

INTERSESSIONAL MEETING OF THE
WORKING GROUP ON REDUCTION OF
GHG EMISSIONS FROM SHIPS
12th session
Agenda item 3

ISWG-GHG 12/3/6
31 March 2022
ENGLISH ONLY
Pre-session public release:

**CONSIDERATION OF CONCRETE PROPOSALS FOR MID- AND LONG-TERM
MEASURES AND ASSOCIATED IMPACT ASSESSMENTS IN THE CONTEXT OF PHASE I
OF THE WORK PLAN AS WELL AS THE PROPOSAL TO ESTABLISH
AN INTERNATIONAL MARITIME RESEARCH BOARD**

Enabling an equitable transition

Submitted by the Marshall Islands, Solomon Islands and Tuvalu

SUMMARY

Executive summary: This document enumerates several considerations that will be necessary to take into account in the adoption of a mid- or long-term measure(s) in order to ensure an equitable transition to zero emission shipping.

Strategic direction, if applicable: 3

Output: 3.2

Action to be taken: Paragraph 27

Related documents: MEPC 77/7/4, MEPC 77/7/12, MEPC 77/7/17, MEPC 77/7/23, MEPC 76/7/12, MEPC 76/7/15, MEPC 76/7/60; ISWG-GHG 10/5, ISWG-GHG 10/WP.1 and Resolution MEPC.304(72)

Introduction

1 IMO is the United Nations specialized agency responsible for safe, secure and efficient shipping and the prevention of pollution from ships. It is thus the body with the mandate and responsibility for implementing the measures necessary for the equitable transition of international shipping to a sustainable and zero-GHG emission future, in alignment with the 1.5°C temperature goal.

2 In 2003, the Assembly adopted resolution A.963(23) on *IMO policies and practices related to the reduction of greenhouse gas emissions from ships*, urging the Committee to identify and develop the mechanisms needed to achieve the limitation or reduction of GHG emissions from international shipping.

3 MEPC 70, in 2016, approved a *Roadmap for developing a comprehensive IMO strategy on reduction of GHG emissions from ships* to build upon, and bring together, the various streams of activity that have already been taking place in the Organization in relation to the reduction of GHG emissions from international shipping. MEPC 70 also agreed to the establishment of ISWG-GHG to progress the work intersessionally.

4 The IMO adopted, in 2018, the *Initial IMO Strategy on reduction of GHG emissions from ships* (the 'Initial IMO Strategy') (MEPC.304(72)). Since then, Member States and international organizations have submitted documents for discussion at MEPC and ISWG-GHG on actions to address GHG emissions and air pollutants from ships engaged in international trade.

Aligning the Organization's ambition to climate science

5 The Intergovernmental Panel on Climate Change (IPCC), the UN body responsible for assessing the scientific, technical and socioeconomic information relevant for the understanding of the risk of human-induced climate change, published in 2018 the *Special Report on the impacts of global warming of 1.5°C*. In this report, the IPCC observes that limiting global warming to 1.5°C above pre-industrial levels would require emissions to decline rapidly across all of society's main sectors, including transport.

6 IPCC's latest report *Climate Change 2022: Impacts, Adaptation and Vulnerability* found that small island States are already facing an existential threat due to climate change impacts which are likely to continue in the future. As global GHG emissions continue to rise, it is necessary to take urgent action to protect those States that are most vulnerable to climate change by the adoption of mitigation measures that enable a transition to absolute zero emissions from international shipping no later than 2050.

7 The vision and levels of ambition of the Initial IMO Strategy cannot be achieved without systemic changes to the energy supply and demand in international shipping. A recent study found that "[f]or international shipping to align with the IMO's Initial GHG Strategy, zero-emission fuels would need to become the dominant fuel source by the 2040s, gradually phasing out current fossil fuels".¹

8 Therefore, the Organization must adopt global regulations that allow for the effective uptake of alternative technologies, including new fuels, capable of operating with low-to-zero GHG emissions on a lifecycle basis, and the improvement of energy efficiency frameworks in new and existing ships. Ambitious short-, mid- and long-term measures need to be adopted, while in parallel assessing and addressing, as appropriate, potential Disproportionately Negative Impacts (DNI) on States.

9 Climate science has repeatedly made it clear that urgent measures must be taken to limit global warming to 1.5°C, compared to pre-industrial levels. According to the IPCC Special Report on 1.5°C, risks for ecosystems, food and water security, health, development and economic growth are significantly lower at 1.5°C compared to 2°C. In accordance with this, it is imperative that the revised Strategy, to be adopted in Spring 2023, includes dramatically increased levels of ambition.

10 The co-sponsors are mindful that a sustainable and equitable global transition requires more than achieving the temperature goal of 1.5°C. They consider that no country should be left behind when implementing the Initial IMO Strategy and the revised Strategy.

¹ Baresic, D., Rojon, I., Shaw, A., Rehmatulla, N., 2022: *Closing the Gap: An Overview of the Policy Options to Close the Competitiveness Gap and Enable an Equitable Zero-Emission Fuel Transition in Shipping*. UMAS, January 2022, London.

Discussion

11 Any DNI on States arising from the adoption of a final basket of measures by the Organization is likely to apply primarily to a relatively narrow band of geographically and economically constrained States. An appropriate and proportionate mechanism to address such DNI on such States is required and needs to be agreed by the Committee. The Committee has yet to determine how such DNI should be addressed.

12 Ensuring an equitable transition includes addressing the DNI issue, but is not limited to this. An equitable transition is a broader concept that requires approaching the necessary shift to non-GHG emitting shipping with the objective of ensuring the benefits of the transition are introduced and deployed equitably.

13 Many States are already facing severe challenges from the climate crisis. Some will experience greater difficulties than others due to their more limited ability to respond to the costs and problems that must be overcome to enable the necessary fundamental changes to the international fleet and the energy it uses.

14 An equitable transition must ensure those currently most disadvantaged and vulnerable to the increasing impacts of the climate crisis, while sharing little responsibility for historical and current GHG emissions, are not left further behind. This includes proactively ensuring all members of the global community have equitable access to the tools of transition, including appropriate alternative technologies, including new fuels, capable of operating with low-to-zero GHG emissions on a lifecycle basis, and the resources to build resilience and adapt to a climate challenged future. An equitable transition should allow all countries the opportunity to achieve transitions at an approximately similar speed.

15 The impact of measures assessed by the impact assessment procedure will not necessarily capture many of the barriers to transition that the States that are least able to handle the increasing impacts of the transition and its associated costs already face when approaching 1.5°C.

16 The shipping sector, as a significant historical and contemporary source of GHG emissions, already has and still continues to directly contribute to these impacts. Because of this, its support for adaptation efforts in developing countries is an essential component of an equitable transition.

17 The recent IPCC report notes that regional differences exist in terms of vulnerability to climate change risks and impacts. With high confidence, the report finds that regions and peoples with considerable development constraints are highly vulnerable to climatic hazards and also identifies vulnerable and at-risk are States as those "with high dependence on climate-sensitive livelihoods, rising population displacement, the accelerating loss of ecosystem services and limited adaptive capacities".² Such features are relevant to SIDS and small islands are singled out a number of times in the report as climate vulnerable and specifically as subject to the impact of rising sea-levels which bring cascading and compounding impacts and threaten, not only their food security and ecosystems, but their very existence. The report also notes that some impacts of climate change are now irreversible.

² IPCC, 2022: *Summary for Policymakers* [H.-O. Pörtner, D.C. Roberts, E.S. Poloczanska, K. Mintenbeck, M. Tignor, A. Alegría, M. Craig, S. Langsdorf, S. Lösche, V. Möller, A. Okem (eds.)]. In: *Climate Change 2022: Impacts, Adaptation, and Vulnerability*. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Lösche, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. In Press

18 It is therefore imperative that mechanisms to address climate change contribute to, and support the adaptation and protection of, such vulnerable States. Climate vulnerability of States can be, and has been, indexed across life-supporting sectors, i.e. food, water, health, ecosystem services, human habitat and infrastructure. Within each of these sectors, vulnerability can be measured as a function of, "exposure of the sector to climate-related or climate-exacerbated hazards; the sensitivity of that sector to the impacts of the hazard and the adaptive capacity of the sector to cope or adapt to these impacts".³

Views expressed during ISWG-GHG and MEPC meetings

19 At the recent meetings of ISWG-GHG 10 and MEPC 77, many delegations stressed the importance of raising revenues from the adoption of new/innovative emission reduction mechanisms, such as market-based Measures (MBMs), and deploying them for various purposes including to facilitate an equitable transition (MEPC 77/16 and MEPC 77/WP.7, Annex 2). However, the differences between States' concerns and the differences in their circumstances did not give a clear indication of which mechanisms might be used, and the variations seem to preclude a simple 'one-size-fits-all' solution.

20 The ability to respond to the costs and challenges that result from the uptake of alternative technologies, including new fuels, capable of operating with low-to-zero GHG emissions on a lifecycle basis, as well as the improvement of energy efficiency frameworks in new and existing ships varies significantly between States. In determining how any revenues generated by measures should be most effectively deployed, IMO members should therefore be guided by their agreement in the Initial IMO Strategy to be cognizant of the principles set out in its paragraph 3.2. Operationalizing these principles in a manner appropriate to the unique circumstances of the Organization will be an essential component of achieving an equitable transition to zero GHG emission shipping.

21 Documents MEPC 76/7/12 (Marshall Islands and Solomon Islands) and ISWG-GHG 10/5 (World Bank) have suggested ways to use revenues from a measure to increase equity. Document ISWG-GHG 10/5 states in particular that "if the aim is to maximize climate and development outcomes, the case for financing shipping-related activities as exclusive use of carbon revenues is not very strong per se", and considers that "addressing the need to be cognizant of CBDR-RC through carbon revenue use is likely more easily achieved if beneficiaries are sovereign governments with clear affiliation to a country."

22 Achieving an equitable transition also requires the application of the "polluter pays principle" in the collection of any revenue under a mechanism, which will also ensure respect for the principles of non-discrimination and the practice of "no more favourable treatment". The co-sponsors recall that the "polluter pays principle" is recognized by the Organization in the International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC Convention) as a general principle of international environmental law and further incorporated in a number of IMO Conventions. The co-sponsors consider that the applicability of this principle supports an equitable transition.

23 IMO Member States may also wish to draw on the experience of the International Oil Pollution Compensation funds (IOPC) in the collection and targeted disbursement of revenue under the IMO system.

³ Chen, C.; Noble, I.; Hellmann, J.; Coffee, J.; Murillo, M.; Chawla, N., 2015: *University of Notre Dame Global Adaptation Index, Country Index Technical Report*.

Proposal

24 To reduce GHG emissions from international shipping, IMO Member States are invited to remain cognizant of the need to protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities, as well as the United Nations 2030 Agenda for Sustainable Development principle of leaving no one behind.

25 Given the need to ensure an equitable transition to zero-emission shipping, the co-sponsors propose that a dedicated ISWG-GHG meeting should be convened between MEPC 79 and MEPC 80 to consider concrete proposals on the main characteristics of MBMs, the structure to collect revenue, and potential revenue use to ensure an equitable transition.

26 In light of the experience of the IOPC in collecting and disbursing revenue under the IMO system, the Committee may wish to invite the Secretariat to liaise with the IOPC Secretariat to provide its experience and lessons learned to ISWG-GHG.

Action requested of the Working Group

27 The Group is invited to consider the information and comments set out in this document and take action as appropriate.
