



Pacific Islands Development Forum



56 Domain Road, Nasese, Suva, P.O.Box 2050, Government Buildings, Republic of Fiji, Phone: (679) 331 1518, Fax: (679) 331 1527,
Email: secretariat@pacificidf.org Website: www.pacificidf.org

PIDF Pacific Position Paper on Shipping Emissions (March 2018)

1. Purpose of Paper

PIDF Secretariat has prepared this paper as the basis for discussion and deliberation by PIDF member States actively participating in the International Maritime Organisation (IMO) Emissions Roadmap process in preparation of co-sponsored submissions to the IMO third Intersessional Working Group on GHG (ISWG GHG 3) and the 72nd session of the Marine Environment Protection Committee (MEPC 72) and for development of a coordinated Pacific negotiation position at these meetings.

This paper provides background for the PIDF hosted Pacific Maritime Technical Officers Workshop 7-9 February 2018. As submissions to ISWG GHG 3 need to be lodged by 16 February, this paper will be used to inform the draft submission(s), to be circulated to member States by 2 February.

2. Context

The IMO is scheduled to deliver an Initial Strategy on international shipping GHG emissions reduction by MEPC 72 in April 2018. The Initial Strategy will, among other matters, determine the vision and level of ambition, and is expected to include an 'action plan' on the development of short-term measures (2018-2023). The action plan is likely to be negotiated by a working group at ISWG GHG 3 so it is important that Pacific representation participate in any such group. The Initial Strategy will lead to a revised IMO Strategy scheduled for delivery by IMO in 2023.

The Pacific position adopted by PIDF member States to date has been consistent with Pacific Leaders' positioning on climate change, including the Majuro Declaration on Climate Leadership (2013), the Suva Declaration on Climate Change (2015), and the position of Pacific members of the High Ambition Coalition in UNFCCC processes.

PIDF prepared a previous Position Paper at the request of member States in March 2017. This Paper updates that previous paper in light of progress made since the IMO adoption of the Roadmap at MEPC 70 and in light of the watershed created by the need for a strong Initial Strategy to be adopted at MEPC 72. Failure for the global community to achieve a strong Initial Strategy will likely mean that future efforts from shipping, acting within a global decarbonisation framing, will be insufficient to allow 1.5°C to remain as a target. In undertaking the scope and speed of transition necessary to achieve decarbonisation, the unique issues this may cause for PSIDS must be acknowledged and fully provided for.

Whilst there is consistent recognition that the unique issues decarbonisation may incur for SIDS and LDCs need to be addressed, there is currently no clarity in any of the text proposed to date





(including the Chair's note) as to what this would entail, what specifically and to what level, and when redress would be initiated.

Given the existential threat climate change poses for PSIDS, a weak or inconclusive agreement in the Initial Strategy and associated short-term measures at MEPC 72 is not considered a valid outcome for PIDF member States and consideration will be needed at that point as to whether the Pacific States would support adoption of such an outcome by the IMO. It is not expected a hard 1.5°C "line" will receive much, if any, support at MEPC 72 and that a compromise position will need to be considered. At a minimum any compromise must protect the possibility of achieving 1.5°C and the Paris Agreement goal of 'pursuing efforts'.

On 16th January 2018 the Chair of the Intersessional Working Group released a note "*Indicative suggestions to assist the ISWG in finalizing the draft initial IMO GHG Strategy*" (available for IMO members to download in IMODOCS <https://webaccounts.imo.org>) which provides a slightly revised version of the draft text the Chair was pushing to have agreed at ISWG GHG 2. It does not provide any guarantees for Pacific member States that the level of ambition and scale or urgency of measures will be sufficient to keep the possibility of achieving 1.5°C as a target. SHAC members are currently deliberating on a commenting paper to the Chair's note. The commenting paper will need to be inclusive of the concerns raised in this Position Paper if Pacific co-sponsorship is to be recommended.

3. Level of Ambition

All Pacific submissions to date have advocated for a level of ambition consistent with shipping accepting a sectoral fair share approach and a no more than 1.5°C global temperature increase whilst being cognizant of the unique issues potentially facing SIDS/LDCs.

The available science advises that this level of ambition requires shipping emissions to peak as soon as possible and to reach full decarbonisation by 2050 with substantive short-term measures being implemented well before 2023. It is considered that this would give a 50% chance of not exceeding a 1.5°C warming threshold with shipping sectoral emissions held as a constant percentage of global emissions.

This level of ambition is considered consistent with the Paris Agreement goal where signatories pledged to pursue efforts to limit the temperature increase to 1.5°C. Given the level of global agreement at Paris and given also that all science since points clearly to future need for greater ambition and effort by all parties and sectors, this should be what sets the minimal benchmark for the IMO Initial Strategy and therefore determine the level of the burden to be borne by the sector. Again it is difficult to see IMO consensus on this.

The interrelationship between the IMO Roadmap processes, UN Framework Convention on Climate Change (UNFCCC) processes and the UN Sustainable Development Goals agenda is being increasingly recognized. It is considered preferable for IMO led processes eventuating from the GHG emissions reduction Roadmap to be integrated with the efforts of all other emitting sectors with UNFCCC as the central reporting secretariat. In light of the need to achieve greater coordination across these agendas, the Initial Strategy should consider adopting UNFCCC reporting schedules on



progress and automatically peg future sectoral ambition to any increased targets agreed under UNFCCC processes.

It is difficult to see consensus at MEPC 72 around this level of ambition and it can be expected that various blocks of parties will lobby for a compromise position with a reduced level of ambition. However, this will mean that the level is being set lower than the Paris Agreement of pursuing efforts of 1.5°C and not based on best available science. Unless the Pacific States are prepared to accept a lower level of ambition (wording that rules out the possibility of achieving 1.5°C) for shipping than they have insisted on for other sectors and in other forums, in particular Conference Of Parties, this is unacceptable.

There has been recent comment by some in the industry that this level of ambition is unrealistic and irresponsible. This is easily refutable. The case for decarbonisation was agreed at Paris and is now an inevitable significant influence on the future of shipping, assuming a sectoral proportional share principle is agreed. The question is not if decarbonisation is to be achieved but when and how.

There is no clear consensus or evidence whether the necessary transition will ultimately prove a burden or an opportunity to either the industry or the trade it services. All other technological revolutions (steam, oil, diesel, containerization) have proved profitable for the industry and a central factor in increased global trade. Other industry leaders, including the largest container line, are clearly stating that certainty and clear regulation are what are essential to the market, not delay and confusion. A decarbonisation by 2050 target provides certainty and a 32-year (intergenerational) timescale to achieve. Shipping has not invested in decarbonisation to date to the same levels as other energy or transportation sectors and is now forced into a catch-up program of research and development.

There is a persistent argument from some quarters that a fair share approach should not be taken, given shipping's international importance to trade and the global economy. This is not consistent with Pacific Leaders' position on climate change negotiations since the Majuro Declaration in 2013. That Declaration confirmed the responsibility of all to act urgently to reduce and phase out greenhouse gas pollution. The Suva Declaration on Climate Change emphasized that the global nature of climate change requires all countries to cooperate.

4. Measures

The Roadmap agreed at MEPC 70 foresees the adoption of an initial IMO Strategy at MEPC 72 and the adoption of a revised IMO Strategy at MEPC 80 (2023) which will include short-, mid- and long-term further measures, as required, with implementation schedules.

4.1 Short term measures

It has been generally agreed that "short term" is defined as the period 2018-2023 and that a 'basket' of measures will be needed.

There is little consensus on what measures are needed and at what scale or when. Specifically, there is not yet agreement on what short-term measures will be committed to, **when or how** they would be implemented (the Chair's note refers only to the period in which



the measure is adopted not when it is to be implemented). It does not appear as if this will be resolved by MEPC 72 with the ISWG GHG Chair referring to a separate ‘action plan’ with undefined implementation schedules to further progress development and implementation of short-term measures. Short-term measures as described by the Chair’s “note” do not appear adequate to result in significant commitment or intent for substantive change.

A decarbonisation by 2050 strategy obviously requires clear and significant short-term measures to be adopted if momentum is to be built and a clear decarbonisation pathway be demonstrated. Without this it is difficult to see how the ambition is given effect. The available science is clear that a delay in determining and implementing substantive measures until after 2023 makes a 1.5°C target largely unattainable. To keep 1.5 alive the Initial Strategy must include commitment to **implementation** of adequate short-term measures to demonstrate early IMO/industry commitment to a decarbonisation trajectory.

There is resistance to compulsory regulation from some States and industry. In the case of sulphur emissions, although it has been agreed that radical reduction is required and beholden on the industry, no voluntary measures of any note have been implemented, transition has necessitated regulation and all indications are that industry will generally delay action until the last possible moment to comply. Consequently, a short-term action required in the Initial Strategy is the full identification and assessment of **regulatory** and voluntary measures.

In regards voluntary measures, some have proposed prioritizing voluntary measures such as National Action Plans (NAPs). RMI has already prepared and started implementation of such a NAP and we would like to see this, and similar actions, acknowledged and supported by the IMO. However, it essential to repeat the above point that voluntary measures and those taken at a national level targeting ancillary infrastructure and related industry components (e.g. ship building and scrapping) carbon budgets will not on their own achieve substantive reductions at the speed and scale necessary without enforceable regulatory controls. It is also important to remember that NAPs will not be able to address the regulation of emissions falling outside of national jurisdictions (and NDCs), the reason IMO is now engaged on the Roadmap and that international shipping was not explicitly referenced in the Paris Agreement.

There has been little recent debate on the role of Market-Based Measures (MBMs) and Market-Based Instruments (MBIs) although some in the industry have already signalled their preference for a universal bunker fuel levy in this event. The Chair has indicated that some limited consideration of MBMs might occur post 2023. Lack of detailed discussion or emphasis on MBMs appears due not to the need for consideration, but due to concerns that once issues of cost and incentives are raised the issue of apportionment of burden between States and industry must also be debated. As with all aspects of transition, delay in engaging in this debate, given that it is primarily an economically charged process, is unproductive.

It would be preferable for mature and robust discussion and analysis of MBMs to be initiated as an immediate short-term action. It is noted that currently the Chair’s note considers this an optional step.



At the least short-term measures could include a voluntary industry applied bunker levy to fund research and development work under the Initial Strategy with particular emphasis on needs of and impacts on LDCs and SIDS. The industry's response to this would give an early indication as to their commitment to voluntary action and would provide immediate resourcing for R&D. Meetings to date have suggested establishment of an International Maritime Research Board.

A further short-term action for immediate initiation is the identification and analysis of the specific issues a decarbonisation agenda raises for LDCs and SIDS and the level of investment required to adequately address or compensate for these. This is discussed further below.

4.2 Mid & long-term measures

Mid-term is defined as 2023-2030 and long-term beyond 2030. The Chair has suggested a short list of mid and long-term measures. For mid-term measures, additional supporting measures are also promoted.

The measures identified in the Chair's note appear poorly defined and limited in scope. These measures, if implemented, appear far from sufficient to provide a transition to decarbonisation commensurate with a level of ambition in line with the 1.5°C temperature goal.

5. Recognition and Position for the Unique Issues of Decarbonisation for PSIDS

There is general agreement that the unique issues arising from implementation of decarbonisation on SIDS and LDCs must be recognized and provided for. This has been recorded in various submissions and minutes of successive MEPC sessions and the IMO Assembly High-Level Action Plan (HLAP) (resolution A.1098 (29)¹).

There is not yet clarity or definition as to what such recognition might mean in practice and it is essential and urgent that work needed to identify the specific issues and the means to resolve these issues is agreed and provided for in the Initial Strategy.

For PIDF member States such issues are a product of the Pacific's extreme vulnerability to climate change, size, remoteness, disproportionately high transport costs, extreme dependency on maritime imports for oil, food and other essential needs. Many have highly limited resource bases, limited trading or economic opportunity, micro and narrow economies.

The current consensus of the IMO to recognize the unique issues facing SIDS/LDC is welcomed and appreciated. It is in itself a form of Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC) in the light of different national circumstances and a departure from the strict No More Favourable Treatment (NMFT) convention normally adopted by the IMO. While we of course concur with this departure to accommodate the needs of the most vulnerable, it potentially provides access to emerging and large economies (e.g. Brazil, India) to argue a "me too" case for preferential treatment.

¹ <http://www.imo.org/en/About/strategy/Documents/A%2029-Res.1098%20-%20HLAP%202016-2017.pdf> see point 3.4.1 in Table 1 p.5



PIDF member States cannot in any way be held responsible for climate change and are representative of the most vulnerable to its effects, which places an increasing and unjustifiable strain on already fragile national economies. It is considered there is a strong moral imperative on all other members of the global community to insure the position of SIDS and LDCs against any additional potential burden.

Such issues have been generally considered within the context of transport cost discussions. For PIDF members, this is inadequate scope. The following comprises an initial list of issues:

- a) potential risk of disproportionately increased transport cost;
- b) potential negative implications for transport dependency and security, disaster preparation and response;
- c) ability of States to participate in the IMO Roadmap processes;
- d) ability of States to execute any increase in their international responsibility as flag and port States; and
- e) ability to maximize opportunity for design and implementation of domestic and national aspects of the decarbonisation agenda and to ensure domestic capacity to meet any stepped changes.

For each, a detailed analysis with full consideration of measures to address/redress is needed as an immediate short-term action within the Initial Strategy.

A range of measures is likely needed to address the results of this analysis. In some instances, e.g. potential increased disproportionate transport cost, these measures might require compensatory or financial instruments, in others greatly increased institutional strengthening, and commitment to prioritizing research and development needs for small-scale shipping alongside larger scale international shipping.

There is a high risk that, if not clearly defined, recognition of these issues will be addressed via a commitment to increased technical assistance along expanded versions of what is already being offered. The recent note from the Chair and past discussions including the 2017 Assembly Resolution consider expansion of the current IMO technical cooperation programme as the primary or sole mechanism for achieving this. While the progress made by IMO and the international community to technical assistance is appreciated and respected, it is simply insufficient in scope and scale to address the real needs that can be expected to arise. Nor is it acceptable for increased technical assistance to be offered as compensation for potential financial risk. As with the wider strategy, a basket of measures is likely needed to address this range of issues, and the actions taken based on a fuller and more rigorous analysis of the issues than is currently available and the effectiveness of past and current related actions.

An independent analysis of the effectiveness of IMO current and past technical cooperation programmes is required as an immediate short-term action within the Initial Strategy. The analysis should consider what percentage of effort/funds and benefit is actually received at national level from such programmes, particularly by Pacific Island IMO members, as well as review of national needs and how these needs can best be met. For example tertiary and postgraduate courses in transport and trade economics and the business of shipping, as well as climate and marine science and impacts of GHG emissions delivered by universities and maritime institutes.



There is also no recognition of existing initiatives and the Chair's note implies that local/national initiatives should be delayed until IMO has an approved guideline and structure for NAPs to avoid regional or unilateral measures. This will only serve to marginalise those States already demonstrating leadership and taking action on their own recognisance. We would prefer recognition that additional assistance from IMO will be guided by the existing programmes and approaches.

5.1 Transport cost

PIDF members already incur the highest per capita transport costs in the world². Core economic activities of Pacific States could potentially be disproportionately impacted directly and indirectly if shipping emission reduction measures result in any significant increase in transport cost, including maritime related tourism and export of commodities such as sugar, timber, ores, fisheries, agricultural produce, etc. and a rise in cost of imports.

It is important to note that there may also be potential for increased opportunity and, were decarbonisation to result in significantly reduced fuel or asset cost, the Pacific might ultimately enjoy a reduction in transport cost.

No comprehensive study or analysis of this issue yet exists. Unfortunately, there is simply insufficient reliable data or analysis to allow factual determination of the potential or actual impacts on Pacific transport costs arising from any emission reduction measure. It is therefore imperative for such data collection and analysis work to now be requested as a priority to inform avoidance or compensation strategies. A dedicated program of work, preferably country situated and driven, needs to be identified as an immediate short-term action under the Initial Strategy.

Current data limitations experienced by PIDF member States are assumed to be a common issue for other SIDS and LDCs so realistic effort to determine impacts on transport costs at country level will necessitate greatly increased data collection and analysis and related capacity development globally.

In the event that potential for disproportionate impact exists and can be quantified, an acceptable form of offset or compensation is required. Candidate measures to achieve this should be identified in the Initial Strategy. It is noted that when this issue has been considered by MEPC historically there has been no consensus of what an appropriate compensatory mechanism might be or how it would be given effect.

5.2 Transport dependency, security and disaster response

For Pacific States, transport cost is a subset of the wider issue of transport dependency and security. For some, because of the micro and narrow nature of their economies, transport dependency is of greater importance than impacts on trade. Many Pacific States are highly dependent on maritime transport for food security (Marshall Islands import more than 80% of all food), fuel security (PIDF member States import 100% of all fossil fuels), pharmaceuticals (100%) and industrial equipment (100%).

² http://unctad.org/en/PublicationsLibrary/rmt2017_en.pdf see Chapter 3



Transport supply to many Pacific States is economically marginal. Should it be demonstrated that GHG emission reduction measures cause decreased transport services, especially for marginalised routes, there is a potential effect on transport security and further isolation and marginalisation of communities in outlying islands.

PIDF member States are amongst the most vulnerable in the world to the effects of natural disasters and some can be considered to be in a perpetual cycle of disaster recovery. Transport security is an essential component of all disaster preparation and response strategies. Any impact on the cost of these services would have high and disproportionate impact.

Should decarbonisation measures result in access to more appropriate and affordable low carbon maritime solutions that would assist in alleviating transport security, dependency and disaster response concerns, such measures should be identified as early as possible and actions to implement strongly encouraged.

5.3 Ability of States to participate in IMO emissions Roadmap processes

Pacific Island government active engagement and representation in the IMO has traditionally been either limited or facilitated through various registry companies that administer Pacific flags. PIDF members States have been proactive participants in the IMO GHG emissions Roadmap discussion since MEPC 68. The ability of Pacific States to maintain active participation and representation of their government positions in the IMO, given the costs of time-intensive London-based processes, lack of dedicated human resource and financial capacity remains of concern.

More recently technical support to these delegations has been provided by academics (notably University College London and the University of the South Pacific), and the capacity to maintain participation to date is due largely to largesse of the European Union (e.g. the EDF10 SPRAO funding administered by Pacific Islands Forum Secretariat) and their member States, and British and Dutch universities.

The lack of capacity and resources of SIDS to participate is recognized generally by IMO and a number of technical support measures have been initiated or proposed. To date these have been too limited in scope or timing to allow adequate participation in the IMO processes. The overall imbalance in participation by SIDS and LDCs generally is noted by IMO. It is desirable for increased and more balanced representation in IMO emissions Roadmap deliberations. Without increased external support this imbalance is likely to remain as a weakness of the IMO Roadmap.

While current pilot alternative/additional initiatives are welcomed and encouraging, they are also clearly insufficient in scope and potentially design. The direct bilateral experiment PIDF members are engaged in with like-minded European States may provide a more successful alternative approach, as might closer relationships with senior industry actors.

5.4 Ability of States to execute any increase in their responsibility as Flag and Port States

The IMO Roadmap and resultant strategies will result in increased data collection, regulatory and enforcement responsibilities for all port and flag States. It will require increased



institutional strengthening and human capacity development for all PIDF member States and put further strain on national maritime capacity. The assistance in education and training provided by the IMO is recognised and appreciated. Meeting the decarbonisation agenda will require increased investment and prioritisation of such assistance. Resourcing of this should be specifically earmarked within any future IMO sanctioned research and technical cooperation and assistance programming.

5.5 Issues for domestic and national decarbonisation

A move toward decarbonisation implies significant changes, challenges and opportunities for international shipping, including technology, related infrastructure, operations, fuel types and costs etc. This will have flow-on effects to Pacific domestic maritime transport, potentially both positive and negative. These may include increased domestic maritime costs, especially when significant proportions of imports are transhipped from regional hubs to smaller 'spoke' countries and significant proportions of imports are reshipped internally within countries on already uneconomic routes. There may be positive effect if increased cost effective efficiency and low carbon options can be successfully transferred to domestic shipping.

Failure to maintain a step change at domestic level risks Pacific States and their communities being increasingly stranded with obsolete or heavily penalized assets and infrastructure. The current regional investment in conventional transport infrastructure, particularly for maritime purposes, in a number of PIDF member States is noted. Shore-side infrastructure results in long-term debt cycles, and it is increasingly important that shipping decarbonisation trajectories are fully factored into all such financing commitments for current and future governments.