



Reduction of emissions from bunker fuels - Ongoing negotiations

Ongoing activities

The main organisations working on the issue of reducing emissions from bunker fuels are the International Maritime Organisation (IMO) in the maritime sector, the International Civil Aviation Organisation (ICAO) in the aviation sector and the United Nations Framework Convention on Climate Change (UNFCCC) in both sectors. Other research organisations and think-tanks such as CEPS, CCAP, the Pew Centre, OECD and IEA have done very little or nothing on this topic. Many environmental NGOs are, however, actively engaged in the issue and produce analyses and statements.

Emissions from international shipping and aviation are not included in countries' emission reduction obligations under the Kyoto protocol, developed in 1997. The protocol's article 2.2 states that Annex I parties shall pursue the limitation of these emissions, working through the IMO and the ICAO. Hence, under the UNFCCC, the issue of bunker fuels is being discussed in its subsidiary body on scientific and technological advice, SBSTA, mainly focusing on methodological issues relating to the estimation and reporting

of greenhouse gas emissions data from international aviation and maritime transport. Since the Kyoto protocol was adopted, the IMO and the ICAO have been working on policies to address these emissions, without so far establishing any obligations, either mandatory or voluntary. Both technical-operational measures and possible market instruments to reduce emissions in these sectors, are discussed. The ongoing climate negotiations under the UNFCCC, to conclude in Copenhagen in December 2009, have made the issue more urgent. There are no conclusions drawn yet on how to treat emissions from international aviation and maritime transport in a post 2012 agreement, but several proposals have been put forward. Some proposals suggest that these emissions should be included in the UNFCCC agreement directly, while others propose that the regulatory regimes should be established within the IMO and the ICAO, respectively. Close contact between the UNFCCC and IMO/ICAO is important, in order to facilitate the discussions.

Maritime emissions

The International Maritime Organisation, IMO, has recognised that emissions from the maritime sector must be reduced. Over the

past ten years, the IMO has therefore been working towards reducing greenhouse gases from the maritime sector. This has led to some resolutions, guidelines, studies and lately also some proposals from parties for binding measures to reduce emissions.

Most progress has been achieved on developing technical and operational standards for shipping. An energy efficiency indicator for new ships is close to finalisation, as well as standards and management plans for energy efficient operations. In addition, there are several proposals for the use of market based instruments such as emission trading or levies as a means of incentivising emission reductions. In that respect, the IMO organised an intersessional meeting in Oslo in June 2008. The participants to the meeting discussed different market instruments that could be used in the future to reduce greenhouse gas emissions. Prior to the meeting, a number of countries such as Norway, Denmark, France and Germany had submitted proposals for different levy and Emissions Trading Schemes. An intense debate followed and continued in the Maritime Environment Protection Committee 58 (MEPC) meeting in October 2008. MEPC is the formal decision-making

body on these matters within the IMO.

A reoccurring issue of debate in the IMO is how the wording of Article 2.2¹ of the Kyoto Protocol should be interpreted. The UNFCCC has agreed the principle of “common but differentiated responsibility” whereas the IMO has a basic principle of non-discriminatory regulation of all ships in international trade irrespective of flag. The IMO also has the principle of “no more favourable treatment” of ships flying the flag of a non-party to any mandatory IMO treaty instrument. The contradiction between the principles of these two conventions represents a major challenge.

MEPC 58 also considered the related legal aspects and whether the greenhouse gas (GHG) regulations should form part of an existing convention or whether an entirely new instrument should be developed and adopted. This is linked to the question of whether any such instrument should apply to all ships, irrespective of flag and following the IMO’s usual practice, or only to ships flying the flag of

Parties to the UNFCCC and listed in Annex I to that Convention ²

The three main outstanding issues to reach an agreement within the IMO with respect to market based instruments are:

- What kind of market based instrument should be used?
- Should this market instrument form part of an existing scheme or become a new instrument?
- How should the instrument be designed with respect to participation?

There is currently a large division in position on the above issues. Basically some leading developing countries including China, India, Brazil, Saudi Arabia and South Africa, want to apply the division from the UNFCCC, in Annex I and Non -Annex 1 countries, in the IMO also and put full responsibility on the Annex 1 countries. Countries that are included in Annex 1 under the UNFCCC believe that the IMO’s principle of “no more favourable treatment” must be followed also on this issue, and that the only effective solution would be to have a fully comprehensive international scheme. The argument in favour of an all participation scheme is that shipping is a global industry where participation ac-

cording to flag would lead to competitive distortion and carbon leakage. Most ships (75%) are sailing under a flag of a Non-Annex 1 country.

The discussion on these and other issues will continue during the first half of 2009 with the aim to adopt a coherent and comprehensive IMO regime to control GHG emissions from ships during MEPC 59 in July 2009. The Secretary General of the IMO will then present its decision to the UNFCCC at the COP 15 meeting in Copenhagen in December 2009. However, it is quite likely that the MEPC will put a formal decision on hold, in expectation of the outcome of COP15 in Copenhagen. In this situation, the political signal from COP15 will be even more important.

If it is impossible to agree on a future international scheme to reduce emissions from ships, the EU has underlined that it is willing to act unilaterally on this issue. Some work is ongoing in the European Commission and also in the expert group on bunker fuels on this issue.

In addition to the proposals on a binding measure for the maritime sector, Dr Andre Stochniol is working on a comprehensive scheme based on a cap-and-charge instrument (IMERS). This instrument has caught some attention recently and has been presented at several side-events arranged in connection to the UNFCCC and IMO meetings.

¹ Article 2.2 of the Kyoto Protocol reads:
“The Parties included in Annex I shall pursue limitation or reduction of emissions of greenhouse gases not controlled by the Montreal Protocol from aviation and marine bunker fuels, working through the International Civil Aviation Organization and the International Maritime Organization, respectively.”

² Annex 1 and Non-Annex 1 countries refer only to the UNFCCC and that convention and not to the IMO and ICAO. However, these two terms are often used in a broader context in order to divide or group countries according to their responsibility in reducing emissions.

Aviation emissions

ICAO has recognised the importance of reducing emissions from international aviation. The organisation has since the 1970s worked on environmental aspects concerning aviation and the international climate discussions have led to increased work on the subject. As the case is with the IMO, ICAO's traditional work on environmental aspects concern technical solutions and standard settings, while market based methods are relatively new in their tool box.

ICAO has adopted three policy options to address climate change; Technology and Standards, Operational Measures

and Market Based Measures. The organisation work with environmental/emissions aspects mainly through the two working groups CAEP and GIACC. The latter has been formed with the sole objective to address climate change and is mandated with suggesting targets for international aviation for reducing GHG emissions. The recent work of CAEP on emissions include Report on voluntary emissions trading for aviation in which they conclude that emissions trading is the most cost effective market based measure to use. They also outline four different ways in which emission trading schemes may be developed in the future. A guideline on how voluntary agreements between industry and government may look like has also been produced. There are dif-

ferent opinions among the ICAO member states on how to address climate change, especially related to market based measures.

GIACC had their first meeting in February 2008. At the second meeting in July the same year, three working groups were established (Group Goal, Group Measures and Group Implementation). GIACC will present their conclusions in the summer of 2009. The high level meeting in October gives an opportunity for the ICAO to present convincing decisions before the Copenhagen meeting. However, discussions under the ICAO face many of the same conflicting views as the IMO and the outcome is uncertain.

The Nordic COP 15 Group

– Towards a successful COP 15 meeting in Copenhagen 2009

The Nordic countries will play an active role in the 15th Conference of the Parties to the UN Framework Convention on Climate Change in Copenhagen (COP 15) taking place in December 2009. Denmark will host the meeting which takes place during the Swedish Presidency of the European Union. The Nordic Council of Ministers, which is the forum for co-operation between the governments of Sweden, Denmark, Iceland, Norway and Finland, has setup *the Nordic COP 15 Group* to help achieve a successful outcome at COP 15.

The Stockholm Centre of the Stockholm Environment Institute (SEI) is hosting the project.

The Nordic countries have a common interest to achieve a broad international agreement on climate change. *The Nordic COP 15 Group* have identified key elements in the negotiations where efforts are needed to ensure a good outcome, i.e. adaptation to climate change; technical transfer and legal issues; measurable, reportable and verifiable activities; and sectoral approaches. *The Nordic COP 15 Group* initiates activities to foster trust and to improve understanding

between key actors in the multi-lateral process. The group carries out analyses, reports and workshops on these topics.

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The Nordic Council of Ministers is the forum for Nordic governmental co-operation. Overall responsibility for the Nordic Council of Ministers lies with the respective Prime Ministers. The day-to-day work is co-ordinated to the Ministers for Nordic Co-operation and to the Nordic Committee for Co-operation. The Nordic Council of Ministers was formed in 1971.