

## ICS POSITION ON GREENHOUSE GAS MARKET BASED MEASURES

30 May 2011

1. The future efficiency of the world's fleet can best be ensured, in the first instance, by the adoption of legislation at the UN International Maritime Organization (IMO) on technical and operational measures for the reduction of CO<sub>2</sub> emissions from international shipping. This legislation should include:
  - a. An Energy Efficiency Design Index (EEDI) for application to new specified ship types. (Note: significant work is still required to determine the appropriate EEDI calculation for a number of specialist ship types, such as Ro-Ro's, Gas Carriers etc.)
  - b. A review clause such that the application of the EEDI to future new ships can be tested against efficiency expectations and for any unforeseen impact prior to each implementation of the EEDI reduction stages.
  - c. A requirement for each ship to have a ship specific Ship Energy Efficiency Management Plan (SEEMP).
2. IMO member States are strongly urged to adopt the EEDI legislation at the IMO's MEPC 62 meeting in July 2011.
3. ICS is confident that international shipping will reduce its CO<sub>2</sub> emissions, per tonne-kilometre, through technical and operational measures that will deliver improving ship efficiency, by more than 20% by 2020 (2007 baseline)
4. If States believe it appropriate that a Market-based Measure should be applied to international shipping then this will be supported subject to certain provisions:
  - a. The measure must be compliant with the 9 principles on MBMs adopted at IMO. That the measure will:
    - Effectively reduce CO<sub>2</sub> emissions,
    - Be binding and include all flag States,
    - Be cost effective,
    - Not distort competition,

- Be based on sustainable development without restricting trade or growth,
  - Be goal based and not prescribe particular methods,
  - Stimulate technical research and development in the entire maritime sector,
  - Take into account new technology,
  - Be practical, transparent, free of fraud and easy to administer.
- b. That revenue generated by any measure adopted must be primarily used for efficiency improvement within the shipping industry and to assist in mitigation measures in developing countries; and.
- c. That only one economic measure should be applied to shipping and that this should be administered under IMO. It is a fundamental principle for ICS that any GHG financial instrument that is determined necessary for international shipping should be resolved in, and applied through, IMO.

5. The global shipping industry has a preference for a Market-Based Mechanism that is levy/compensation fund based. ICS believes that a levy/compensation fund based system is best suited for the Shipping Industry and shipping companies because such a system will ensure that:

- a. a level playing field is maintained,
- b. serious market distortion is avoided,
- c. management of the system will be easier; and
- d. the desired transparency will be provided.

6. ICS believes that CO<sub>2</sub> emissions from international shipping cannot be reduced effectively and meaningfully through the incorporation of shipping into any regional financial instrument. Therefore ICS is strongly opposed to the application of any regional GHG scheme to international shipping. In particular, the incorporation of international shipping in the EU ETS is most definitely not suitable for the Shipping Industry and is to be strongly opposed.