STATER’S ORDERS
IMO 2020 COMES INTO FORCE

INSIDE:
LNG BUNKERING
WIND PROPULSION
FUEL CELL TECHNOLOGY
GTL FUELS
November’s International Maritime Organization (IMO) Intersessional meeting on greenhouse gases (GHG) in London featured a discussion on how to move forward on the 2018 pledge to cut the industry’s GHG emissions by at least 50% by 2050 (compared to 2008 levels). To meet that goal, ships will ultimately have to decarbonise, or move away from fossil fuels. It’s a transition that, if not handled properly, could be expensive and disruptive. But with sensible policies, countries could decarbonise shipping as well as develop and produce green fuels and technologies that could benefit their economies.

BEYOND ENVIRONMENTAL BENEFITS

Zero emissions fuels do not produce GHG emissions in any stage of their lifecycle. In shipping, studies suggest electroweufs, or fuels produced using renewable energy such as ammonia or hydrogen, as the most viable zero emission fuel types. Apart from the obvious benefit of not being damaging to the global climate, electroweufs have an added asset of not emitting harmful air pollution particulates. They’re not quite ready for primetime – safety and cost are current barriers – but solutions to these issues are on the horizon. Besides being good for the environment, zero emission fuels can also bring many economic benefits. Research from Environmental Defense Fund shows that adopting zero emission fuels could trigger trillions of dollars in investments worldwide towards the development and production of these fuels. Lower-income economies would especially benefit from this investment, as they often have abundant renewable energy capacity, such as wind or solar. Ships running on electroweufs can, through their demand for bunkering opportunities, provide the concentrated, predictable demand that is required to reassure investors in renewable energy in low income countries. Apart from these assets, Member States and shipowners could hugely benefit from a first mover advantage. Zero-emission shipping fuels are an emerging market and first entrants will have the opportunity to secure a solid market share, whether of the bunkering infrastructure (breaking up the current bunkering oligopoly) or building their brand names as a leader in zero-emissions technology. Some countries have already started trying to capture this advantage and so we can already see the first hydrogen and ammonia powered vessels in Europe, North America, Ocean and East Asia.

POLICY SUPPORT NEEDED

Clearly, the transition to electroweufs comes with important benefits for the shipping industry. But where will the initial investment come from? The IMO will play an important role in this regard. The IMO is the international regulator setting a level playing field for the entire shipping industry. It will have to send a strong signal in the form of policies about the future development of the shipping industry to allow stakeholders to make appropriate strategic decisions on how to embrace the transition. The IMO could also design a financial mechanism that would generate income from a carbon price on shipping fuel to be redistributed as funding for green shipping projects in lower income countries and
What about a fuel tax?

Currently, bunker fuel is not subject to tax. In Europe, where we often pay over 50% of taxes on petrol and diesel for cars, this has led to a call for the taxation of shipping fuel, most recently by the French finance minister. Indeed, the industry itself has stated that it will bring forward a proposal to create an R&D fund for shipping, linked to a mandatory levy on bunker fuel. In addition, the EU’s new leadership announced plans to bring shipping within the existing Emissions Trading System, which would cap shipping emissions in Europe and potentially on journeys to/from Europe.

But taking a step back, if you were to design the ideal policy to decarbonise shipping from scratch, how would that be designed? Ideally, it would motivate everyone to invest in new clean emissions-free technology. The technology should be reasonably priced and accessible to avoid any disruptions to the business. To achieve that, ships would have to pay for their GHG emissions. The money collected would then be used to support zero emission projects to help make them commercially competitive. This would form part of a robust and comprehensive policy framework covering all aspects of accounting for emissions, monitoring and verification, collection and redistribution of the funds.

The IMO has an excellent record on regulating the shipping sector, however the process is often long, with years of debate. Meanwhile, the climate science shows we are running out of time. Therefore, it is paramount that the IMO acts now and with high ambition. With ships’ average lifespan being 20-30 years, it is clear that the first zero emission vessels will have to start operation in the next decade. To make it happen, we need to see appropriate policies in place in the next couple of years if shipping is to play its part in meeting the Paris Agreement temperature goal.

WHAT NEXT?

The IMO will meet again in March 2020 to discuss GHG emissions and pathways to decarbonisation. IMO Member States will have the opportunity to deliver the first proposals for policies to address decarbonisation in the longer term, including methodological frameworks on how to properly account for emissions throughout the full lifecycle of fuels. Industry has indicated that they will submit a proposal for the introduction of a levy on shipping fuel and recycling the income into a research and development fund. The forthcoming meetings will be crucial for the success of the 2050 goal and meeting the Paris temperature goal.

It will be mostly up to Member States to ensure there are no further delays and high quality, ambitious policies are adopted at a global level. Shipping has set sail towards a clean future, let’s hope the waters are calm and it reaches its destination soon.

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