



MARINE ENVIRONMENT PROTECTION
COMMITTEE
60th session
Agenda item 4

MEPC 60/4/57
3 March 2010
Original: ENGLISH

PREVENTION OF AIR POLLUTION FROM SHIPS

Work arrangements for agenda item 4 and proposals for further progress on GHG matters in 2010

Note by the Chairman

SUMMARY

Executive summary: This document presents the Chairman's proposals for working arrangements at MEPC 60 and for further progress in 2010 on a comprehensive control regime for greenhouse gas emissions from international maritime transport

Strategic direction: 7.3

High-level action: 7.3.1

Planned output: 7.3.1.3

Action to be taken: Paragraph 16

Related documents: MEPC 59/24, MEPC 60/4, MEPC 60/4/9 and its Add.1

INTRODUCTION

1 Having examined all the relevant submissions to MEPC 60, this document contains my proposals for the work arrangements at this session, which I usually present orally at the opening of the specific agenda item. As MEPC 60 has only a limited time for debate and discussions, a well structured work arrangement is required to ensure satisfactory progress in 2010 on all the three blocks in IMO's GHG work plan, namely technical, operational and market-based measures.

TECHNICAL AND OPERATIONAL MEASURES

Re-establishment of the Working Group

2 As agreed at MEPC 59, the Working Group on GHG Issues will be re-established at this session under the Chairmanship of Mr. Koichi Yoshida (Japan) and tasked, *inter alia*, to consider in detail all submissions related to technical and operational measures.

3 As there are so many submissions on the topic to this session, as well as those deferred from MEPC 59 (listed in paragraphs 6 to 11 of document MEPC 60/4), I suggest, in the interest of time and unless expressly requested by the delegations concerned, that such documents should not be introduced in plenary, but be thoroughly considered by the working group. Having said that, the Committee needs to consider, in plenary, the proposal to add to MARPOL Annex VI a new part on energy efficiency for ships, submitted as document MEPC 60/4/35 (Japan, Norway and the United States), with a view to reaching agreement, in principle, to introduce such requirements for ships' energy efficiency measures through amendments to MARPOL Annex VI.

4 **If the Committee agrees** to introduce mandatory requirements for ships' energy efficiency through technical and operational measures, I would suggest that the working group be requested, among other things, to prepare draft amendments to MARPOL Annex VI, which the plenary would have for consideration towards the end of the week. The Committee might then agree to circulate the draft amendments in accordance with MARPOL Article 16, with a view to adoption at MEPC 61.

MARKET-BASED INSTRUMENTS

5 The Committee will recall that, at its last session, having made significant progress on the development of technical and operational measures, it held an in-depth discussion on market-based measures. In its willingness to make further progress on this complex issue, the Committee agreed to a Work Plan for further consideration of market-based measures.

6 At MEPC 59, Members were encouraged to submit further detailed outlines of possible market-based instruments (MBI) to this session and the Committee has received 20 session documents and four information documents, from which nine distinguishable MBI proposals, or variants of some of the proposals, have been identified:

- .1 **International Fund for Greenhouse Gas emissions from ships**, as proposed by Cyprus, Denmark, Marshall Islands, Nigeria and IPTA in document MEPC 60/4/8 and supported by a large number of earlier submissions and information papers submitted by Denmark, as specified in that document;
- .2 **Trading with Efficiency Credits based on Efficiency Standards for All Ships**, as proposed by the United States in document MEPC 60/4/12 and an earlier submission to MEPC 59, as specified in that document;
- .3 **Global Emission Trading System for International Shipping**, as proposed by Norway in document MEPC 60/4/22 and supported by a large number of earlier submissions and information papers submitted by Norway and partly co-sponsored by France and Germany, as specified in that document;
- .4 **Global Emissions Trading System for GHG Emissions from International Shipping**, as proposed by the United Kingdom in document MEPC 60/4/26;
- .5 **Leveraged Incentive Scheme based on the International GHG Fund**, as proposed by Japan in document MEPC 60/4/37 and supported in a number of related documents submitted by Japan, as specified in that document;

- .6 **Vessel Efficiency System**, as proposed by the World Shipping Council in document MEPC 60/4/39;
- .7 **Ship Traffic, Energy and Environment Model**, as proposed by Jamaica in document MEPC 60/4/40;
- .8 **Emission Trading System for International Shipping**, as proposed by France in document MEPC 60/4/41, and supported in a number of earlier submissions by France and others, as specified in that document; and
- .9 **Rebate Mechanism for a Market-based Instrument for International Shipping**, as proposed by IUCN in document MEPC 60/4/55.

7 In accordance with paragraph 2 of the work plan for further consideration of market-based measures, MEPC 60 should mainly focus on developing the methodology and criteria for feasibility studies and impact assessments of the proposed mechanisms, giving priority to the overall impact on the maritime sectors of developing countries, while avoiding a debate on the different proposals individually in any detail – a task that should be earmarked for MEPC 61.

8 Having in mind the work plan, I hereby propose a possible methodology for conducting the feasibility studies and impact assessments, as described in the ensuing paragraphs.

Methodology for feasibility studies and impact assessments

9 The work plan for further consideration of market-based measures assumes, in its paragraph 3, that the outcome of feasibility studies and impact assessments will be available to MEPC 61, thus enabling the Committee to make further progress and take informed decisions.

10 Being cognisant of the sensitivity of the issues involved and the limited time available prior to MEPC 61, and drawing from comments made when the issue was addressed at earlier sessions, I would like to suggest the formation of an expert group constituted by Member-nominated experts and with clear Terms of Reference. On this basis, the Committee is invited to consider the proposal set out hereunder:

- .1 The Secretary-General would be requested to establish an Expert Group on Market-based Instruments (MBI-EG), with Terms of Reference to be agreed during the session (a draft intended as the basis for the Committee's consideration – not to pre-empt the outcome of its deliberations – is provided in the annex). To secure representative composition and geographic balance, the 40 Members of the Council would be invited to nominate experts with appropriate expertise on matters within the scope of the study/assessment, who, in the discharge of their duties, would serve the group in their personal capacity.
- .2 The Expert Group would be chaired by the [Council Chairman] and would elect other officers as appropriate. The Secretary-General would also invite a number of organizations in consultative status with IMO to nominate experts to contribute with data and/or with expertise to the work of the Group. In his selection, the Secretary-General would take into account the different stakeholder groups that should be represented as well as the

interests of civil society organizations. The Secretary-General might also invite relevant United Nations entities, as well as other intergovernmental or international organizations to serve the Group as advisers.

- .3 The sponsors of the identified proposals currently under assessment should be invited to provide, through a nominated focal point, further details to the Expert Group and to comment on any assumptions made related to their proposal. Where more than one Member State or organization has co-sponsored a proposal, a single focal point should be appointed.
- .4 The Expert Group should take into account all relevant documents on market-based instruments submitted to this and previous sessions, as appropriate. Members would be invited to submit additional reports or other relevant information to the Expert Group to assist it in its work.
- .5 To allow the Expert Group as much time as possible to carry out its work, the Committee would need to agree on a relaxed deadline [e.g., 13 August] for submission of the Group's report to MEPC 61.

Criteria for the feasibility studies and impact assessments

11 The criteria for the feasibility studies and the impact assessments will need to be considered and agreed by the Committee at this session and a number of submissions both to this and earlier sessions provide input to this debate. I have requested the Secretariat to summarize relevant submissions and to present possible options on how such criteria may be organized and articulated to facilitate the Committee's debate on this vital subject. Following review of this material, a note by the Chairman containing the above-mentioned information will be issued as soon as possible.

Legal aspects and application principles

12 The documents referring to legal aspects and application principles, deferred from MEPC 58 and MEPC 59 and listed in paragraph 2 of document MEPC 60/4, should not, in accordance with paragraph 4.3 of the Committee's guidelines, be introduced in plenary but be taken as read. The documents may be referred to in the debate at the present session and may be taken into account by the Expert Group, if established, and in the Committee's future work, as appropriate.

Reduction targets

13 The Committee will recall that, at the last session, it was generally agreed that the topic of reduction levels should be revisited at this session and it invited additional contributions to ensure an informed debate to advance the issue satisfactorily. Reduction potential would need to be considered for each proposed market-based instrument as part of the impact assessment.

14 Another issue the Committee would need to consider is whether the international maritime sector should be subject to an explicit emission ceiling (cap) or a reduction target comprising the entire world fleet of merchant vessels. The paramount questions will be how and by which international organization such a cap or reduction target should be established. Other related questions include the methodology by which the cap/target is set and maintained, as well as its relationship with other transport modes.

15 Documents to be considered and form the basis for the discussion on potential reduction targets include MEPC 60/4/23 (Norway), MEPC 60/4/28 (World Shipping Council) and the two submissions that were kept in abeyance from MEPC 59, as listed in paragraph 3 of document MEPC 60/4.

Action requested of the Committee

16 The Committee is invited to consider the work arrangements as proposed in this document and, in particular, to:

- .1 agree that document MEPC 60/4/35 (Japan, Norway and the United States) on mandatory EEDI requirements (draft amendments to MARPOL Annex VI for regulation of energy efficiency of ships) be considered in plenary with a view to reaching agreement, in principle, on such mandatory measures, while other documents on technical and operational measures should be referred to the working group for consideration (paragraphs 3 and 4);
- .2 agree that an expert group on market-based instruments with representative composition and clear Terms of Reference should be established to undertake the feasibility study and impact assessment called for by paragraph 2 of the work plan for further consideration of market-based measures that was agreed at MEPC 59 (paragraphs 5 to 10);
- .3 consider and agree to criteria for the feasibility study and impact assessment, taking into account additional information to be provided by the Secretariat (paragraph 11); and
- .4 consider the reduction targets, as outlined in paragraphs 13 to 15.

ANNEX

DRAFT TERMS OF REFERENCE FOR THE EXPERT GROUP ON MARKET-BASED INSTRUMENTS (MBI-EG)

Introduction

1 As part of IMO's efforts to maintain its leading position, and recognizing its responsibility with regard to greenhouse gas emissions from the maritime sector, the Marine Environment Protection Committee, at its sixtieth session (MEPC 60), decided to undertake a feasibility study and impact assessment in accordance with the work plan for further consideration of market-based measures. The Committee requested the Secretary-General to establish an Expert Group on Market-based Instruments to undertake a feasibility study and an impact assessment of the different proposals for a market-based instrument for international maritime transport under the auspices of IMO, as submitted to its sixtieth session.

2 The proposals to be assessed will be those listed in [appendix ...].

3 It is recognized that CO₂ is the most significant greenhouse gas (GHG) emitted by ships. The study/assessment report should be transparent and include the issues below.

Methodology

4 The Expert Group on Market-based Instruments was provided with the following Terms of Reference:

- .1 The scope of the feasibility study and the impact assessment is to review the practicability of implementing the proposed options, as well as identifying the effect on the global climate and on the shipping industry, giving priority to the overall impact on the maritime sector of developing countries, of applying any of the options identified as possible market-based instruments to provide the shipping industry with an economic incentive to reduce its emissions.
- .2 The study/assessment will be conducted by a group of selected experts, nominated by IMO Council Member Governments following an invitation to be issued by the Secretary-General, with appropriate expertise on matters within the scope of the study, who, in the discharge of their duties, will serve the Group in their personal capacity (no alternates). The Group will be chaired by the [Council Chairman].
- .3 The Secretary-General will also invite a number of organizations in consultative status with the Organization, which can contribute with data and/or with expertise to the work of the Group. The Secretary-General may also invite relevant United Nations entities, as well as intergovernmental or international organizations to serve the Group as advisers.
- .4 The Group should, at its establishing meeting, agree on its method of work and meeting dates and may, in this context, consider draft tentative meeting dates identified by the Secretariat in accordance with meeting room availability at IMO Headquarters. The Group may elect additional officers and may establish sub-groups to undertake detailed work on specific issues.

- .5 The sponsors of the identified proposals under review should be invited to provide further details to the Expert Group and to comment on any assumptions made related to their proposal. Where more than one Member State or organization has co-sponsored a proposal, a single focal point should be appointed.
- .6 All relevant documents submitted to or issued by IMO, as well as relevant scientific literature referenced in such documents, should form the document basis for the Group that may also take into account any related literature or documents it finds relevant.
- .7 In light of the significance of the report and the fact that it may be used not only by IMO but also by other international organizations, it is imperative that the final report provides a detailed and cogent analysis of the relevant issues. References to single sources and invalidated information should be avoided as far as possible. The main conclusions should be succinct, clear, precise, and only provide factual information and robust conclusions. Any uncertainty related to any of the main findings should be clearly stated or such conclusions should be excluded from the report.
- .8 The Group should, as far as possible, make decisions by consensus and make all efforts to ensure timely completion of the study/assessment.
- .9 The end result, aimed at assisting the MEPC to make well-informed decisions, should be an objective study/assessment report containing facts and data and specifying the pros and cons of the proposed solutions. Thus, the study, while refraining from making comments which might jeopardize the impartial and objective character of the exercise, should not make specific recommendations on policy issues, leaving them to MEPC to make when weighing up the outcome of the study/assessment.
- .10 While taking into account relevant new information, the Group should not duplicate existing studies that have already been completed. Therefore, in conducting the study assessment, the experts may consult with reputable organizations, institutions and resources with relevant experience and/or expertise within areas of the Terms of Reference.

Criteria

5 Within the above remit, the Expert Group should, giving priority to the overall impact on the maritime sector of developing countries:

[to be agreed by MEPC 60]

- .1 **assess:**
- .2 **evaluate:**
- .3 **submit** its conclusions in a written report to MEPC 61 by [13 August 2010].