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REDUCTION OF GHG EMISSIONS FROM SHIPS

Ports' perspective on key considerations regarding the decarbonization of shipping

Submitted by IAPH

SUMMARY

Executive summary: With this submission, IAPH summarizes its views on the key discussion items under the reduction of GHG emissions from ships in order to highlight the key considerations from the ports' perspective when addressing proposals for mid- and long-term measures, the revision of the Initial IMO GHG Strategy, and the essential topic of ensuring a just and equitable transition. The submission stresses the need of an early adoption of a global market-based measure and of an ambitious revision of the Initial IMO GHG Strategy by MEPC 80. The submission further advocates that the strategic allocation of MBM generated revenues is essential to drive the decarbonization of the maritime industry in a just and equitable manner.

Strategic direction, if applicable: 3

Output: 3.2

Action to be taken: Paragraph 20

Related documents: ISWG-GHG 12/3/3 and related documents, ISWG-GHG 12/3/9, ISWG-GHG 12/3/13; MEPC 78/7/5; MEPC 77/7/4; MEPC 76/7/12 and related documents; MEPC 77/7/16 and MEPC 77/7/28

Background

1 MEPC 76 adopted a work plan for the development of mid- and long-term measures as a follow-up of the *Initial IMO Strategy on the reduction of GHG emissions from ships*. MEPC 78 marked the start of the second phase of the work plan, addressing the detailed consideration of proposals by spring 2023. To that end, MEPC 79 invited Member States and observers to build on the proposals made to ISWG-GHG 12 and MEPC 78 with a view to exploring possible ways forward for the Committee during MEPC 79 (MEPC 78/17, paragraph 7.92).

2 In parallel MEPC 77 and 78 addressed the revision of the Initial IMO GHG Strategy, discussed the vision and levels of ambition, considered proposals under the spectrum of a just and equitable transition, and agreed on finalizing the revision by MEPC 80. Overall, the Committee recognized the need to strengthen the ambition of the Initial IMO Strategy during its revision process. The revised GHG Strategy will eventually guide and set the levels of ambition for the suite of mid- and long-term measures under consideration.

3 At the same time, throughout the process of the IMO GHG discussion, it is clear that the key challenge to overcome in order for IMO to deliver in line with the expectations is to ensure a just and equitable transition for shipping so as to ease national and geopolitical concerns and build consensus among Member States under the common goal.

4 All three topics above are going to be discussed at MEPC 79 and preceding ISWG-GHG 13. This submission summarizes the main views of IAPH regarding these three key topics and as such contributes the world ports' perspective in the discussions to be held.

Reaching agreement on a mix of mid-term measures including a market-based measure

5 It is evident that energy transition from fossil to new zero-carbon bunker fuels is an absolute necessity for decarbonizing shipping. Mid- and long-term measures are aimed at facilitating and enabling this transition.

6 MEPC and ISWG-GHG are considering a number of mid-term measures proposals that outline different approaches to address the energy transition challenge. Among these, there is a distinction between the GHG Fuel Standard (GFS)¹ which is a regulatory instrument that stipulates the amount of carbon or GHG equivalent allowed in marine fuels at a given period, and the market-based proposals for either levy-based systems,² emission trading scheme³ or funding/reward system⁴ which all introduce a "carbon price" via different mechanisms.

7 IAPH is in favour of adopting a combination (or basket) of mid-term measures consisting of a regulatory instrument such as the GFS and a market-based measure (MBM) and stresses the need for the Committee to move decisively towards such an adoption. IAPH believes that the early implementation, by 2025, of a global MBM is essential in bridging the price gap between conventional and low- and zero-carbon fuels and hence stimulating the very substantial investments needed in the supply and value chains of such fuels and making them commercially viable.

8 The sense of urgency in reaching an IMO agreement over an MBM is also stressed by the regional instruments starting to be implemented and/or discussed in different parts of the world. Dealing with a regulatory patchwork will overall increase transaction costs for shipping stakeholders. Therefore, IMO needs to move decisively and adopt a global MBM that is accepted by regional jurisdictions as an equivalent to their initial policies.

9 At present, IAPH remains neutral as to the choice of MBM and focuses on further evaluating the success factors and implications of the different proposals as these being further detailed and consolidated ahead of MEPC 79. For any measure under consideration, its

¹ ISWG-GHG 12/3/3 and related documents.

² MEPC 78/7/5, MEPC 77/7/4, MEPC 76/7/12 and related documents.

³ ISWG-GHG 12/3/13 and MEPC 77/7/16.

⁴ ISWG-GHG 12/3/9.

impacts on States should be assessed and taken into account as appropriate. Particular attention should be paid to the needs of developing countries, especially small island developing States (SIDS) and least developed countries (LDCs). All proposals will need to demonstrate both their effectiveness in achieving the needed GHG emission reductions, and their potential to facilitate a just and equitable transition.

10 Regardless of the type of instrument chosen, IAPH believes that the decisions about allocating funds under an MBM and the identification of priorities should remain under the control of the Committee.

Aligning the level of ambition of the Initial IMO GHG Strategy with current climate science

11 The levels of ambition in the Initial IMO Strategy include peaking GHG emissions from international shipping as soon as possible, and then to reduce total annual GHG emissions by at least 50% by 2050 compared to 2008 levels, while pursuing efforts towards phasing them out on a pathway consistent with the Paris Agreement temperature goals.

12 However, as recent evidence clearly demonstrates, these IMO initial targets for 2050 are insufficient to reach the 1.5°C target of the Paris Agreement that is vital for the survival of many low-lying nations such as SIDS. From a climate science perspective, for the world to stay on a 1.5°C pathway, international shipping needs to decarbonize by 2050 at the latest.

13 Therefore, IAPH joins the increasing number of stakeholders calling for setting a 2050 level of ambition of zero emissions for the international shipping sector in the revised IMO GHG Strategy. IAPH is signatory to the "Call to Action for Shipping Decarbonization"⁵ under the Getting to Zero Coalition that was delivered to world Governments at COP 26. Consistently, IAPH supports the proposals made at MEPC 77 and MEPC 78 for strengthening the ambition level of the Initial IMO Strategy towards the decarbonization of shipping by 2050, and the setting of respective intermediate targets for 2030 and 2040.

14 IAPH acknowledges that the exact terminology and definition of a 2050 target will need to be clarified and decided in the process of revising the Initial IMO Strategy. A full and common understanding of terms such as "zero" and "net-zero" emissions, and "carbon" and "climate" neutrality by 2050 needs to be reached to ensure there is no confusion nor conflicting interpretation of the target to be agreed.

15 IAPH concurs that the revised Strategy needs to keep pace with the momentum of the industry. It should respond to and reflect calls for regulatory certainty, to both provide a clear overarching target and ensure that mid- and long-term measures can be developed with an updated and unequivocal target in mind.

Ports' perspective on ensuring a just and equitable transition

16 IAPH fully acknowledges the divergent views between Member States when it comes to both the adoption of mid- and long-term measures and the revision of the IMO Initial Strategy. National concerns and overall geopolitical considerations over the impact of energy transition are inherent to the IMO debate and decision-making process. Therefore, addressing such considerations and ensuring a just and equitable energy transition for shipping is key in the Organization's effort to build consensus among Member States and accelerate the much-needed progress.

⁵ <https://www.globalmaritimeforum.org/getting-to-zero-coalition/call-to-action>

17 A thorough impact assessment is essential as part of any proposal for both mid- and long-term measures and the revision of the Initial IMO GHG Strategy. Particular attention should be paid to the needs of developing countries, SIDS and LDCs. In order to achieve consensus among Governments, any potential negative impacts, including resulting increase of shipping costs on economies, need to be clearly identified and addressed as part of the decision-making process. Specific commitments toward technology transfer and capacity-building can play an important role towards that direction. At the same time, the potential for positive impacts of proposals, especially in the form of mobilizing financial resources to support shipping's energy transition, deserves more attention.

18 IAPH notes with interest the findings of recent research by the World Bank on bunker fuels, highlighting that many countries – both developed and developing – could seize business and development opportunities in shipping's energy transition, and enter the global market for zero-carbon bunker fuels. For example, the lower energy density of low-carbon fuels such as ammonia and hydrogen compared to fossil fuels is likely to result in more frequent refueling and the development of more decentralized zero-carbon bunker fuel hubs. This provides opportunities for ports in developing countries to upgrade their maritime infrastructure and the potential to create new business ventures.

19 With document MEPC 77/7/28, IAPH contributed some initial considerations from the ports' perspective in the debate over ensuring a just and equitable transition. IAPH considers MBMs as essential instruments to both enable the commercial viability of low- and zero-carbon fuels and facilitate a just and equitable transition through the collection and strategic allocation of the generated revenues. IAPH argues in favour of an early adoption of an MBM and advocates that the strategic allocation of generated revenues to port-related investments for low- and zero-carbon fuels, in developing countries in particular, has the potential to both serve the targets of the IMO GHG Strategy while contributing to an equitable energy transition of shipping.

Action requested of the Committee

20 The Committee is invited to take note of the key IAPH considerations and perspectives herein when considering proposals for mid- and long-term measures, for revising the IMO GHG Strategy, and for addressing just and equitable transition related considerations at MEPC 79, and to take action as appropriate.
