



MARINE ENVIRONMENT PROTECTION
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PREVENTION OF AIR POLLUTION FROM SHIPS

Principles for the development of an IMO regulatory framework to address greenhouse gas emissions from international shipping

Submitted by Australia

SUMMARY

<i>Executive summary:</i>	This document outlines Australia's initial views on key principles for the development of an IMO regulatory framework to address greenhouse gas emissions from international shipping, including the importance of binding and equally applicable action by all
<i>Strategic direction:</i>	7.3
<i>High-level action:</i>	7.3.1
<i>Planned output:</i>	7.3.1.3
<i>Action to be taken:</i>	Paragraph 24
<i>Related documents:</i>	MEPC 57/4/2, MEPC 57/4/4, MEPC 58/4, MEPC 58/4/16, MEPC 58/4/17 and MEPC 58/4/22

Introduction

1 This document is submitted in accordance with paragraph 4.10.5 of the Guidelines on the organization and method of work of the Committees and their subsidiary bodies (MSC-MEPC.1/Circ.2) and, in commenting on submissions received to date for MEPC 58, this document outlines Australia's initial views on key principles for the development of an International Maritime Organization (IMO) regulatory framework to address greenhouse gas (GHG) emissions from international shipping.

2 It is important that all sectors and sources of GHG emissions be addressed in mitigating climate change. In this respect, the IMO should seek to address international maritime emissions in the most effective and equitable manner possible, as highlighted by the principles outlined in document MEPC 57/4/2 and noting the progress reported from the First Intersessional Meeting of the Working Group on Greenhouse Gas Emissions from Ships reported in document MEPC 58/4.

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The importance of a multilateral approach

3 If the international community is to achieve the most effective and equitable outcome in addressing GHG emissions from international shipping, it is fundamental that international shipping emissions be addressed through multilateral action and that the IMO continues to take the lead.

4 Australia fully supports addressing GHG emissions from international shipping through multilateral action through the IMO. A multilateral approach allows all parties to contribute to and discuss all of the identifiable or reasonably known consequences of an international policy position. This enhances the prospect of a wide acceptance of the proposed measure and allows States to coordinate implementation within their individual jurisdictions. Such an internationally agreed and orderly approach to issues is particularly important to a global industry where regulatory uniformity and consistent application of agreed measures minimizes industry compliance cost and ensures certainty and seamlessness in global operations.

5 Conversely, unilateral action, be it national or regional, would be unable to be universally applied, and as such would increase the risk of significant unintended operational and economic consequences, including the potential distortion of international markets for little or no environmental benefit.

Equal treatment of all ships

6 Australia has co-sponsored a document on Identifying Consensus on IMO Principles on Addressing Greenhouse Gas Emissions from International Shipping (MEPC 58/4/16). This document proposes to change the second principle identified at MEPC 57 from “binding and equally applicable to all flag States” to “binding and equally applicable to all ships, without this requiring States to accept similar regulations/standards in other fora”.

7 **Australia sees the principle of binding and equally applicable action as fundamental** given the global and integrated nature of the international shipping sector and the need to address GHG emissions from the sector in a manner that is non-discriminatory and does not result in perverse environmental or economic outcomes.

8 Further, Australia submits that a binding IMO GHG framework should be based on the legal framework of the United Nations Convention on the Law of the Sea (UNCLOS) and the International Convention for the Prevention of Pollution from Ships (MARPOL), including the long-standing principle of *no more favourable treatment of ships*.

9 The guiding legal frameworks and principles of the IMO provide no basis for the application of differentiated responsibility based on flag State, including those defined by other UN bodies, such as the UNFCCC principle of *common but differentiated responsibilities*.

10 The nature of the international maritime sector also means there are no apparent equity grounds for discrimination based on the flag State of a ship. Given the vast majority of world tonnage is registered in non-Annex I countries, effective international action on shipping emissions requires all countries to make a concerted effort to mitigate emissions and all ships in international trade should be covered. Any other approach risks the distortion of international shipping markets, could promote leakage to shipping sectors not covered, and/or could promote modal shifts, thereby creating perverse environmental outcomes.

Principles and elements of a future regulatory framework

11 Australia notes the significant progress of the Intersessional Working Group on Greenhouse Gas Emissions from Ships reported in document MEPC 58/4, and makes the following observations on the future work necessary to develop a comprehensive multilateral response.

12 Any proposed international action on technical, operational and market-based measures would need to consider carefully how these measures would be implemented and the wording of the agreed regulatory provisions. These considerations should form an integral part of ongoing MEPC dialogue on the framework. Failure to do this would result in less clarity of the intent of the measure and could lead to inconsistencies in States' implementation of agreed measures. We note that the proposal for the design index is presented with proposed regulatory text. This is a sensible approach.

13 Understanding precisely how measures could be applied by States is central to an assessment, under the principles identified at MEPC 57, of whether a measure is cost-effective, minimizes distortion, is based on sustainable development without penalizing global trade and growth, is goals based, practical, transparent, fraud free and easy to administer.

14 Australia notes from document MEPC 58/4 that further work is required on many elements of the proposed package, including the CO₂ design and operational indices.

15 Australia notes the Intersessional Working Group's progress on the Guidance on Best Practices for Fuel Efficient Operation of Ships and welcomes advice received by the International Chamber of Shipping of industry's initiative on measures to improve the fuel efficiency of the existing fleet. We see great value in ongoing public-private collaboration on the further development of best practice guidelines and believe it would be advantageous for these two processes to coalesce in 2009. We see advantage in a single authoritative guidance document endorsed by IMO.

16 Australia considers that an economic instrument has a key role to play in a comprehensive approach in limiting or reducing GHG emissions from international shipping. However, this is a complex issue with much analysis still to be undertaken. Any economic instrument to be introduced for international shipping would need to apply globally.

Value of an economic instrument

17 Australia notes the exchange of views on economic instruments at the Intersessional Working Group, as reported in document MEPC 58/4. The discussion of potential economic measures is important and must continue within the IMO. In this regard we welcome the work of many delegations to this point and indications by other delegations that there may be additional options for consideration.

18 A multilateral economic instrument could offer the best way of ensuring that a transparent, fraud free, non-discriminatory, outcomes-based measure applies to international shipping in a way that leaves the industry free to determine its operational response.

19 It is important for MEPC to continue work on possible economic instruments, so it is well informed of the available options. This work should include details of design, operation and implementation, including model regulatory provisions, and should investigate how, and for what purposes, the funds gathered by any such approach would be distributed. We consider that with such comprehensive mutual understanding of the mechanics of the various economic instruments MEPC would be well placed to consider the merits of an economic instrument within a comprehensive suite of measures to mitigate GHG emissions from international shipping.

Comment on economic instruments proposed to date

20 Australia considers that emissions trading can be highly successful in a national context. However, a pre-requisite for the use of emissions trading for international shipping would be the comprehensive implementation of emissions trading globally. In the absence of such a global approach, it is difficult to see how a regional or national emissions trading scheme could be applied to international shipping in a fair and equitable manner.

21 Australia welcomes many aspects of the global levy proposal (MEPC 57/4/4). The proposal should be considered in more detail, including whether it would be a stand alone mechanism or form part of a wider regulatory structure as, for example, a potential penalty mechanism for ships that did not meet the requisite design or operational standards. A levy approach is attractive because it would be equally applicable to all ships, while potentially offering a valuable source of additional climate change support for developing countries, and support for development of clean technology.

22 Australia welcomes efforts by the Danish Government to elaborate on details of its levy proposal, including in its document on the Feasibility of an International Compensation Fund for GHG Emissions from Ships (MEPC 58/4/22). We find many aspects of this document worthy of ongoing consideration. In this regard, we note that considerable expertise already exists under the UNFCCC on the allocation of climate change funds. In developing a levy proposal Australia would suggest close cooperation and collaboration with the Global Environment Facility (GEF) and recently established World Bank funds, in particular in relation to funding allocation criteria and processes.

Legal instrument establishing IMO GHG regulatory framework

23 Australia considers that an effective means of establishing a binding IMO regulatory framework to address GHG emissions from international shipping could be the creation of a legal instrument establishing the principles and technical, operational and economic mechanisms of the framework.

Action requested of the Committee

24 The Committee is invited to consider Australia's views in the further development of an IMO regulatory framework to address GHG emissions from international shipping.