

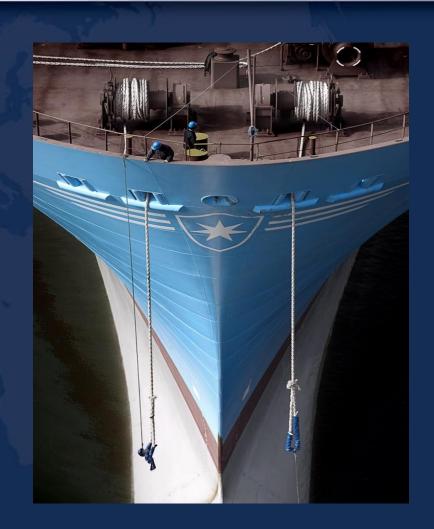
Regulating Carbon Emissions from Ships





Overview

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



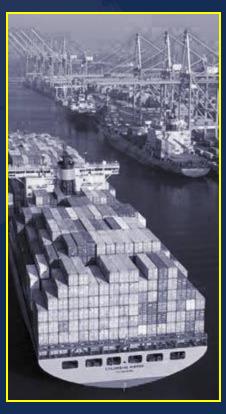


CO2 Generation in the Global Supply Chain

- 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.



Questions



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