



MARINE ENVIRONMENT PROTECTION
COMMITTEE
59th session
Agenda item 4

MEPC 59/4/45
22 May 2009
Original: ENGLISH

PREVENTION OF AIR POLLUTION FROM SHIPS

International Fund for Greenhouse Gas Emissions from Ships

Submitted by Oil Companies International Marine Forum (OCIMF)

SUMMARY

<i>Executive summary:</i>	This document provides comment on the proposal for an International Fund for Greenhouse Gas Emissions from Ships in document MEPC 59/4/5 (Denmark). Specific comment is made on the comparison of the IOPC Funds with the proposed new International GHG Fund.
<i>Strategic direction:</i>	7.3
<i>High-level action:</i>	7.3.1
<i>Planned output:</i>	7.3.1.1 and 7.3.1.3
<i>Action to be taken:</i>	Paragraph 18
<i>Related document:</i>	MEPC 59/4/5

Introduction

1 This document is submitted in accordance with paragraph 4.10.5 of the Committees' Guidelines (MSC-MEPC.1/Circ.2) and provides comments on document MEPC 59/4/5.

2 The submission by Denmark on the International Fund for Greenhouse Gas Emissions from Ships (MEPC 59/4/5) suggests that there would be similarities in administration of the proposed GHG fund and the existing IOPC Funds. It is apparent however, that there would be significant differences between the two funds which should be considered when evaluating the proposed International Fund for the reduction of Green House Gas Emissions from Ships.

3 It is agreed that the IOPC Funds administration is well established and operates effectively as an intergovernmental organization for the purposes for which it was created. However, the IOPC Funds concern only a limited sector of the industry – oil tankers. The proposed International GHG Fund could benefit from modelling its structure in a similar fashion to the IOPC Funds, but would require different functionality and administrative disciplines than currently employed at the IOPC Funds. This document compares the proposal with the IOPC Funds and highlights the similarities and differences between the two schemes.

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Contribution to the Fund

4 The IOPC Funds are the compensation scheme for pollution damage for oil spills from tankers and act in two tiers. The first tier of compensation is paid by tanker owners through compulsory insurance under the 1992 Civil Liability Convention (“CLC 92”). The second tier, under the 1992 Fund Convention, pays compensation to those not obtaining full compensation under CLC 92. A third tier of compensation under the Supplementary Fund provides additional compensation over and above the 1992 Fund Convention:

- .1 the IOPC Funds levy annual contributions from State Parties based on oil received above a threshold level, to meet anticipated payments of compensation and administrative expenses during the coming year; and
- .2 the IOPC Funds also administer the Supplementary Fund and levy annual contributions from State Parties based on oil received above a threshold level to meet anticipated payments of compensation and administration expenses during the coming year.

5 The proposed International GHG Fund would constitute a single fund with a single tier contributed to by purchasers of marine bunkers. All ships above 400 GT would require registration and monitoring; involving approximately 55,000 ships. For vessels moving between the spot market and time charter market (typically in the spot (voyage charter) market the owner pays for the bunkers and in the time charter market the charterer pays for bunkers), this could involve multiple responsible entities during a single Fund period leading to possible confusion over who is responsible for what share of the mandatory fund contribution.

Collection and verification of contributions

6 The IOPC Funds are financed by levies on certain types of oil carried by sea. The levies are paid by entities within Member States which receive oil after sea transport. The amount of assessed levies collected from Member States is essentially contingent upon claims being made against the Funds. The States perform a vital administrative role in handling oil receipt data and managing the levy systems.

7 With the proposed International GHG Fund, collections are made against all sales of bunkers in contracting States. Vessels which purchase bunkers from contracting and non-contracting States may have to ensure that sufficient registered fuel has been purchased for voyages to contracting States. Administrative complexity increases when ships, through unavoidable situations, must obtain fuel from sources in non-contracting States. It is likely that, in practice, States would have to manage the “levy” as a stream of taxation, with all the relevant controls, yet donate all the proceeds to the central fund.

Application

8 Payments for claims against the IOPC Funds are made in accordance with a defined process that is administered by the IOPC Funds Secretariat. Any disputes in relation to the admissibility of claims against the fund can be settled through well established legal procedures.

9 Under the IOPC Funds, oil pollution incidents affect geographically defined areas and therefore claims against the funds are for specific affected regions, i.e. territorial seas or EEZ of contracting States. As oil pollution incidents and associated claims are generally localized to regional coastal areas, the benefits of ratification of the IOPC Fund conventions are readily apparent to littoral States.

10 With the proposed International GHG Fund, even with the establishment of guidelines on projects to be funded, significant administrative recourses and technical expertise would be needed to fairly assess proposals and manage the funding of suitable projects.

11 As proposed in document MEPC 59/4/5, the revenues from the International GHG Fund would be allocated under the UNFCCC principle of *common but differentiated responsibilities*. It would be unclear how contributions to the International GHG Fund would directly benefit contracting States. As the preference will be to support projects for activities in the developing countries, concern is that essential research and development that would benefit the global society would not be advanced.

Monitoring of the Funds

12 Once a claim against the fund has been approved and paid by the IOPC Funds, the IOPC Funds Secretariat has no further involvement in how the funds are disbursed.

13 Once a project has been approved under the International GHG Funds, it is highly likely that progress of the particular project will be required to be monitored for a significant period of time to ensure that the funds are expended in accordance with the provisions of the Funds and the expected reductions in CO₂ are achieved.

Administration functionality and technical disciplines

14 Document MEPC 59/4/5, paragraph 48 refers to distinct parallels between funds and suggests that the Secretariat for the IOPC Funds could also be considered to administer the GHG Fund. The previous paragraphs in this document have clearly identified the operational differences between the IOPC Funds and the proposed International GHG Fund. This, in turn, would require significant additional functionality and administrative disciplines to be integrated into the IOPC Secretariat if it were to assume the International GHG Fund role as well. The inherent differences in how the funds operate may preclude a rational consideration of a joint administrative secretariat between the IOPC Funds and the proposed International GHG Fund.

Summary

15 While it is agreed that the IOPC Funds are well established and operate effectively for a limited sector of the industry, OCIMF believes that it is premature to conclude that the IOPC Funds would be the appropriate administrative body for the proposed International GHG Funds.

16 It has been established in document MEPC 59/4/5 that a new International GHG Fund should be established as a separate legal entity under the structure of a new convention or international fund. Administration of a new convention or unrelated international fund would seem to be out of scope for the IOPC Secretariat.

17 However, if the proposed International GHG Fund is agreed, it could benefit from modelling its structure after the IOPC Funds as an intergovernmental organization, recognizing the increased scope and complexity in covering all sectors of the shipping industry.

Action requested of the Committee

18 The Committee is invited to take note of the information contained in this document when evaluating the proposed Market-based reduction instruments and take action as appropriate.