answer.	
-open reply-(optional)	
We believe that any measure should cover all routes into and from EU ports to maximise environmental effectiveness, providing that the impact on Least Developed Countries is addressed in the design of the scheme. The EC could consider ways to construct a scheme that includes a provision for 'equivalence' similar to the aviation ETS. This might soften the international impact of any measure and comprise a building block towards a global scheme under IMO. An EU measure on shipping should take into account and include measures to address the impact of the proposal on Least Developed Countries. Appropriate research and analysis needs to be done to ensure that the impact on these countries is known and can be addressed.	
Type of ships covered	
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Do you see reasons for excluding any particular ship category?	No
-single choice reply-(optional)	
Are there other categories than those mentioned above which should be included ?	No
-single choice reply-(optional)	
Reliance on shipping	

<p>Do you consider that the reliance on shipping at a local or regional level should be taken into account?</p> <p>-single choice reply-(optional)</p>	<p>No</p>
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Evasion / avoidance

Please provide us specific examples, analysis, data, etc. on this potential issue. Please note that any additional study, example, analysis, etc. can be uploaded or sent to clima-eccp-ships@ec.europa.eu -open reply-(optional)

The ideal way to avoid evasion/avoidance behaviour by the shipping industry and consequent competitive distortions is to implement a measure to curb emissions from shipping at global level. Concerns by industry stakeholders related to a regional scheme at EU level and potential “carbon leakage” must be based on credible and openly available scientific data, and should not serve as an argument to decrease the environmental integrity of the EU’s measure. The OECD (2010)(<http://bit.ly/HsujDy>), in its review of studies on linkages between environmental policy and competitiveness, has found no empirical evidence to support the theoretical argument that environmental policy hurts competitiveness. Even where the adverse competitiveness impacts have failed to be corroborated, businesses still typically oppose environmental proposals by appealing to a loss of competitiveness.

Compensation fund

Who should manage a compensation fund? Please substantiate your answer.

-open reply-(optional)

CAN Europe believes that the Fund is best managed by a public body. More importantly all appropriate requirements of transparency, accountability and fiduciary standards need to be upheld. Whether a public institution or a private industry association manages the fund, it should be inscribed legally that at least 50% of revenues should be allocated directly to the Green Climate Fund. In the case of the privately managed fund, this would need to be a criterion for the approval of the fund. Additional oversight issues clearly arise if the Fund is privately managed and its statutes would need to clearly specify how funds were to be used. It is possible that third country objections might be stronger if revenues were being received by a non-government entity. The Fund however managed should report publicly in detail on its activities and results and be publicly audited.

<p>Do you think that several compensation funds could be feasible?</p> <p>-single choice reply-(optional)</p>	<p>No</p>
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Please substantiate your answer.

-open reply-(optional)

The need for multiple funds and any explanation as to why multiple funds would not result in excessive administrative burden has not so far been demonstrated. Multiple funds could also result in leakage or counterproductive competition (eg RORO versus pax vessels) between funds. At this point we don’t understand the need for multiple funds and fear that there could be problems with ships switching between the funds. If one of the reasons for multiple funds is to recognise that different ship types have different abatement potentials it would seem that the issue could also be addressed within a single fund.

Option 1 : Contribution-based approach

<p>Do you consider that contributions to a compensation fund should, in the initial years of a system, be limited? -single choice reply-(optional)</p>	<p>No</p>
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<p>If you consider that contributions to a compensation fund should, in the initial years of</p>	<p>No</p>
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a system, be limited, should this contribution be initially reduced by reference to contributing a percentage of a certain carbon price? -single choice reply-(optional)	
If you consider that contributions to a compensation fund should, in the initial years of a system, be limited, should this contribution be initially reduced by pre-set levels of contribution in financial terms? -single choice reply-(optional)	No
In the event that revenues are needed for international climate finance, how long should a transition take to full contribution (please specify a year)? -open reply-(optional)	2012

Option 2 : Target-based approach

How can compliance be ensured?

-open reply-(optional)

It is vital that any scheme includes a robust compliance mechanism to ensure emissions reduction objectives are met. This could take the form of a financial penalty imposed either on individual ships or on the industry as a whole in the event of non-compliance. 100% of revenues received from any such compliance penalties should be directed to international climate finance via the Green Climate Fund, not recycled back to the industry (to avoid incentives for industry to under-perform). Target speeds could deliver the required emissions reductions with rising penalties for exceeding speed targets/emission reduction targets.

Do you consider that option 1 could achieve the emission reduction required effectively and efficiently? -single choice reply-(optional)	Disagree
Do you consider that option 2 could achieve the emission reduction required effectively and efficiently ? -single choice reply-(optional)	Partially agree

Mandatory emission reductions per ship

Do you consider that option 1 could achieve the emission reduction required effectively and efficiently ? -single choice reply-(optional)	Disagree
Do you consider that option 2 could achieve the emission reduction required effectively and efficiently? -single choice reply-(optional)	Disagree

Please substantiate your answer.

-open reply-(optional)

Mandatory emission reductions per ship will not guarantee that there will be an overall emissions reduction for the sector that is urgently needed. Without clear targets for the sector as a whole, there is little environmental integrity in the scheme.

Do you consider that the target can be set on an other basis? -single choice reply-(optional)	Yes
Please substantiate your answer. -open reply-(optional)	
To ensure emissions integrity of any mechanism, the target must be set as an overall cap/trajectory for the sector.	
Do you consider that a mechanism that rewards early movers should be explored -single choice reply-(optional)	Yes
If yes, what kind of mechanism could be implemented? -open reply-(optional)	
A mandatory emission reduction target linked to speed would reward early movers as the target speeds would reflect the average performance by ship type. However, mandatory emissions reductions and technical measures per ship are not adequate as they will not guarantee overall emissions reductions for the sector, and crucially, they will not raise revenues for climate finance.	
Do you consider that a mechanism that creates incentives to go beyond the mandatory emission reduction should be explored? -single choice reply-(optional)	Yes
If yes, what kind of mechanism could be implemented? -open reply-(optional)	
The most straightforward option is based on speed. Ships proceed at a target (reduced) speed that delivers the required reductions. If ships sail below the target speed they earn credits. Similarly if ships adopt abatement measures that reduce emissions in addition to complying with target speeds then they can exceed the target speed without penalty up to a set limit or earn additional credits.	
<h2>Emission trading system</h2>	
Do you consider that financial support (either directly as free allowances or some of the revenue generated from allowances) should be given during a transitional period? -single choice reply-(optional)	No
If yes, and in the event that revenues are needed for international climate finance, how long should a transition take? -open reply-(optional)	2012
Should shipping be able to acquire emission reductions from other sectors? -single choice reply-(optional)	No
Should shipping be able to sell emission reductions to other sectors? -single choice reply-(optional)	No
Please substantiate your answers -open reply-(optional)	
Shipping should not have access to offsets as most abatement measures for shipping have a negative abatement cost. There will therefore not be any significant costs associated with reducing emissions in the shipping sector, and there is no justification for acquiring emissions reductions elsewhere. As long as the EU ETS remains dysfunctional no new sectors with negative abatement costs should be included. Encouragement measures for over-achievement must be found elsewhere.	

Do you consider that an ETS could achieve the emission reduction required effectively and efficiently?

Partially agree

-single choice reply-(optional)

Please substantiate your answer -open reply-(optional)

CAN Europe believes that a cap or binding target is the most effective and efficient way of delivering the required emission reductions in the shipping sector, provided that the emissions reduction target is set at a level that is ambitious. Considering the large negative abatement costs, it is clear that all emissions reductions can be achieved within the sector. Therefore access to external emissions credits or offsets should not be allowed.

Tax

Tax on fuel

Do you consider that the evasion risk can be avoided when setting a tax on bunker fuel?

Yes

-single choice reply-(optional)

If yes, what specific measures could be developed to avoid/reduce the risk of evasion? -open reply-(optional)

There is no justification for the current tax exemptions in the Energy Tax Directive on aviation and shipping fuels. Whereas evasion risk with a tax is higher for large ships, policing a fuel tax on small emitters could serve as supplementary to a fund or ETS.

Do you consider that a tax on fuel could achieve the emission reduction required effectively and efficiently?

Partially disagree

-single choice reply-(optional)

Please substantiate your answer.

-open reply-(optional)

Any tax measure requires unanimity in Council, but as the Energy Tax Directive is currently under revision this is not so onerous. The EC should consider further how a fuel tax for small emitters could supplement a measure such as the Fund or an ETS for larger ships. An upstream fuel tax could be a very simple measure to administer and address external costs of these ships more effectively than any other measure. Tax is not desirable as a stand-alone option because of potential carbon leakage that could significantly undermine the environmental effectiveness of the scheme. Moreover this option does not have the potential to raise revenues for international climate finance.

Tax on emissions

Do you consider that a tax on emissions could achieve the emission reduction required effectively and efficiently?

Partially disagree

-single choice reply-(optional)

Please substantiate your answer -open reply-(optional)

We see less potential for evasive behaviour as in the case of a fuel tax. However, environmental results will still be limited because the added cost of a tax is likely to be absorbed by the shipping industry as they have done in the case of rapidly increasing fuel prices over the past 20 years. As a tax on emissions would be levied at a national level, there would be no mechanism to drive reductions across the sector as could be the case with a compensation fund or ETS. Furthermore, any tax option would not have the potential to raise revenues for international climate finance.

Choice of policy options

Compensation fund -single choice reply-(optional)	1
Mandatory emission reduction per ship -single choice reply-(optional)	3
Emission trading system -single choice reply-(optional)	1
Tax -single choice reply-(optional)	3
Environmental effectiveness (ensure effective emission reduction in line with the 2°C objective) -single choice reply-(optional)	1
Maintain the competitiveness of the EU -single choice reply-(optional)	2
Maintain competitiveness of the EU maritime sectors, while giving them the first mover advantage, by providing incentives to increase fuel efficiency before the rest of the world adopt specific measures -single choice reply-(optional)	2
Enforceability (Ensure appropriate monitoring, reporting and verification while keeping administrative burden to the minimum) -single choice reply-(optional)	1
Consistency with the related EU policies -single choice reply-(optional)	1
Vulnerability: Exposure to/Risk of evasion -single choice reply-(optional)	3
Timeliness (Consistency with timing of application of measures and interaction with policy progress in international fora) -single choice reply-(optional)	2
Should other criteria be used? -single choice reply-(optional)	Yes
Please substantiate your answer. -open reply-(optional)	
<p>The overriding goal for EU action on shipping should be to set in motion a fair and effective global approach at the IMO. The EU measure needs not only to achieve an emissions reduction target but also in-sector reductions. The measure needs to incentivise these and be measurable. Any measure must deliver at least 50% of revenues to the Green Climate Fund through an automatic set-aside, and ensure impacts on Least Developed Countries are addressed or compensated. EU action must take account of progress at IMO and be able to be integrated into an eventual global measure. Furthermore the EC must ensure that both in presentation and in design, the proposal for regional action is predicated on facilitating a global agreement.</p>	
Regardless of the option proposed, should the maritime sector be in principle authorized to use international credits (e.g. from the Clean Development Mechanism) for its compliance ?	No

-single choice reply-(optional)

Should the maritime sector be authorized to use international credits subject to quantitative and qualitative limits, along the same lines as for other sectors?

No

-single choice reply-(optional)

What kind of restriction (quantitative and qualitative) should apply on these international credits?

-open reply-(optional)

There are no good reasons justifying access to international credits while there are substantial negative abatement cost opportunities in-sector and given shipping's proven ability to pass on costs and continue on in a business-as-usual mode. In addition, allowing access to international offsets would risk that the maritime sector loses sight of the need to implement substantial reduction efforts within the sector first. If, despite these arguments, access to international offsets were to be granted, an ambitious mitigation commitment for own action by the maritime sector would be needed first while international credits should only be allowed as supplementary. Moreover, given the negative abatement cost-opportunities in the shipping sector and the current over-supply of allowances in the carbon market, the shipping sector should not be allowed to generate carbon credits through its abatement measures.

General comments

Please feel free to give any additional comments. -open reply-(optional)

Action at EU level is now warranted as progress at IMO continues to be elusive. EU action on shipping has served as a catalyst for international action on shipping before and a well-considered and detailed proposal now from the Commission can advance the work before the IMO by demonstrating in detail how measures can be designed, described, implemented and enforced. EU action will serve as a catalyst if the proposal takes account of progress made at the IMO, is of a nature that can be transformed into a global measure, and includes provisions to generate automatic finance for the Green Climate Fund. Impacts on poor and vulnerable countries, including the Least Developed Countries, should be well researched and addressed in the design of the scheme. Arguments put forward to keep waiting for action in the IMO may well not add any momentum to that process and could in fact weaken efforts to accelerate IMO action. One of the key shortcomings of the EU's regional approach to aviation has been the EU's failure to come to a binding agreement that any revenues raised from the scheme would be used for climate action, domestically and internationally. This would have been essential to convince third parties that the scheme was designed to tackle the climate problem, and not a means to raise domestic revenues from an international industry. It would also have helped to build trust in moving towards an optimal global solution. A regional approach to shipping can set this right by making sure that 100% of revenues raised from the scheme are spent on climate action, with 50% used as international climate finance for the Green Climate Fund through an automatic set aside of revenues rather than through reliance on voluntary earmarking within the national budgets of Member States. Remaining revenues could be used to support emissions reductions within the shipping sector.