

INTERSESSIONAL MEETING OF THE
WORKING GROUP ON REDUCTION OF
GHG EMISSIONS FROM SHIPS
6th session
Agenda item 7

ISWG-GHG 6/7
27 September 2019
ENGLISH ONLY

CONSIDERATION OF OTHER CONCRETE PROPOSALS FOR CANDIDATE MEASURES

The need for a flexible compliance mechanism

Submitted by Norway

SUMMARY

Executive summary: This document elaborates on the need and possible approaches for providing a flexible compliance mechanism for meeting CO₂ and GHG requirements, where ships will have an equivalent means of compliance in cases where no other options are available

Strategic direction, if applicable: 3

Output: 3.2

Action to be taken: Paragraph 12

Related documents: ISWG-GHG 5/4; ISWG-GHG 1/2/1; ISWG-GHG 2/2/4 and ISWG-GHG 3/2/1

Background

1 The *Initial IMO Strategy on reduction of GHG emissions from ships* identifies several candidate measures which could be developed in order to meet the ambitions in the strategy. To reach the IMO ambitions, in the view of Norway, there would be need for significant energy efficiency improvements in design and operation of ships, and there would be a need to provide for effective uptake of alternative low-carbon and zero-carbon fuels.

2 In document ISWG-GHG 5/4, Norway proposed 10 candidate measures under various activity streams in the programme of follow-up actions, one of which included "New/innovative reduction mechanisms". Assuming that new energy efficiency-based requirements would be needed, ISWG-GHG 5/4 outlined a flexible compliance mechanism as a potential approach. This document elaborates further on what a flexible compliance mechanism could entail.

Measures for further energy efficiency improvements will be important

3 The agreed ambitions of the initial GHG strategy implies firm actions. According to the recently published *Energy Transition Outlook – Maritime Forecast to 2050* by DNV GL,^{*} energy efficiency will be important in order to reduce emissions compared to business as usual. However, introduction of alternative low-carbon and zero-carbon fuels is needed to meet the 2050 ambitions, even in a low growth scenario (see figure 1).

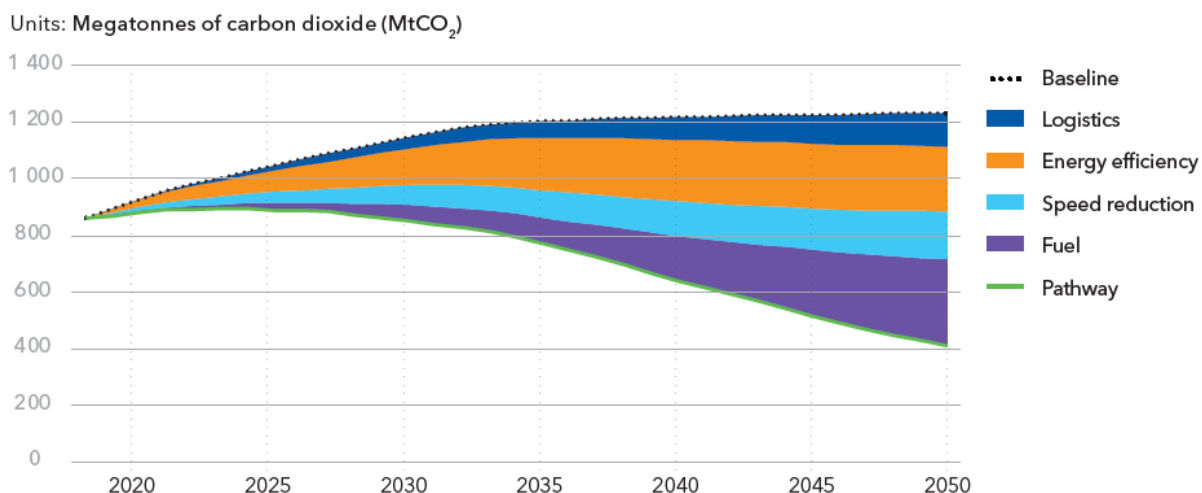


Figure 1: Shipping emissions reduction by category of measure (2018–2050). The Baseline indicates emissions if the current carbon intensity (CO₂ per tonne-mile) is constant at 2018-levels.

4 When applying energy efficiency, or carbon intensity requirements to existing ships, such as for the proposed EEXI or for introduction of efficiency-based operational indicators, a meaningful stringency level of such requirements needs to take into account the agreed ambitions of the strategy and should not be compromised. It may be the case that several existing ships, for various reasons, will not be able to meet future stringent energy efficiency requirements.

5 The purpose of a flexible compliance mechanism is to provide existing ships that cannot meet a strict energy efficiency or carbon intensity requirement with an alternative equivalent means of compliance and enable it to continue to trade, avoiding undesired consequences for shipping as a service to world trade. A flexible compliance mechanism should not be applied as an alternative for design requirements for newbuilds, nor should it be used as an alternative for prescriptive operational requirements.

Examples of a flexible compliance mechanism

6 Norway has in documents ISWG-GHG 1/2/1 and in ISWG-GHG 5/4 indicated several approaches to a flexible compliance mechanism. In ISWG-GHG 5/4 it is stated "Possible alternative compliance mechanisms could be, inter alia: fleet averages, annual accounting, out-of-sector fund, in-sector fund. However, any flexible compliance mechanism should not remove requirements on individual ships". Norway's view is that these options should be explored by the Working Group, but it should not be limited to these.

* *Energy Transition Outlook 2019, Maritime Forecast to 2050*, DNV-GL, 2019: <https://eto.dnvgl.com/2019/>

7 IMO already has experience with including flexibility in regulations, for example on non-availability of low-sulphur fuel oil. Flexibility is also added through regulation 4 of MARPOL Annex VI, where it is stated that "The Administration of a Party may allow any fitting, material, appliance or apparatus to be fitted in a ship or other procedures, alternative fuel oils, or compliance methods used as an alternative to that required by this Annex if such fitting, material, appliance or apparatus or other procedures, alternative fuel oils, or compliance methods are at least as effective in terms of emissions reductions as that required by this Annex [...]". This means that such mechanisms are already in place and can be used as a model for a robust flexible compliance mechanism on GHG and CO₂.

8 A likely option may be that in the case the ship has undertaken reasonable actions in order to seek compliance, but it has not been possible to achieve, an alternative compliance route should be possible instead of the ship ending up being in violation of requirements. One alternative can be a certified contribution into an IMO GHG research and development fund, compensating for the excess emissions. An equivalence related to efficiency or emission levels can in principle be applied regardless of type of regulation as long as the non-compliance can be calculated in tonnes CO₂ or GHG exceeding the requirement.

9 In Norway's view, it is possible to identify and develop such a scheme and establish a robust system of implementation and enforcement. A price on CO₂ is available in existing markets and can be used by IMO to establish an equivalent CO₂ reduction as a financial contribution of fee to a fund. Such a mechanism involving compensation payment to an IMO GHG R&D fund can form an important contribution to stimulate a transition towards the use of alternative low-carbon and zero-carbon fuels. Norway would like to emphasize that such a transition is needed in order to meet the ambitions of the initial IMO GHG strategy.

10 Based on present knowledge, the price of carbon neutral fuels is expected to be higher than fossil fuels and an alternative compliance fee should not lead to a disadvantage for ships using carbon neutral fuels, and should provide a clear incentive for scaling up the availability of such fuels. Limitation on the use of an alternative compliance route has to be developed, similar for example to the non-availability reporting of low-sulphur fuels.

Further work is needed

11 It is the view of Norway that the Working Group should explore the approach of a flexible compliance mechanism. Norway intends to develop a more specific proposal to a future meeting.

Action requested of the Working Group

12 The Working Group is invited to consider the views and proposals put forward in this document and take action as appropriate.
