

Including maritime transport emissions in the EU's greenhouse gas reduction commitment

General Information	
<p>Are you answering as an individual or on behalf of an organisation or institution? -single choice reply-(optional)</p>	<p>I am answering on behalf of an organisation or institution (company, NGO, public authority, ...)</p>
<p>Please select the option which is the best description of your organisation (1 choice only). -single choice reply-(optional)</p>	<p>non-governmental organisation / association of NGOs</p>
<p>Please enter the name of your organisation. Please briefly describe which stakeholders (or members) you represent. -open reply-(optional)</p>	
<p>CDM Watch</p>	
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<p>Please enter an email address for contact purposes (to be used in case of clarification questions only): -open reply-(optional)</p>	<p>diego@cdm-watch.org</p>
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General context	
<p>Do you consider that the maritime sector should contribute to European emission reduction efforts as other sectors? -single choice reply-(optional)</p>	<p>Yes</p>

Please substantiate your answer.

-open reply-(optional)

CDM Watch welcomes this opportunity for input and stresses the need for the EU to act promptly and address shipping emissions in the EU to halt climate change below 2°C while it needs to take responsibility as a climate leader and influential party in the development of future international climate systems. Often EU's decisions have served as blueprints for decisions on UN level. We believe that any legislation including shipping in the EU's climate policy must reflect the best possible option capable to deliver real reductions within the sector first and with the highest possible environmental integrity while delivering real contribution to sustainable development. Our main comments include: 1) no international credits should be allowed into a maritime sector, 2) revenues for climate finance for abatement in the maritime sector should not come from selling international offsets and 3) at least 50% of revenues should be directed to the Green Climate Fund.

Do you consider that revenues should primarily be used to support investments to reduce emissions in the maritime sector?

No

-single choice reply-(optional)

Do you consider that revenues should primarily be used for international climate change finance? -single choice reply-(optional)

Yes

Do you consider that revenues should be use for other purposes? -single choice reply-(optional)

Yes

Please substantiate your answer.

-open reply-(optional)

Revenues should be used for multiple purposes and in the following order of priority: The first use in any regional scheme should be to compensate needy developing countries for any economic impact of the measure. Secondly 50% of revenues should be assigned to the Green Climate Fund for use in developing countries. Thirdly some revenues could be recycled to promote efficiency and air emission abatement measures in the industry. Fourthly, some revenues could be retained by Member States.

Definition of the scope

Routes covered

Do you think that **routes related to search and rescue, fire fighting or humanitarian operations authorised by the appropriate competent authority** should be excluded from the scope ?

No

-single choice reply-(optional)

Do you think that **routes performed exclusively for the purpose of scientific research or for the purpose of checking, testing or certifying vessels or equipment** should be excluded from the scope ?

No

-single choice reply-(optional)

Do you think that **routes performed in the framework of public service obligations in accordance Council Regulation (EEC)**

No

N° 3577/92 of 7 December 1992 applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage) should be excluded from the scope ?

-single choice reply-(optional)

Do you think that routes performed from or to a Least Developed Country as defined by the United Nations should be excluded from the scope ?

-single choice reply-(optional)

No

Do you consider that any other routes should be considered for exclusion ?

-single choice reply-(optional)

Please substantiate your answer.

-open reply-(optional)

Exemptions for routes to LDCs make sense in principal. However, on closer analysis such exemptions on the basis of route are fraught with difficulties and could easily be a source of carbon leakage. Exemptions should be investigated by the Commission before any decision is taken. Where there is a negative impact on LDCs, including land-locked or other needy developing countries, then the measure should ensure compensation. This could be handled through the Green Climate Fund, or some other mechanism but compensation should be additional to climate finance. For similar reasons we do not support limiting the measure's scope via routes or ship types as a way of accounting for impacts on developing countries because we fear that would either reduce any measure's environmental impact or give rise to carbon leakage problems. Again these issues should be studied first.

Do you have any other remarks on the routes covered?

-single choice reply-(optional)

Yes

Please substantiate your answer.

-open reply-(optional)

We believe that any EU measure should cover all routes into and from EU ports to maximise environmental effectiveness, providing that the impact of the proposal on LDC and most vulnerable developing countries is addressed in the design. Shipping rates are highly complex and an evidence-base is needed to ensure that consumer in the poorest countries do not bear the extra cost of a European shipping measure. Therefore, the EC could consider ways to construct a scheme that includes a provision for "equivalence" similar to the aviation ETS. This might soften the international impact of any measure and comprise a building block towards a global scheme under IMO.

Type of ships covered

Do you see reasons for excluding any particular ship category?

-single choice reply-(optional)

Yes

If yes, which one(s). Please substantiate your answer.

-open reply-(optional)

The administrative burden to include small emitters in the system could be excessive. Therefore a de minimis ship size could be set at 400GT. But as per later questions we believe large ships could be covered by a scheme such as Fund/ETS whereas small ships of all types sailing in EU waters could be covered by an intra-EU/small emitter specific upstream fuel tax. This would include small craft and fishing vessels, tugs etc. We would need to be convinced by research before agreeing to exempt any particular ship type solely because some of these ships trade with LDCs as the potential for leakage could be great.

Are there other categories than those

No

mentioned above which should be included ?

-single choice reply-(optional)

Reliance on shipping

Do you consider that the reliance on shipping at a local or regional level should be taken into account?

No

-single choice reply-(optional)

Evasion / avoidance

Please provide us specific examples, analysis, data, etc. on this potential issue. Please note that any additional study, example, analysis, etc. can be uploaded or sent to clima-eccp-ships@ec.europa.eu -open reply-(optional)

Compensation fund

Who should manage a compensation fund? Please substantiate your answer.

-open reply-(optional)

A Fund is best managed by public body but this will depend on that body having freedom to receive/allocate revenues directly to the Green Fund. Such body should remain autonomous from any other carbon trading bodies for which there should be strong transparency measures that control potential conflicts-of-interest within members of the body. Additional oversight issues clearly arise if the Fund is privately managed and its statutes would need to clearly specify how funds were to be used. Third country objections might be even stronger if revenues were being received by a non-government entity because of perceived concerns over whether the revenue was being used fairly. Problems could arise if there is or isn't sufficient flexibility in the constitution of the Fund regarding use of revenues e.g. what to do if targets aren't met etc. Flexibility of use of revenues should follow stringent environmental integrity e.g. not purchase credits from other sectors that are dubious.

Do you think that several compensation funds could be feasible?

No

-single choice reply-(optional)

Please substantiate your answer.

-open reply-(optional)

The need for multiple Funds and any explanation as to why multiple funds would not result in excessive administrative burden has not so far been demonstrated. Multiple funds could also result in leakage or counterproductive competition (eg RORO versus pax vessels) between funds. At this point we don't understand the need for multiple funds and the Commission itself has acknowledged that there could be problems with ships switching between the Funds. If one of the reasons for multiple funds is to recognise that different ship types have different abatement potentials it would seem that that issue can also be taken account of within a single Fund.

Option 1 : Contribution-based approach

Do you consider that contributions to a compensation fund should, in the initial years of a system, be limited?

No

-single choice reply-(optional)

If you consider that contributions to a compensation fund should, in the initial years of

No

<p>a system, be limited, should this contribution be initially reduced by reference to contributing a percentage of a certain carbon price?</p> <p>-single choice reply-(optional)</p>	
<p>If you consider that contributions to a compensation fund should, in the initial years of a system, be limited, should this contribution be initially reduced by pre-set levels of contribution in financial terms?</p> <p>-single choice reply-(optional)</p>	No
<p>In the event that revenues are needed for international climate finance, how long should a transition take to full contribution (please specify a year)? -open reply-(optional)</p>	2014

Option 2 : Target-based approach

How can compliance be ensured?

-open reply-(optional)

It could be very problematic with some ships complying, many not. COM seems to suggest that underperformance to target would be simply solved by drawing on each ship's bank guarantee and buying offsets to retire the excess emissions. We strongly disagree that shipping should have access to international credits given the negative cost abatement potential in the sector. Instead, linking Fund contributions to ship speed is a much more likely option to achieve up front emissions reductions. Requiring ships to calculate and have available publicly their efficiency will also bring commercial pressures to bear to improve ship efficiency. This is currently absent. Recycling of revenues to support abatement measures will have an impact but over a much longer time period than COM thinks.

Do you consider that option 1 could achieve the emission reduction required effectively and efficiently? -single choice reply-(optional)

Partially agree

Do you consider that option 2 could achieve the emission reduction required effectively and efficiently ?

Partially agree

-single choice reply-(optional)

Mandatory emission reductions per ship

Do you consider that option 1 could achieve the emission reduction required effectively and efficiently ?

Partially agree

-single choice reply-(optional)

Do you consider that option 2 could achieve the emission reduction required effectively and efficiently?

Partially agree

-single choice reply-(optional)

Please substantiate your answer.

-open reply-(optional)

Mandatory emission reductions per ship will not guarantee that there will be an overall emissions reduction for the sector that is urgently

needed. Without clear targets for the sector as a whole, there is little environmental integrity in the scheme. In addition, this option would fail to raise revenues which could be used inter alia for international climate finance and is unlikely to act as a stepping stone to a global agreement as it lacks political traction at global level in the IMO. If setting historical baselines becomes a reality, it should be done combined with target speeds which deliver the required emissions reductions while penalties for exceeding speed targets/emission should be risen.

Do you consider that the target can be set on an other basis? **No**

-single choice reply-(optional)

Please substantiate your answer. -open reply-(optional)

A mandatory ship-level emissions reductions could better be implemented as an improvement of the efficiency relative to a baseline. So ships would have to demonstrate that they have emitted [x%] less than what an average comparable ship emitted in the geographical scope on a particular route in a base year. Average ship speeds by ship type can be correlated with ship type/size. Reductions in average ship speed can then be used as a proxy for emissions reductions. Ship speed limits or target ship speeds corresponding to required emissions reductions can be set and easily tracked/verified.

Do you consider that a mechanism that rewards early movers should be explored -single choice **Yes**

reply-(optional)

If yes, what kind of mechanism could be implemented? -open reply-(optional)

A mandatory emission reduction target linked to speed would reward early movers as the target speeds would reflect the average performance by ship type.

Do you consider that a mechanism that creates incentives to go beyond the mandatory emission reduction should be explored? -single choice reply- **Yes**

(optional)

If yes, what kind of mechanism could be implemented? -open reply-(optional)

The most straightforward option is based on speed. Ships proceed at a target (reduced) speed that delivers the required reductions. If ships sail below the target speed they earn credits. Similarly if ships adopt abatement measures that reduce emissions in addition to complying with target speeds then they can exceed the target speed without penalty up to a set limit or earn additional credits from within the sector.

Emission trading system

Do you consider that financial support (either directly as free allowances or some of the revenue generated from allowances) should be given during a transitional period? **No**

-single choice reply-(optional)

If yes, and in the event that revenues are needed for international climate finance, how long should a transition take?

-open reply-(optional)

Should shipping be able to acquire emission reductions from other sectors? -single choice reply- **No**

(optional)

Should shipping be able to sell emission **No**

reductions to other sectors?

-single choice reply-(optional)

Please substantiate your answers -open reply-(optional)

Access to offsets for the sector is a recipe for failure. Large negative abatement cost opportunities persist but the sector is locked in a comfortable and easy cost-past-through mindset. The sector should be given two alternatives: retrofit abatement equipment or slow down (or both). Buying allowances from other sectors negates any sectoral cap and converts allowance costs into yet another cost to pass through. As long as the EU ETS remains dysfunctional no new sectors with negative abatement costs should be included. Encouragement measures for over-achievement must be found elsewhere.

Do you consider that an ETS could achieve the emission reduction required effectively and efficiently?

-single choice reply-(optional)

Partially agree

Please substantiate your answer -open reply-(optional)

The first needed step is to define emission reduction required. The White Paper target of 80% emission reductions by 2050 refers to net reductions in Europe. This must remain in-sector. Any emissions reduction target should be set at an ambitious level; 100% of allowances should be auctioned from the outset of the scheme. This implies no access to offsets from flexible mechanisms such as the CDM or JI or access to allowances outside the shipping sector. No other EU sectors should be allowed to purchase credits from the shipping sector. In the case they do, the problem is a persistent cost-pass through allowances costs to customers. ETS would be unlikely to trigger substantial in-sector emissions reductions.

Tax

Tax on fuel

Do you consider that the evasion risk can be avoided when setting a tax on bunker fuel?

-single choice reply-(optional)

Yes

If yes, what specific measures could be developed to avoid/reduce the risk of evasion? -open reply-(optional)

There is no justification for the current tax exemptions in the Energy Tax Directive on aviation and shipping fuels. Whereas evasion risk with a tax is higher for large ships, policing a fuel tax on small emitters could serve as supplementary to Fund or ETS.

Do you consider that a tax on fuel could achieve the emission reduction required effectively and efficiently?

-single choice reply-(optional)

Partially agree

Please substantiate your answer.

-open reply-(optional)

The Commission currently seems disposed to exempt small emitters because of the alleged administrative burden. This would be unnecessary, unfair, inequitable and unacceptable. There is absolutely no justification for the current tax exemptions in the ETD on aviation and shipping fuels. Policing a fuel tax on small emitters and intra-EU ships would be straightforward. All ships involved only in intra EU trade would be required to bunker taxed fuel unless they can demonstrate membership of the Compensation Fund. Deep sea shipping would be required to join the Fund. Fishing vessels should be included. Whether a tax I itself can trigger sufficient emissions reductions is exactly the same question hanging over the efficacy of an ETS or a levy or /Compensation fund

Tax on emissions

Do you consider that a tax on emissions could

Partially disagree

achieve the emission reduction required effectively and efficiently?

-single choice reply-(optional)

Please substantiate your answer -open reply-(optional)

A tax on emissions is likely to have the same impact as an ETS and just as administratively onerous. We are not sure that the required emission reductions will be delivered given the apparent unresponsiveness of industry to previous fuel price hikes as a driver of increased efficiency. Furthermore, any tax option would not have the potential to raise revenues for international climate finance.

Choice of policy options

Compensation fund -single choice reply-(optional) 1

Mandatory emission reduction per ship -single choice reply-(optional) 3

Emission trading system -single choice reply-(optional) 2

Tax -single choice reply-(optional) 3

Environmental effectiveness (ensure effective emission reduction in line with the 2°C objective) -single choice reply-(optional) 1

Maintain the competitiveness of the EU -single choice reply-(optional) 2

Maintain competitiveness of the EU maritime sectors, while giving them the first mover advantage, by providing incentives to increase fuel efficiency before the rest of the world adopt specific measures -single choice reply-(optional) 2

Enforceability (Ensure appropriate monitoring, reporting and verification while keeping administrative burden to the minimum) -single choice reply-(optional) 1

Consistency with the related EU policies -single choice reply-(optional) 1

Vulnerability: Exposure to/Risk of evasion -single choice reply-(optional) 2

Timeliness (Consistency with timing of application of measures and interaction with policy progress in international fora) -single choice reply-(optional) 1

Should other criteria be used? -single choice reply-(optional) Yes

Please substantiate your answer. -open reply-(optional)

The overriding goal for EU action on shipping should be to set in motion a fair and effective global approach at the IMO. The EU measure needs not only to achieve an emissions reduction target but achieve substantial in-sector reductions first. The measure needs to

incentivise these and be measurable and safeguard environmental integrity. Any measure must deliver at least 50% of revenues to the Green Climate Fund through an automatic set-aside, and ensure impacts on Least Developed Countries are addressed or compensated. EU action must take account of progress at IMO and be able to be integrated into an eventual global measure. No international credits should be allowed in the sector. Furthermore the EC must ensure that both in presentation and in design, the proposal for regional action is predicated on facilitating a global agreement.

Regardless of the option proposed, should the maritime sector be in principle authorized to use international credits (e.g. from the Clean Development Mechanism) for its compliance ?
-single choice reply-(optional)

No

Should the maritime sector be authorized to use international credits subject to quantitative and qualitative limits, along the same lines as for other sectors?
-single choice reply-(optional)

No

What kind of restriction (quantitative and qualitative) should apply on these international credits?
-open reply-(optional)

There are no good reasons justifying access to international credits while there are substantial negative abatement cost opportunities in-sector and given shipping's proven ability to pass on costs and continue on in a business-as-usual mode. However, if access is granted, a thorough review of offset quality must be conducted. Several studies have shown that many carbon credits from existing CDM projects lack environmental integrity inter alia due to flawed crediting rules and weak additionality testing. Moreover, many CDM projects have significant negative social and environmental impacts. Lessons learnt must be taken into account in any future decisions to allow offsets to new sectors including the maritime sector. Any future decision on allowing access to international offsets must exclude substandard carbon credits and must ensure that only credits with the highest environmental integrity and strong sustainable development benefits can be used for compliance.

General comments

Please feel free to give any additional comments. -open reply-(optional)

Action at EU level is now warranted as progress at IMO continues to be elusive. Any EU proposal should take account of ongoing progress at IMO and be of a nature that can be transformed into a global measure. In this sense EU action can act as a catalyst for work at the IMO and provisions for the use of revenues can serve as a model for wider action as well. The EU's 2011 deadline for action at the IMO was only set after years of waiting and effort; the two principal proposals for MBMs at IMO were submitted after all by EU Parties. EU action on shipping has served as a catalyst for international action on shipping before and a well-considered and detailed proposal now from the Commission can advance the work before the IMO by demonstrating in detail how measures can be designed, described, implemented and enforced. Arguments put forward to keep waiting for the IMO may well not add any momentum to that process and could in fact weaken efforts to accelerate IMO action.