



WORLD SHIPPING COUNCIL
PARTNERS IN TRADE

Regulating Carbon Emissions from Ships

Bryan Wood-Thomas
World Shipping Council

NOAA
25 January 2012



Overview

- **Background**
- **Primary Options Under Debate**
- **Economic Motivation of the Parties**
- **Political & Legal Challenges**
- **North American ECA**



CO2 Generation in the Global Supply Chain

- Marine transportation accounts for roughly 2.5 - 3.5% of total anthropogenic CO2 emissions worldwide.
- Generation of CO2 in the transoceanic leg is tremendously low when compared to all other transportation options
- What does this suggest about future trends in a changing economy?
 - movement of production?
 - vessel speed?
 - changes in fuel and design?



The GHG Debate at the IMO

- **Mandatory Design Standards Adopted last year that will take effect in 2013**
 - Will drive efficiency improvements for new builds of 10, 20, and 30% between 2013 and 2025
- **Development of a legally-binding treaty applicable to all ships is under debate**
- **Scope of application is highly contentious**
- **Most parties want universal application, but UNFCCC concept of “common, but differentiated responsibility” is being employed to block action.**



UNFCCC

Specific Proposals

- **Fuel Levy (Denmark et al)**
- **Emissions Trading (Multiple variants)**
- **Efficiency Standards with financial incentives /penalties (Japan/WSC)**
- **Efficiency Standards with trading (USA)**
- **Rebate Scheme (IUCN/WWF)**
- **Port Fees (Jamaica)**
- **Mandatory Emission Reductions (Bahamas)**



Political & Legal Challenges

- **Influential group blocking action on basis of “common, but differentiated” responsibility**
- **Those who want to act are divided conceptually**
- **Should the EC act unilaterally, it will raise a series of legal questions**
 - **Scope of application.**
 - **Geographic reach?**
 - **How to enforce?**
 - **If revenues go to national treasuries, is this appropriate when the “price signal” does not reduce emissions?**

Market Considerations

- **What motivations drive support for one approach over another?**
 - **Complexity / Simplicity**
 - **Who pays the costs associated with the system?**
 - **Is this about revenue generation or emission reductions?**
 - **Offsets vs. actual improvements in the fleet**
 - **Commercial differentiation ability to avoid cost**



Where Can We Expect the IMO Debate on GHG to Go?

- **Industry is fully supportive of a global, legally-binding treaty.**
- **Scope of application and what type of system or treaty architecture is most appropriate will remain contentious.**
- **At the WSC, we believe an efficiency-based scheme drawing on elements tabled by the U.S., Denmark, the WSC, and Japan will produce the most effective regime.**

North American Emission Control Area (ECA)

- **Becomes effective August 2012.**
- **Requires 1% Fuel at 200 miles**
 - California requires .5% at 24 miles
 - In 2014, California will require .1% at 24 miles
 - In 2015, limit drops to .1% at 200
- **Fuel availability likely to be a significant enforcement / policy issue.**



WORLD SHIPPING COUNCIL
PARTNERS IN TRADE

Questions



Bryan Wood-Thomas, Vice-President
World Shipping Council

bwoodthomas@worldshipping.org