INTERNATIONAL MARITIME ORGANIZATION

IMO

E

MARINE ENVIRONMENT PROTECTION COMMITTEE
59th session
Agenda item 4

MEPC 59/4/32
8 May 2009
Original: ENGLISH

PREVENTION OF AIR POLLUTION FROM SHIPS

Consideration of adoption of three principles for market-based instruments

Submitted by Cruise Lines International Association (CLIA)

SUMMARY

Executive summary:	This document proposes that IMO consider three important principles in choosing and implementing market-based instruments (MBI) to reduce or mitigate GHG emissions from international shipping: respect the IMO principle of *no more favourable treatment of ships*; ensure that investment is made in high quality, multiple benefit carbon mitigation investments; and respect the UNFCCC principle of *common but differentiated responsibilities and respective capabilities*
Strategic direction:	7.3
High-level action:	7.3.1
Planned output:	7.3.1.2 and 7.3.1.3
Action to be taken:	Paragraph 28
Related documents:	MEPC 58/4/22, MEPC 58/4/23, MEPC 58/4/25, MEPC 58/4/39 and MEPC 59/4/2

Objective

1 This document outlines three key principles that CLIA proposes should be considered by IMO as the Committee chooses and adopts market-based instruments.

.1 Respect IMO's Principle of *no more favourable treatment of ships* by creating a system that is global and does not unduly penalize vessels based upon their trading routes or flag;

.2 Consider high quality, multiple benefit carbon mitigation investments (specifically from forest carbon restoration and protection activities) as one of the tools that support climate change mitigation while promoting sustainable development and protection of natural ecosystems; and

.3 Respect the principle of *common but differentiated responsibilities and respective capabilities* by ensuring a portion of the redistributed funds are applied to those areas where a net benefit is achieved by non-Annex I parties through a market-based instrument.

Background

2 As recognized in documents MEPC 58/4/22, MEPC 58/4/23 and MEPC 58/4/25, the development of market-based instruments (MBI) to reduce or mitigate GHG emissions from international shipping is an important means to ensuring flexibility in meeting GHG reduction levels. A market-based instrument would complement the suite of measures being developed by the Committee and also enable future growth in international shipping, and ensures that the interests and capabilities of developing countries are properly taken into account.

3 A framework established by IMO on climate change should be one that bridges the gap between the UNFCCC principle of *common but differentiated responsibilities and respective capabilities* and the IMO principle of *no more favourable treatment of ships*.

4 Rapid, sustained, and effective actions to reduce GHG emissions are needed to avoid intolerable disruptions from climate change, including damage to coastal zones and water basins, ocean acidification which can cause coral reef death, and extreme weather events which can force changes in navigation patterns and increase risks to properties and persons. The maritime industry recognizes that it has a part to play.

5 A global policy framework would possibly meet the above goals, without distorting international economies or diverting international trade. Such a uniform policy for maritime transport meets the IMO principle of *no more favourable treatment of ships*.

6 In support of document MEPC 58/4/39, whether the framework includes an Emissions Trading Scheme for shipping, a global levy or compensation fund, or any of the hybrid schemes that have been proposed so far to the MEPC, the revenue generated should be invested in a manner to mitigate greenhouse gas production, contribute to adaptation, and develop new technologies to address the challenges before us. High quality emission mitigation projects, including reducing emissions from deforestation and forest degradation (REDD), meet this criteria when principally applied in non-Annex I countries and/or other supporting policy frameworks.

Climate change and the high-quality, multiple benefit approach

7 Reducing greenhouse gas emissions from deforestation and forest degradation (REDD) balanced with the positive aspects of sequestration of additional carbon through the restoration of degraded lands and forests, and through improved forest management practices offer great potential to increase the probability of achieving necessary emission reduction levels as quickly as possible and in a cost-effective manner. Further, these practices support biodiversity conservation, enhance ecosystem services, and promote sustainable development and improved human well-being.

Facts

8 Climate change is occurring in the face of several unprecedented global challenges, including accelerated biodiversity loss, extreme poverty (more than 1.3 billion people living on a dollar a day or less), and unstable economic and political realities.

9 The burning and clearing of tropical forests accounts for 17.4 per cent of global greenhouse gas emissions – more than all the world's cars, truck, ships, planes and trains combined.

10 Protecting nature helps reduce the impacts of and vulnerability to climate change and conserves natural resources needed for human survival, most particularly for the world's poor.

11 Sustainably managed forests not only retain their carbon, they also support the livelihoods of millions of rural people and deliver many products and ecosystem services such as food, income, shelter, clean water, protection against disease and wildlife habitats.

12 As noted in "The Economics of Climate Change" an analysis completed by the United Kingdom Climate Change Office in 2006 by Sir Nicholas Stern, avoiding deforestation offers one of the most cost-effective, immediately available, and large-scale options to help stabilize the climate, second only to energy efficiency.

13 An analysis by the United Kingdom Climate Change Office's Eliasch Review, notes the global market for mitigation investments was estimated to be worth US$60 billion in 2007, almost double the previous year's value. It is estimated that by 2020, the market will invest over US$150 billion annually in new forest-based carbon projects. Of that amount, most analysts project that investments in forestry will likely reach US$20 million per annum by 2020.

14 The Eliasch Review also estimates the global market from REDD in developing countries could amount to 3.5 gigatons of CO_2 per year by 2030, representing transactions of US$7 billion per year by 2020.

Strategies

15 Solutions to stabilize atmospheric concentration of greenhouse gases should integrate strong reduction targets with cost-effective immediate and near-term options that address multiple climate-related global challenges while allowing for improved livelihoods particularly in developing countries and innovations in new technologies.

16 Forest carbon credits can be and already are recognized and traded in the voluntary carbon markets. These markets are providing important lessons for the potential regulatory markets to be developed as part of a new global arrangement on climate change, and are stimulating innovation in the design and governance of financial instruments that value the carbon assets embodied in forests.

17 As noted by the EU Commission in its report "European Commission Communication on Climate Change: Towards a comprehensive climate change agreement in Copenhagen," appropriate actions on climate change should include a rapid decrease in emissions from tropical deforestation. By 2020, gross tropical deforestation should be reduced by at least 50% compared to current levels and by 2030 global forest cover loss should be halted.

18 High quality forest-based mitigation investments can complement strategies for reducing fossil fuel emissions. They provide an important means to tackling the second largest source of GHG emissions, allow for protection of key ecosystem services such as water, soil, and biodiversity, and promote sustainable livelihoods for local communities.

Ensuring "High Quality" in the MBI

19 Forest-based carbon mitigation investments initiatives, to be effective, must ensure that carbon credits are real, permanent, and verifiable and that reliable systems for monitoring, reporting and verification are in place to guard against risk of loss or displacement (leakage), ensure that reductions are above business as usual (additional), and incentivize actions to retain or enhance standing forests.

20 Forest carbon can be measured and monitored with the specificity required by the carbon markets. Methods for measuring and monitoring long-term gains and losses of carbon from the forestry sector, using a combination of techniques including direct field measurements, satellite and aerial surveillance, and computer modelling, are well established and tested. Guidelines from the IPCC already exist for most of these elements.

21 There are currently three standards that meet the above threshold for high quality forest-based carbon mitigation investments.

.1 Climate, Community and Biodiversity (CCB) Standards enable identification of high-quality land-based carbon projects that adopt best practices to generate significant benefits for local communities, watersheds and biodiversity while delivering credible and robust green house gas emissions reductions. These standards are rigorous and projects approved must apply best-practice assessment and monitoring methods, respect statutory and customary rights and demonstrate effective local input in project design and implementation.

.2 The UNFCCC's Clean Development Mechanism (CDM) allows for verification of carbon mitigation investments to ensure additionality and a net carbon benefit in afforestation and reforestation activities.

.3 The Voluntary Carbon Standard (VCS) is a carbon accounting framework that allows for the same type of verification for project activities not currently covered by the Kyoto Protocol, including REDD and soil carbon.

Applying Benefits where they will provide best return on investment in order to achieve balance of benefits for all countries

22 Developing countries, which depend heavily on increased trade for achieving economic progress, are especially vulnerable to climate change and in many cases lack the resources for carrying out mitigation and adaptation efforts.

23 In support of document MEPC 58/4/22, these countries should best benefit from revenues produced through market-based initiatives and other financial initiatives to tackle climate change.

24 Revenue from a MBI, in order to achieve the highest and best application, should be considered for high-quality mitigation and adaptation activities that also generate multiple benefits for local and indigenous communities and ecosystem services, including providing for human welfare, job creation, protection of watersheds and conservation of threatened species.

25 As noted by the IPCC, mitigation activities are one part of the work required to stabilize atmospheric GHG emissions. Several streams of parallel activities must take place, including a focus on energy efficiency, innovations for new technologies and fuels, adaptation for the most vulnerable communities and countries, capacity building and technology transfer.

26 Support for such activities need to be provided to both Annex I and non-Annex I nations.

27 In exchange for pledges of financial and technological support by developed countries, non-Annex I countries could match pledges for mitigation actions. In this way, a global policy framework supporting complimentary and parallel activities could be developed that respect both principles of *no more favourable treatment of ships* as well as *common but differentiated responsibilities and respective capabilities*.

Action requested of the Committee

28 The Committee is invited to consider this document in the further development of an IMO regulatory framework to address GHG emissions from international shipping. CLIA suggests that the principles enumerated as well as the utilization of high quality and measurable carbon mitigation investments could be a valuable tool in achieving agreement on global policies for protecting our common heritage.