

**Public consultation on
"Including maritime transport emissions in the EU's greenhouse
gas reduction commitment"**

Summary of the contributions received

11 February 2013

Please note that this summary of the consultation does not express the position of the Commission.

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1 INTRODUCTION

As part of the preparation of the impact assessment of a possible Commission proposal to address GHG emissions of the maritime sector¹, the Commission ran an internet public consultation for 12 weeks from 19 January until 12 April 2012.

This consultation sought opinions from stakeholders and experts in the field of shipping and climate change with a view to getting additional information on the shape of a possible Commission proposal. All European citizens, organised stakeholders, industries, institutions, NGOs and public authorities of EU countries were invited to contribute to this consultation.

This consultation supplements several stakeholders meetings held throughout 2011, including 3 two-day meetings in the context of a working group (WG6) established under the European Climate Change Program II (ECCPII)² and 3 meetings in the context of a High Level Platform co-chaired by Vice President Kallas and Commissioner Hedegaard. The outcome of these stakeholder meetings was used as input for the on-line consultation. All documents from the ECCP meetings are available on the Commission's website³.

2 STRUCTURE OF THE QUESTIONNAIRE

The questionnaire used open questions or multiple choice questions. With the exception of certain selected questions, answers were not mandatory. The questionnaire reflected the discussion with stakeholders at the time of its preparation. Emphasis on specific issues may have happened after the publication of the questionnaire.

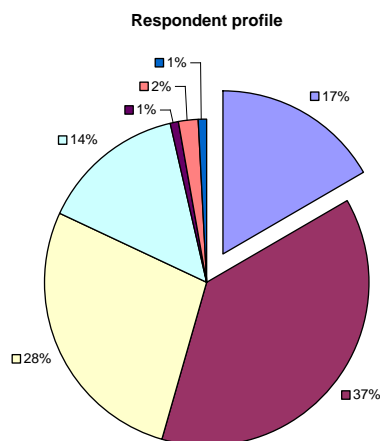
3 CHARACTERISATION OF THE RESPONDENTS

All in all, 139 contributions were received either directly online or through the support mail address (CLIMA-ECCP-SHIPS@EC.EUROPA.EU). Some contributors sent multiple submissions. The most represented contributors were companies or professional associations (37%), followed by non-governmental organisations (28%), individuals (17%) and public authorities or public administrations (14%).

¹ http://ec.europa.eu/atwork/programmes/index_en.htm

² http://ec.europa.eu/clima/policies/eccp/second/stakeholder/index_en.htm

³ http://ec.europa.eu/clima/policies/transport/shipping/index_en.htm



■ Individuals	■ Companies / professional associations
□ Non-governmental organisations / associations of NGO	□ Public authority / Public administration
■ Representative of religions, churches and communities of conviction	■ Trade union
■ Other type of organisation	

It is noted that some ship-owners or ship-operators associations were registered as non-governmental associations and some ports were registered as public authorities. The table below gives an overview of the contributors, grouped in accordance to their field of competency:

	Number	% of total
Ship-owners*	36	26%
Charterers/ Ship operators*	13	9%
Shippers	12	9%
Service providers/ Equipment manufacturers	9	7%
Ports	6	4%
Trade Unions	3	2%
EU Regional public authority	4	3%
EU National public authority	9	6%
Non-EU National public authority	4	3%
Environmental and social NGO	29	21%
Individuals	23	17%
Others	1	1%

* 10 entities considered as ship-owners can also be considered as ship-operators.

15 respondents requested confidentiality for their responses, i.e. no publication on the Commission's website, while 24 respondents authorised publication on the Commission's website in an anonymous format.

4 RESULTS OF THE ON-LINE CONSULTATION

4.1 General context

4.1.1 *Equal treatment of all sectors of the European economy*

54% of respondents consider that the maritime sector should contribute to the European emission reduction efforts as other sectors, whereas 39% felt sector contributions not

necessary. 7% of the respondent had no opinion on the matter. The arguments developed under this question by the respondents demonstrate a full range of opinion from a strong support to an equal treatment of all sectors of the European economy to a strong opposition to an inclusion of the maritime sector into the EU commitments.

All respondents considered that the maritime sector should take actions to reduce its greenhouse gas emissions. All respondents also felt that an agreement should be reached at the IMO level. There were however some differences of opinions on the timing and on the added value of EU action.

More precisely, 21 respondents considered that the IMO is moving forward at a sufficient pace, especially as result of the adoption of the Energy efficiency design index for new ships (EEDI) and the Ship Energy Efficiency Management Plan (SEEMP). Accordingly this group considered that EU action may interfere with the IMO work. Another larger group (24 respondents) considered that the IMO had not delivered sufficient measures (i.e. no market-based measure nor inclusion of shipping emission in reduction commitments) and that EU action would help the IMO move forward faster, especially by providing a strong base for a global action.

There were also different views on the urgency of regulating the GHG emissions on shipping. On the one hand, most ship-owners and ship-operators considered that shipping is a minor source of emissions and felt that as the most efficient mode of transport maritime sector should not be the immediate focus of policy action and priority should rather be on other sectors. Most NGO contributions considered that shipping is one of the fastest growing sources of emissions and therefore emissions from shipping should be addressed urgently.

Regarding competitiveness, all respondents agree that the key issue is to ensure a level playing field. However, the responses to this question reflected the different understanding of the associated dimensions. All NGOs and a majority of individuals (38 respondents in total), underlined that the maritime sector is the only sector of the European economy not included in the EU commitments, emphasising the intra-European perspective. According to them, this creates a market distortion compared to other sectors of the EU economy. 13 other participants, especially from ship-owners and ship-operators, claimed that the maritime sector is global and therefore EU action could risk triggering a market distortion in the maritime sector with other regions in the world.

Equal treatment of all sectors of the European economy was also felt to have the potential to provide a clear signal for technology improvement in the maritime sector. Almost 20 participants stressed that there is potential in the maritime sector to reduce its GHG emissions. The up-taking of this potential could result social benefits by stimulating growth and job creation due to the retrofitting of ships and the development of new equipments. However, one equipment manufacturer said that, even if the potential is there, the question of affordability of such emission reduction should be assessed carefully. On the technological improvement of ships, a ship-owner mentioned the difficulties of reselling a vessel outside the EU, as the improvement of energy efficiency required by the EU may not be considered of value by stakeholders outside the EU.

While all NGOs supported equal treatment of all sector of the European economy, 15 NGOs stressed the need to avoid negative effects on the poorest countries, especially on least

developed countries. All NGOs requested a contribution of the maritime sector to global climate action.

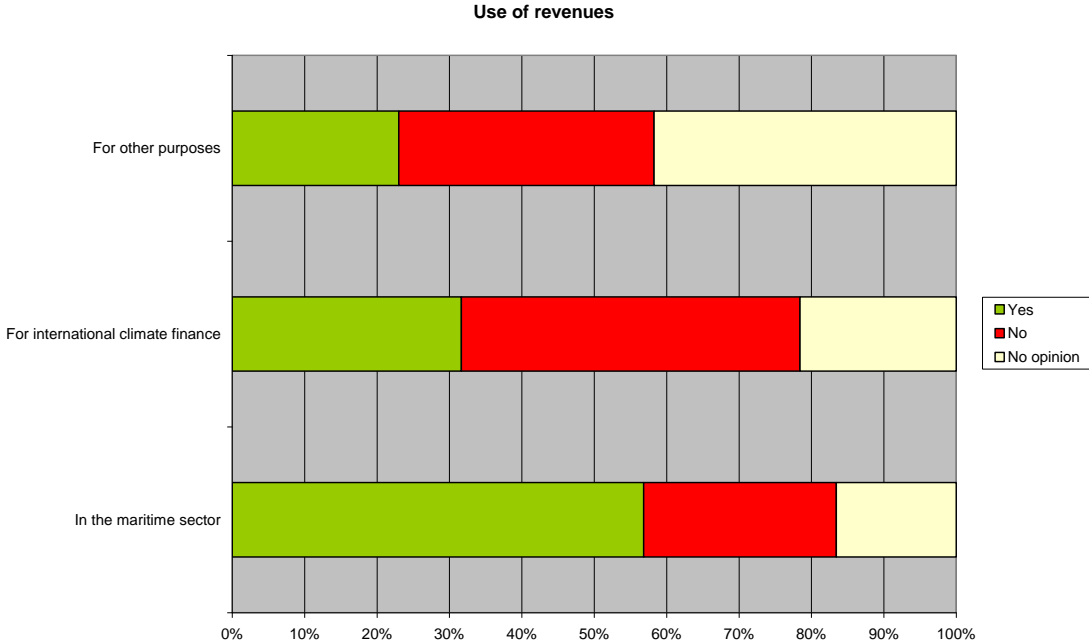
10 respondents, especially ship-operators, also stressed the issue of modal shift, especially for short sea shipping, and evasion.

4.1.2 Use of revenues

A majority of respondents (57%) considered that revenues generated by a market-based measure should be used to tackle climate change and support investments to reduce emissions in the maritime sector, e.g. by improving energy efficiency of the fleet, especially through research and development or by removing market barriers in the maritime sector, especially due to split incentives. One service provider stressed that recycling of revenues in the maritime sector may weaken the polluter pays principle if the revenues are going back to the polluters.

Regarding the use of revenues primarily for international climate change finance, there is no clear prevailing view. The responses varied between 37% in favour and 47% against. However, all NGOs are in favour and they proposed to use at least 50% of the revenues for this purpose, especially for the poorest countries. Moreover, even those respondents which are against primary use for international climate finance recognise the need to use revenues for developing countries in the event of there being a global scheme. The use of revenues from a global scheme for international climate change finance was also seen by 13 respondents as a way to help the IMO to move forward.

Furthermore, the use of revenues for other purposes than tackling climate change and supporting investments to reduce emissions in the maritime sector or financing the international climate change funds, was only supported by 23% of respondents. The respondents in favour argued that the revenues could be used to lower labour taxes or to use for the poorest households who are dealing with increase of energy prices.



More generally, it was stressed that the revenues should be used in accordance with the IMO principle of "no more favourable treatment". 29 respondents considered that the revenues generated from either a regional or global system should be centralised to a single entity (collection point) in charge of its use. Furthermore, even if it is not directly related to an EU measure, 5 respondents underlined that a 'double charge' (i.e. a contribution to the IMO and one to the UNFCCC) should be avoided.

4.2 Scope of a possible proposal

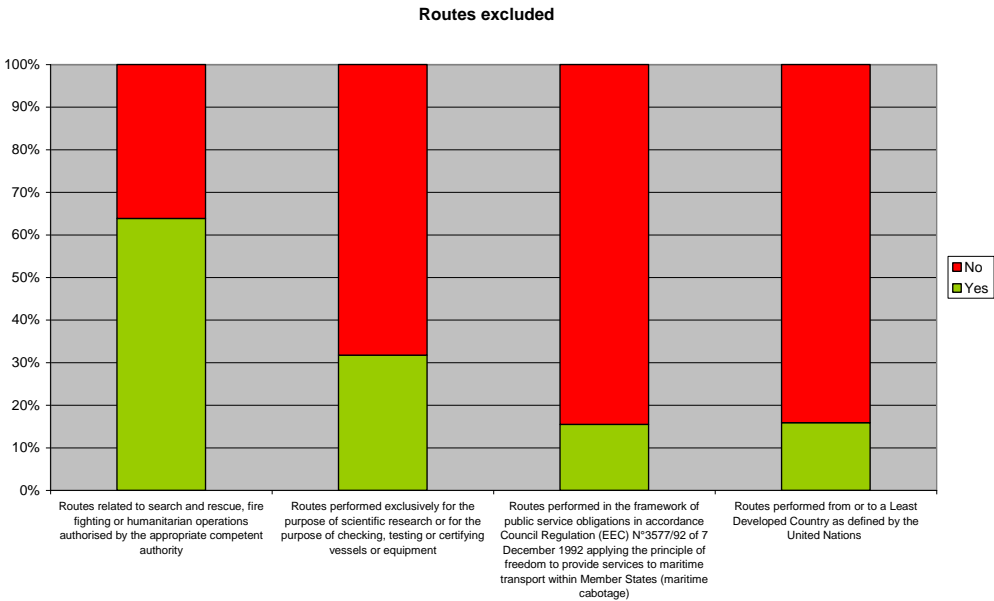
4.2.1 *Route coverage*

More than 70% of respondents considered that no route to or from European ports should be excluded from the scope, except routes related to search and rescue, fire fighting or humanitarian operations authorised by the appropriate competent authority. Indeed, 37 respondents consider that the exclusion of routes may potentially create market distortions and encourage activity seeking avoidance of the scheme.

3 respondents concerned with short sea shipping urged consideration of either exemption of routes performing public services obligations or exemption of routes in competition with land based transport to avoid modal shift. Respondents from short sea shipping also highlighted that, at present, some routes cannot be performed in the most efficient way regarding GHG emissions as the infrastructure on ports is not yet available, especially as regards LNG, or as the weather conditions are not optimal (e.g. need for ice-breakers).

12 respondents, especially NGOs, also indicated their view that the exclusion of routes from least developed countries makes no sense as some goods coming from least developed countries may transit by other countries. Therefore, the impact on trade of goods should be assessed.

11 respondents took the view that only routes within the European economic area should be covered by an EU scheme.



4.2.2 *Ships covered*

The responses to the questionnaire indicated that European policy action for regulating CO₂ emissions from maritime transport should be applied to all types of vessels or some main types of vessels, such as general cargo, tankers, containers, bulk carriers, refrigerated ships, passenger ships, ferries, fishing ships and military, customs or police ships.

75% of respondents to this question considered that no other categories should be added. 54% of respondents to this question considered that no categories should be excluded. 18 respondents indicated a preference for small emitters to be excluded. The threshold for exclusion suggested was 400 GT (to fit MARPOL requirements), 500 GT or 5000 GT. 5 respondents, especially ship-owners and ship-operators, indicated that the size threshold should be carefully assessed to avoid potential distortion of competition within the categories.

The 46% of respondents considered that some categories of ships should be excluded, and all agreed that fishing ships and military, customs and police ships should be excluded. The exclusion of service vessels and yachts (and more generally all private vessels) was also proposed. Finland mentioned that the specificity of ice-breakers should be taken into consideration.

4.3 Reliance on shipping at a local or regional level

The consideration of the reliance on shipping at local or regional level gave balanced results: 52% were in favour of taking the reliance into account, whereas 48% were opposed to the idea. Quite markedly, all local, regional and national public authorities were in favour of taking into consideration the reliance on shipping at local or regional level.

One third of respondents in favour stated that the reliance on shipping of isolated regions, like islands, overseas territories and EU peripheral regions should be considered. 7 respondents, especially NGOs, considered that the level of development of the region should be taken into account, especially for least developed countries and small island developing states. It was also proposed to define the regions according to the risk of modal shift of their trade. One respondent proposed to solve the issue of reliance on shipping by providing grants and loans to local actors.

4.4 Evasion

53% of respondents provided comments on the question of evasion. 39% of respondents considered that there is an important risk of evasion especially in the Baltic sea, in the Mediterranean Sea (and especially around the Strait of Gibraltar) and in the Black sea. 19% of respondents contested the link between the implementation of a regional environmental policy and the loss of competitiveness for maritime actors, which would trigger evasion. One ship-operator stressed that the risk of evasion is pending on the level of the carbon cost, the extra fuel burnt and, eventually on the level of additional port dues and on the cost of transshipment. Two NGOs indicated that evasion would not occur if the charge of the carbon constraint was put on ports, which is an option that has been proposed by Jamaica in the IMO.

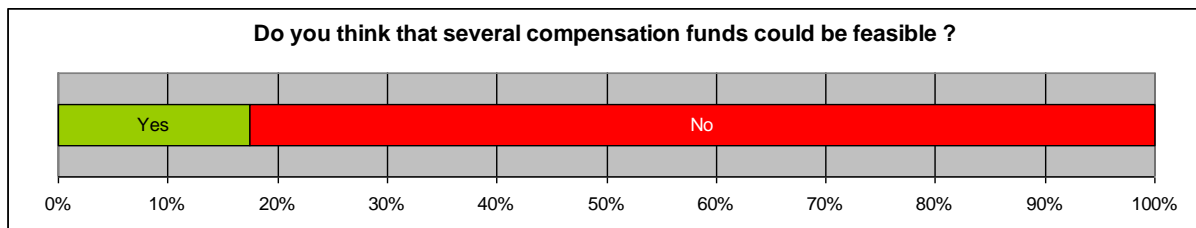
4.5 Policy options

4.5.1 Compensation fund

4.5.1.1 Management of a compensation fund

68% of respondents considered that any compensation fund should be managed by a public entity. 42% of respondents recommended the IMO or an EU public body. 5% of respondents also recommended management by the industry, but this option raised opposition from the NGOs. The management by national authorities, by the UNFCCC, by a group of stakeholders (industry, EU and Members States) were also mentioned. 16% of respondents underlined the general principle that the fund should be managed by an independent entity. 22% of respondents stressed that the management of the fund should be transparent and independent from political interest. 3 respondents indicated that the management of a fund should depend on the purpose of the fund, in term of revenue recycling. .

4.5.1.2 Implementation of several compensation funds

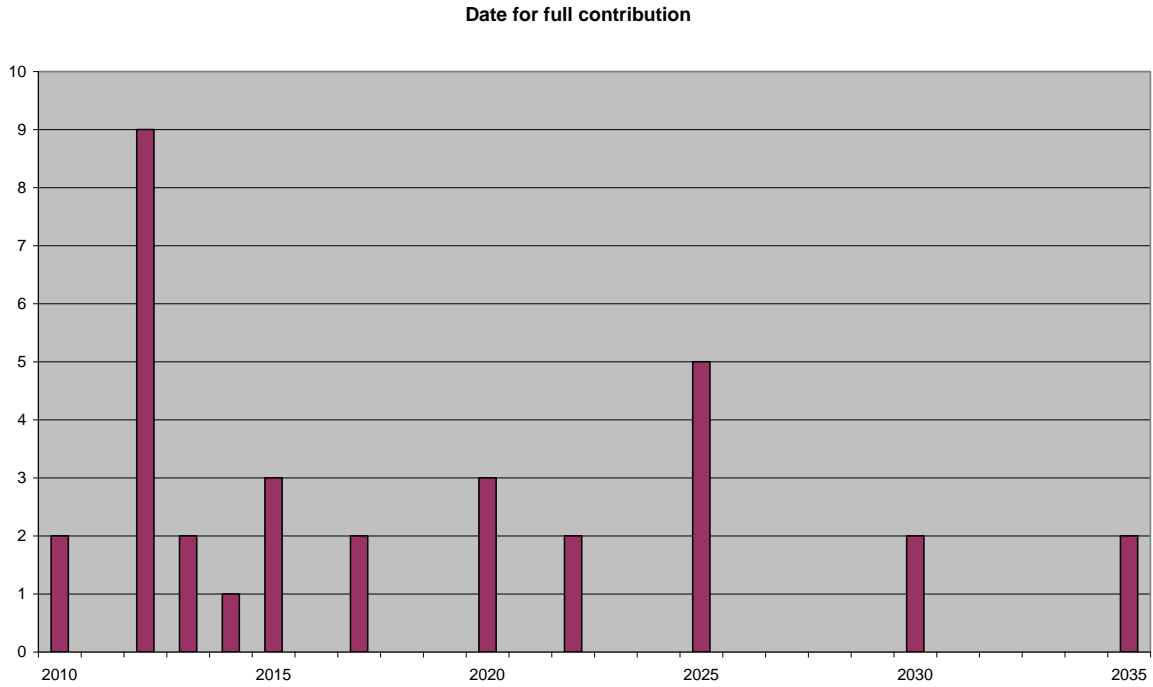


Around 82% of respondents took the view that the existence of several compensation funds would not be feasible. The rationale they mentioned was built from the notion that several compensation funds may create an important administrative burden and market distortions. It was also stated that this could increase the risk of fraud and carbon leakage. The respondents in favour of several compensation funds felt that such a set up could give flexibility to the sector. This group of respondents also recommended to set different funds according to ship types.

4.5.1.3 Option 1: Contribution-based approach

Under option 1, a contribution has to be paid for each ton of CO₂ emitted falling under the responsibility of the compensation fund. The level of the contribution is driving the level of reduction.

There was no strong majority in favour or against a rebate of the contribution to a compensation fund, in the initial years. 22% are in favour, 33% are against and 45% of the respondents did not answer. Among the respondents in favour of a rebate, there was no strong differences between those preferring a reduction to be based on a percentage of a certain carbon price (75% in favour) or by pre-set levels of contribution in financial terms (60% in favour). Regarding the end of the rebate, there was no clear preference for a particular precise date for reaching a full contribution, and timings between 2010 and 2035 were proposed.



4.5.1.4 Option 2: Target-based approach

13 respondents considered that penalties should be paid for emissions above the target to ensure compliance. 11 respondents proposed also to use offsets or financial guarantee.

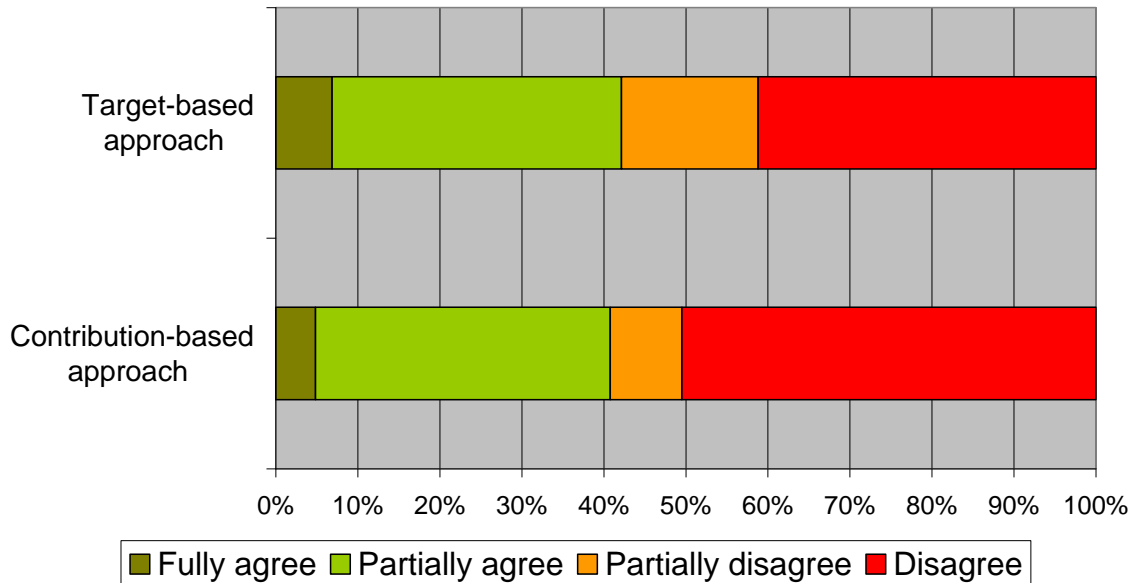
2 respondents indicated that setting a target according to historical emissions is not suitable, as this does not take into account the variability of the shipping emissions due to the variation of trade or due to the weather conditions.

All NGOs stressed that the compliance mechanism has to be robust and ensure environmental integrity. They proposed that a third party controls the achievement of the target. Some shippers mentioned that any such system should foresee benefits for being in compliance. Regarding monitoring, one NGO proposed to use fuel tank monitoring and another participant proposed fuel sellers as the monitoring entity. The Norwegian NOx Fund was mentioned as an example to use for a possible EU measure.

4.5.1.5 Comparison of option 1 and 2

As shown in the graph below, majority of respondents considered that neither a contribution based compensation fund, nor a target based compensation fund could achieve the emission reduction effectively or efficiently.

Do you consider these options could achieve the emission reduction required effectively and efficiently?



4.5.2 Mandatory emission reduction per ship

The replies to the questionnaire indicated that a target corresponding to a mandatory emission reduction compared to historical transport performance or emissions could be set for each ship calling into in-scope ports. The mandatory emission reduction target could be set as percentage of historical baseline (option 1) or in comparison with an index, such as the EEDI (option 2).

More than 60% of respondents considered that neither a mandatory emission reduction target set as percentage of an historical baseline (option 1), nor a mandatory emission reduction target set in comparison with an index such as the EEDI (option 2) could achieve the emission reduction effectively or efficiently.

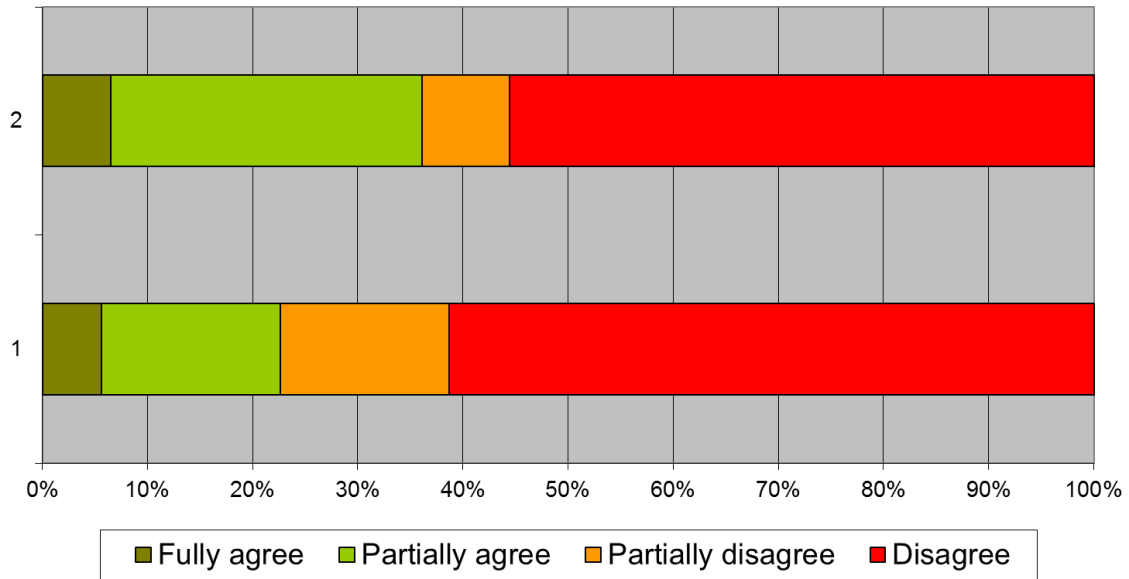
The rationale is that a baseline is considered very hard or costly to define. Indeed, most of the respondents are against the use of the EEDI⁴ or the EEOI. Moreover, the administrative burden of setting a baseline is considered as very high due to the number of ships and the multiple parameters, like loading conditions, weather conditions, etc. to be considered.

Some concerns were also raised about the environmental effectiveness of such an option, as no absolute target is set and as the environmental integrity could be challenged by the increase of ships in case of a baseline based on historical emissions.

16 respondents, especially NGOs, also raised the issue that mandatory emission reductions per ship do not generate revenues.

⁴ After the publication of the on-line consultation, the MEPC 63 agreed that the EEDI should not be applied to existing vessels.

Do you consider that these options could achieve the emission reduction required effectively or efficiently ?



62% of the respondents considered that the baseline cannot be set on another basis than the one proposed, even if some respondents proposed to use speed as a baseline or to consider the Environmental Ship Index.

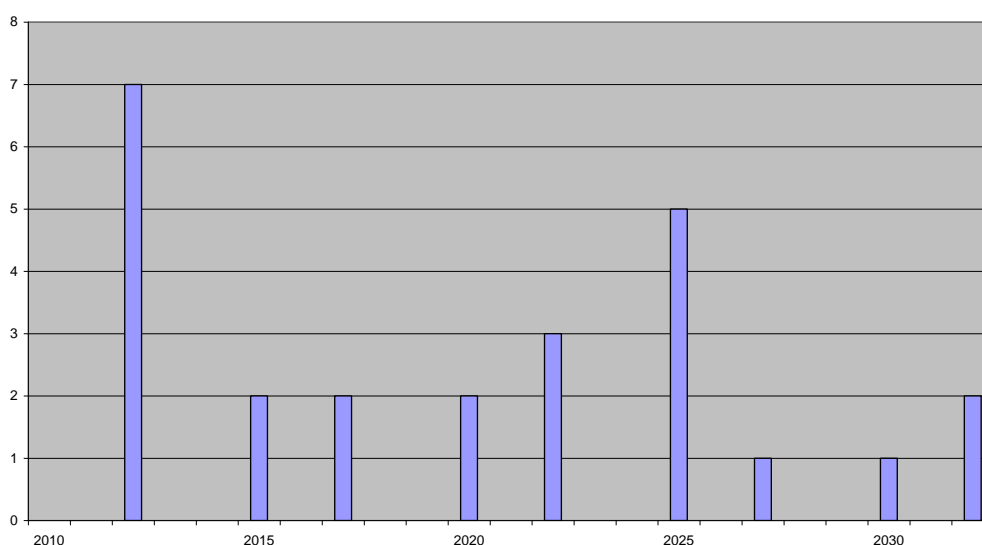
65% of respondents agreed that a mechanism to reward early movers should be foreseen. It was proposed to consider a differentiation to the pricing of emissions for early movers or some financial incentives (e.g. tax reductions, special grants, etc.). 6 respondents suggest using ETS as a compliance mechanism to trigger benefits for early movers. It was also proposed to differentiate the target according to speed.

Furthermore, 73% of respondents consider that a mechanism that creates incentives to go beyond the mandatory emission reduction should be explored. 16 respondents proposed to develop a baseline and credit emission trading scheme for this purpose. 35 respondents proposed to set the baseline according to speed. 10 respondents proposed to introduce financial incentives, either through reductions in the pricing of emissions or of ports dues, or through special grants, while 16 respondents proposed to introduce energy efficiency labelling.

4.5.3 ETS

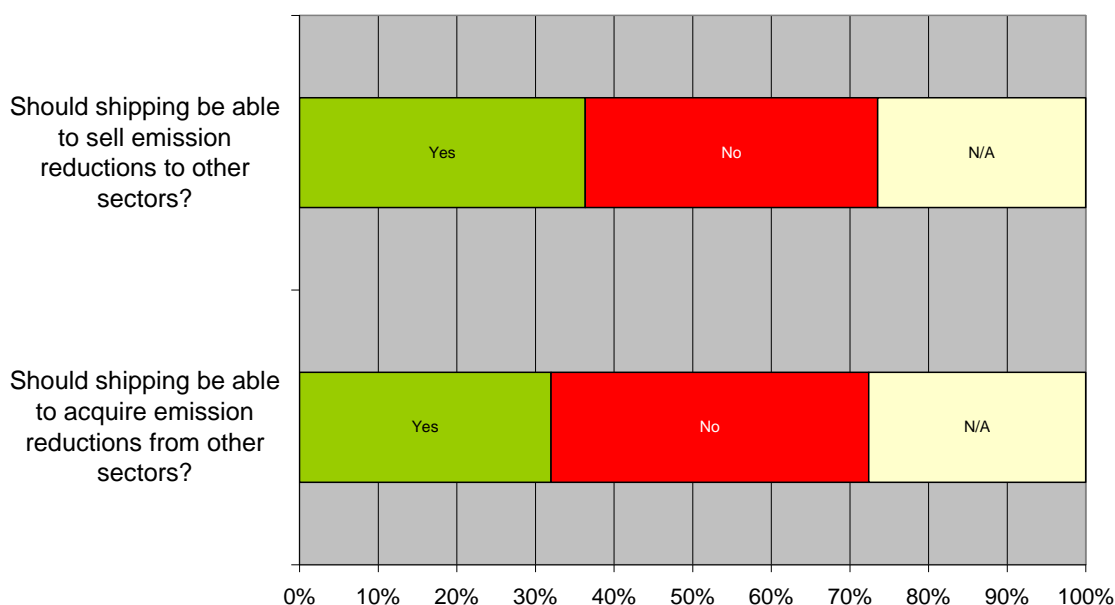
Regarding potential financial support to the shipping industry (either directly as free allowances or some of the revenue generated from allowances) by an emission trading system, the replies in favour or against were evenly split: 29% were in favour, 29% were against and 42% of the respondents did not answer. Regarding the end of potential financial support to the shipping industry, there was no clear preference on a precise date for full contribution, with dates for reaching a full contribution spanning between 2012 and 2032.

Date for full contribution



Regarding potential linking with other sectors, the responses were fairly evenly split. On the one hand, 43% of respondents, especially from ship-owners and ship-operators, supported the linking of a maritime ETS with other sectors, as it would enable access to cheaper emissions reductions, ensure equal contributions with other sectors and allowing shipping activity to grow even where this leads to an increase in absolute emissions (as reductions can be bought from other sectors). On the other hand, 45% of respondents, especially NGOs, considered that emission reduction should be done in-sector as the maritime sector can implement measures with negative abatement costs. Potential variation of carbon price worried 16 respondents. 2 respondents mentioned that the ETS should be designed to avoid windfall gains for specific categories of vessels. Some NGOs highlighted that the use of CDM should not be unrestricted.

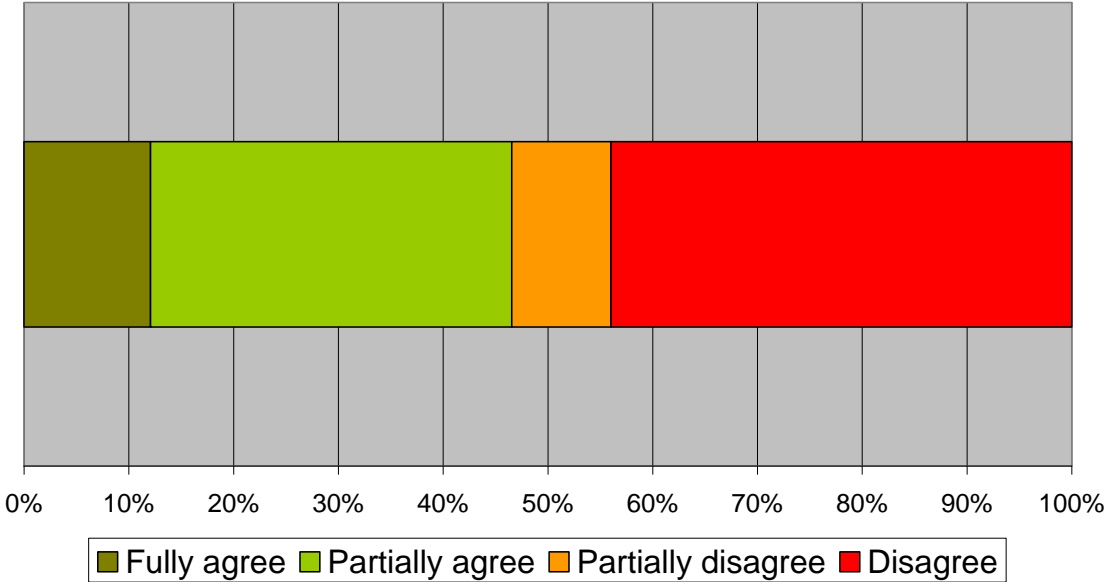
Linking with other sectors



Regarding the effectiveness and the efficiency of an ETS to achieve the emission reduction required, the opinion of respondents is balanced. 46% of respondents considered that an ETS can provide the right signal to reduce GHG emissions from shipping if using an absolute cap. Those respondents also stressed that ETS gives flexibility to achieve the emission reduction. 44% of respondents, especially from ship-operators and ship-owners, were concerned at the perceived administrative burden of an ETS. The same group of respondents also mentioned that a regional ETS may not be internationally well-received. Regarding the cost of an ETS, shippers expected pass-through of costs even in a case there were free allocations given. 27% of respondents from various categories considered that the ETS is the least costly mechanism if emission reductions need to be made.

15 respondents, especially NGOs and individuals, noted that the environmental outcome of an ETS depends on the level of the cap. It was stressed that a reliable monitoring and reporting scheme was needed, as well as a mechanism to ensure effective compliance.

Do you consider that an ETS could achieve the emission reduction required effectively and efficiently?



4.5.4 Tax

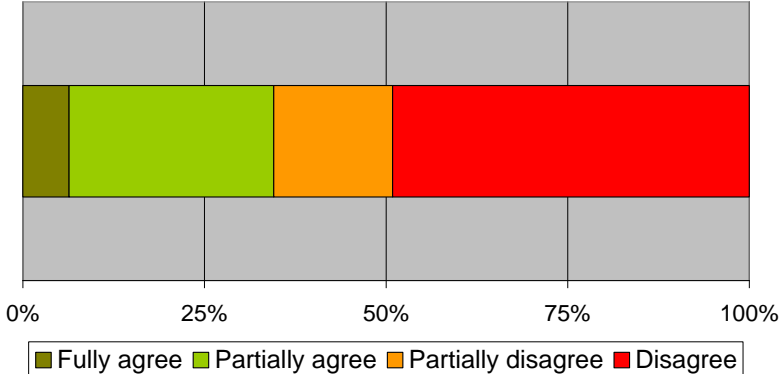
4.5.4.1 Tax on fuel

71% of respondents considered that the evasion risk regarding the implementation of a tax on fuel at a regional level cannot be avoided. 16 respondents in favour of a tax on fuel considered that it could be applied as a measure directed to the smallest ships, as a supplementary policy instrument of an ETS or a compensation fund. 4 respondents stressed that this option would be fully applicable if it were possible to be applied globally.

49% of respondents indicated that a tax on fuel could not achieve the emission reduction required effectively and efficiently. The main concern raised was related to the fact that no revenues of a taxation system would be earmarked for any purpose. Moreover, the environmental output is highly uncertain, especially regarding the risk of evasion, but also due

to the fact that there is no cap on emissions. Furthermore, 12 respondents from various categories expressed their doubts regarding the economical effectiveness. In particular, it was mentioned that some competition distortion could be triggered if different levels of taxes are set by Member States or if the level of the tax triggers some modal shift. One service provider indicated that the effectiveness could be solved by the introduction of progressivity (the tax should be high when the fuel price are low and low when the fuel prices are high). One individual mentioned that if a tax on fuel was introduced the type of fuel should be considered (biofuel/fossil fuel/blended).

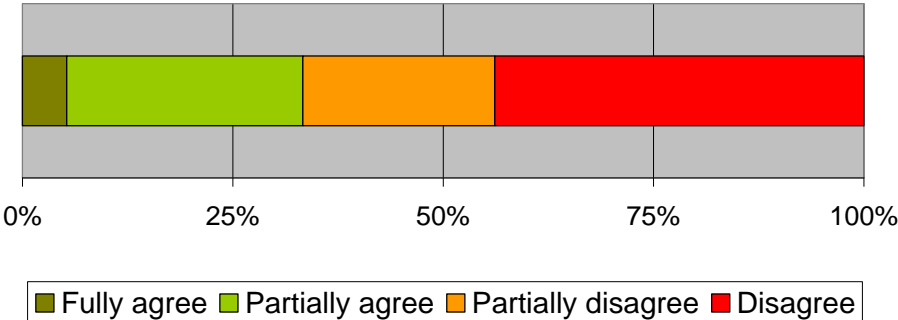
Do you consider that a tax on fuel could acheive the emission reduction required effectively and efficiently ?



4.5.4.2 Tax on emissions

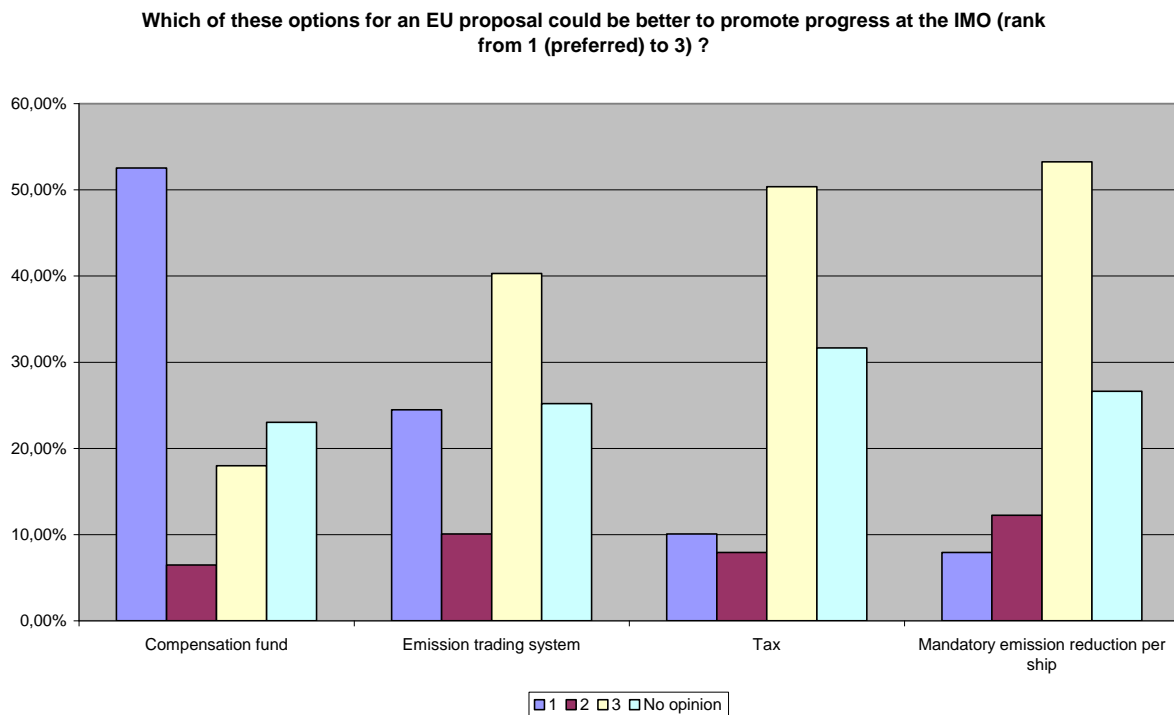
44% of respondents indicated that a tax on emissions could not achieve the emission reduction required effectively and efficiently. 31 respondents from various categories considered that the risk of evasion is lower for a tax on emissions than for a tax on fuel. However, 15 respondents from various categories indicated that the administrative burden may be higher for the ships and the public authorities. Two NGOs indicated that a tax on emissions should avoid adverse effects on least developed countries. One individual mentioned that ships operating in specific weather conditions should be taken into account.

Do you consider that a tax on emissions could acheive the emission reduction required effectively and efficiently?



4.6 Choice of policy options

Regarding the promotion of progress at the IMO, a measure comprising a "compensation fund" received the highest support, with 53% of respondents ranking this option as the most preferred one. An ETS measure was considered as the most preferred option by 24% of respondents, while a tax was considered as the most preferred option by 10% and mandatory emission reduction per ship was considered as the most preferred option by only 8%. As a consequence, the tax option and the mandatory emission reduction per ship were considered as less preferred options by more than 50% of the respondents. The level of respondents with no opinion is almost the same for any option.



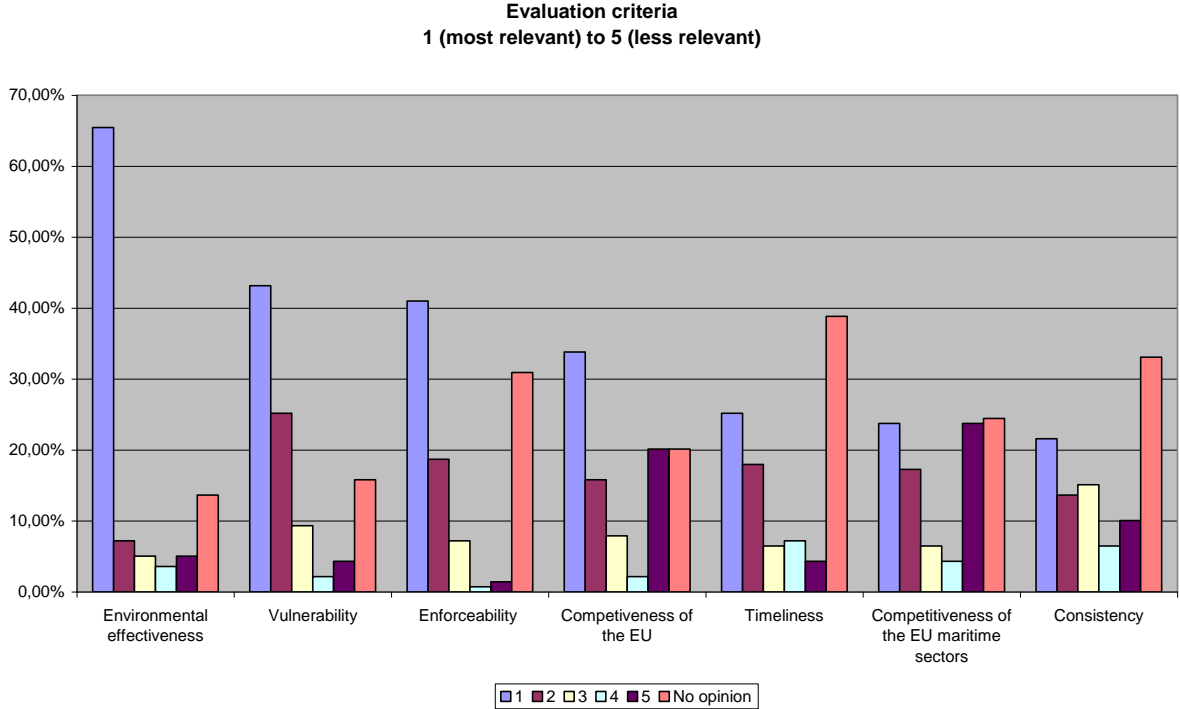
The questionnaire identified the following criteria that could be taken into account for the evaluation of possible EU measures:

- Environmental effectiveness (ensure effective emission reduction in line with the 2°C objective)
- Maintaining and enhancing competitiveness
- Maintain competitiveness of the EU maritime sectors through both first mover advantage and by providing incentives to increase fuel efficiency
- Enforceability (Ensure appropriate monitoring, reporting and verification while keeping administrative burden to the minimum)
- Consistency with the related EU policies
- Vulnerability: Exposure to/Risk of evasion
- Timeliness (Consistency with timing of application of measures and interaction with policy progress in international fora)

The environmental effectiveness of a possible EU measure was considered the most relevant criterion by 65% of the respondents. Other criteria to determine the choice of the policy option considered as most relevant or relevant by a majority of respondents were the

vulnerability of the legislation, its enforceability and the impact on competitiveness of the EU as a whole.

The other proposed criteria (timeliness, competitiveness of the EU maritime sector and consistency with the related EU measures) were regarded as less important for the choice of the policy option.



46% of respondents considered that other criteria should be used to choose the policy option and 44% had no opinion on this. The additional criteria mentioned were the ability to generate revenues, the effects on least developed countries, the ability to provide a stepping stone to an effective global carbon pricing arrangement, the affordability to vessels operators/owners and the risk of modal shift. Regarding revenue generation, the contribution to the international climate finance is proposed to be between 2.7% and 50% or more of the revenues.

29 respondents, especially ship-owners and ship-operators, recalled the nine principles agreed by IMO to define a market based measures and indicated that an EU proposal should be assessed against these criteria. One respondent indicated that the criteria proposed in the questionnaire were sufficient as the nine principles of the IMO are included in.

Regarding the potential use of international credits (e.g. from the Clean Development Mechanism) for compliance, the opinions were split as 50% of respondents were in favour and 50% against. 22 respondents, especially from NGOs, indicated that they were not in favour of offsets, as some measures with negative abatement costs are available in the maritime sector. However, 13 others indicated that it could give flexibility for the maritime sector to achieve its target.

Regarding the same approach to use of the international credits as for other sectors, views were evenly split (49% of respondents for, 51% against). A key issue mentioned was related to the quality of international credits.

4.7 General comments

Under this section, many respondents reiterated their strong support or their strong opposition to regional EU action. As could be anticipated, many of the ship-owners and ship operators took the view that the IMO deliveries, i.e. the EEDI and the SEEMP, are sufficient or felt confident that the IMO would be able to deliver an MBM in the 'short term'. In such context, this group of respondents were of the opinion that the EU should not act. One ship-owner representative proposed that there should be a sunset provision under an EU regulation. On the contrary, many equipment manufacturers, the environmental NGOs and some ship-owners and ship-operators considered that an EU proposal would be a desirable stepping stone for further action at global level.

The importance of ensuring the same level playing field for all maritime actors was emphasised by the bulk of the respondents. 16 respondents further mentioned that any future scheme should be designed in a way that would provide predictability for planning future economic actions. The option of basing a future scheme on incentives and not on penalties was also put forward by 3 respondents in this section.

Many NGOs emphasised that revenues should be provided from shipping for international climate finance and especially for least developed countries. On the contrary, most ship-owners, ship-operators and equipment manufacturers took the view that the revenues raised should be used to finance research and development in the maritime sector and to implement new green technologies.

One port and one individual were of the opinion that the maritime sector was already struggling due to the implementation of the MARPOL Annex VI related to sulphur content of fuels.

Some international partners (US, Canada and Japan) indicated their strong desire to accelerate discussions in IMO, and to work together with the EU and preferred the EU postponing market-based measures and focussing efforts on a common global proposal.

5 GENERAL CONCLUSIONS

The responses to the consultations carried out clearly illustrate that respondents agree that a global agreement in the IMO remains the best long term option to achieve GHG emissions reduction of the shipping sector. The views on the contribution of an EU proposal to this process differ. In the event of a European measure, there appears to be general agreement that securing a level playing field for all ships using ports in the European economic area should be a central priority.

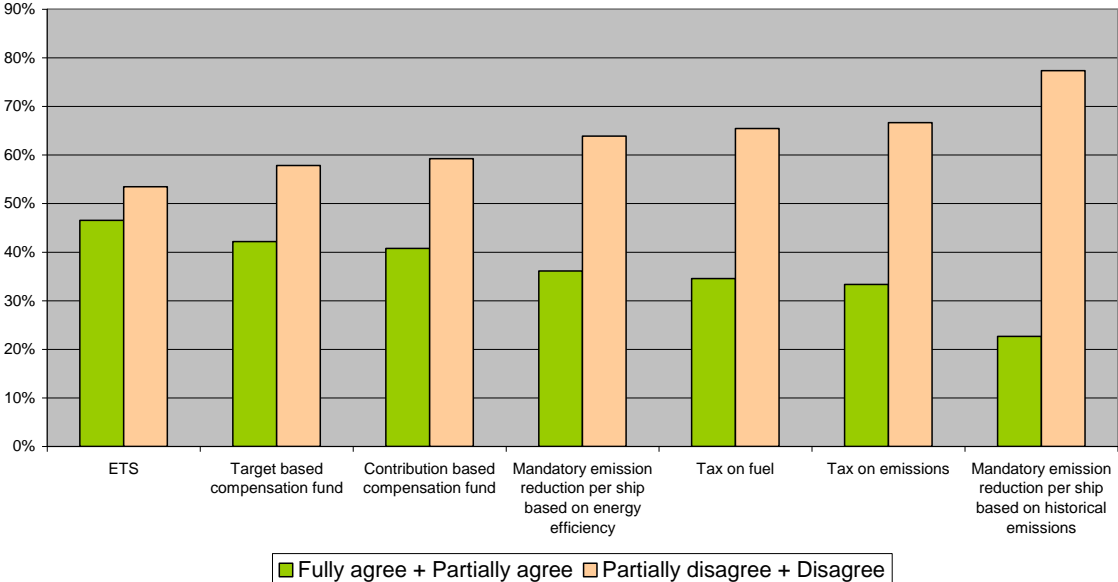
Views also converge in so far that any market-based measure, whether adopted at EU or IMO level and whether it is a tax, a compensation fund or an ETS, should have transparent and robust monitoring of emissions. It was further felt that the monitoring approach to be applied should avoid undue administrative burdens and ensure accurate reporting results.

In general, the position taken by the respondent groups reflected their expected interests. Shippers raised concerns about a possible pass-through of cost even if there were free allocations or other subsidy measures, which could lead to an increase of freight rates;

representatives of the short sea shipping focused on the risk of modal shift; ship-owners and ship-operators stressed primarily the issue of competition distortion; the equipment manufacturers mentioned the benefits for the implementation of green technologies. Public authorities of States facing strong winter conditions underlined the risk of competition distortion, and generally wish to limit administrative burden. NGOs indicated that the use of revenues from maritime was an important way to provide climate change funding to the least developed countries.

Regarding the different options proposed, respondents indicated that the two most preferred ones would be the compensation fund (with the target- and contributions-based sub-options) and the ETS. An ETS was considered as the most effective and efficient option to achieve the emission reduction required, with a compensation funds considered the second most effective and efficient policy measure in this context. Establishing a compensation fund was considered as being better to promote progress at the IMO, while the establishment of an ETS was considered as the second most effective option to promote progress at the IMO.

Do you consider that these options could achieve the emission reduction required effectively and efficiently?



The feedback on the effectiveness and efficiency of the policy options confirmed that a number of ship owners and operators, making up the majority of the respondents, are sceptical regarding all market-based measures.

This consultation provides an input to the Commission's impact assessment work.

ANNEX 1: QUESTIONNAIRE OF THE PUBLIC CONSULTATION

Addressing the reduction of greenhouse gas (GHG) emission from global shipping should take place through the International Maritime Organisation (IMO) and this will always be the ultimate goal of the EU. While energy efficiency requirements for certain categories of new ships have been set by the IMO through the energy efficiency design index (EEDI), no international regulation aiming to reduce GHG emissions from existing ships has been adopted to date.

According to Directive 2009/29/EC (the revised EU ETS Directive) and Decision No 406/2009/EC (the Effort Sharing Decision), the EU should include the GHG emissions of the maritime sector in its 20% overall GHG reduction commitment in the event that no agreement including these emissions in reduction commitments has been reached at the international level by 31 December 2011. In order to decide how to proceed in developing such a proposal in 2012 and to have a clear understanding on the impact of these possible proposals, the European Commission wishes to supplement the input which it has received through 3 stakeholder meetings in the framework of the European Climate Change Programme⁵ and through the High Level Group on Shipping Emissions⁶ through this internet consultation.

The Commission is analysing the impact of policy options for a possible EU action. These policy options have been derived from the second IMO greenhouse gas study 2009⁷ and the 2009 report on the technical support for European action to reducing greenhouse gas emissions from international maritime transport led by CE Delft⁸. These policy options also take into account the progress made within the IMO, especially regarding the adoption of the EEDI.

As presented during the third stakeholder meeting of the European Climate Change Program⁹, the following policy options are considered for the purpose of the impact assessment:

- a compensation fund
- an emission trading system (ETS)
- a tax on fuel or on emissions
- a mandatory emission reduction per ship.

This document has been prepared by the Commission services for consultation purposes. It is addressed to stakeholders and experts in the field of shipping and climate change with a view to getting additional information on the shape of a possible Commission proposal. It does not in any way prejudge, or constitute the announcement of, any position on the part of the Commission on the issues covered.

⁵ http://ec.europa.eu/clima/policies/eccp/second/stakeholder/index_en.htm

⁶ http://ec.europa.eu/clima/policies/transport/shipping/index_en.htm

⁷ http://www.imo.org/blast/blastData.asp?doc_id=12612&filename=GHG%20StudyFINAL.pdf

⁸ Technical support for European action to reducing GHG emissions from international maritime transport, CE Delft and others, December 2009

http://ec.europa.eu/clima/policies/transport/shipping/docs/ghg_ships_report_en.pdf

⁹ http://ec.europa.eu/clima/events/0036/index_en.htm

A. General information

1. Are you answering as an individual or on behalf of an organisation or institution? (compulsory)

- I am answering as an individual
- I am answering on behalf of an organisation or institution (company, NGO, public authority, ...)

2. Please enter your name

(compulsory) (between 1 and 100 characters)

2a. Please indicate which country are you from. (optional) [drop down list]

EU Member state, EU candidate country or EEA country

Other European country

Non European country

3. Please select the option which is the best description of your organisation (compulsory) (1 choice only)

- company / professional association
- trade union
- law firm / public affairs consultancy
- non-governmental organisation / association of NGOs
- think-tank / research institution
- academic organisation / association of academic organisations
- public authority / public administration
- representative of religions, churches and communities of conviction
- political party
- other type of organisation

3a. Please enter the name of your organisation. Please briefly describe which stakeholders (or members) you represent.

(compulsory) (between 1 and 1000 characters)

3b. If you are registered in the *Transparency register*¹⁰ please indicate your identification number. Please note it is the policy of the Commission to treat submissions from organisations that choose not to register as individual contributions ([see exceptions](#)). Please check the validity of your entry via the [search function](#) of the *Transparency register* – invalid entries will by default be considered as not being registered (optional) (20 characters)

3c. Please enter an email address for contact purposes (to be used in case of clarification questions only):

(optional) (between 1 and 100 characters)

¹⁰ <http://europa.eu/transparency-register/>

4. Responses, together with the identity of the contributor, may be published on the Commission's website. If requested, your response could be published in an anonymous form. How do you want your contribution to be published?

(compulsory)

This contribution can be published under the name indicated (by selecting this option you give consent to publish all information in your contribution on the Commission's website, where it will be publicly accessible; and also you declare that no information contained in your contribution is under copyright restrictions that prevent it from being published on the Commission's website).

This contribution can be published in an anonymous form (by selecting this option you give consent to publish all information in your contribution on the Commission's website, where it will be publicly accessible; and also you declare that no information contained in your contribution is under copyright restrictions that prevent it from being published on the Commission's website).

This contribution shall be treated as confidential and not be published (your contribution will not be published on the Commission's website, but it will be made available for internal use to the Commission services).

B. General context

According to the Second IMO greenhouse gas study 2009, a range of technical and operational measures can already be implemented by the maritime sector to reduce their greenhouse gas emissions. Indeed, according to the IMO, the range of the maximum abatement potential of measures at negative cost, i.e. measures which are profitable even when CO₂ emissions have no price, is 135 to 365Mt of CO₂.

The Council of the EU has called for the global maritime sector to reduce emissions by 20% by 2020 compared to 2005¹¹ through global action and the Commission considers that the GHG emissions from the EU shipping sector are to be reduced by 40% (50% if feasible) by 2050 compared to 2005¹². In paragraph 49 of its resolution of 21 October 2010 on Integrated Maritime Policy (IMP), the European Parliament has called on the Commission to coherently integrate the CO₂ reduction targets and introduce economic market based instruments, such as emissions trading schemes, into the maritime sector.

Based on the work carried out by CE Delft for the Commission in 2009, it can be assumed that the CO₂ emissions of shipping can be reduced by 27 to 47% by 2030 relative to a frozen technology scenario by implementing technical and operational measures. A major share of these emissions reductions, 23 to 45 percentage points, can be achieved at negative marginal abatement costs.

The EU has reduced its greenhouse gas emissions by 380 MtCO₂eq between 1990 and 2007¹³. During the same period, the CO₂ emissions from international shipping have increased by

¹¹ Environment Council conclusion, October 2009

¹² White Paper - Roadmap to a Single European Transport Area – Towards a competitive and resource efficient transport system. COM(2011) 144 final

¹³ Excluding emissions from international bunkers / EU energy and transport in figures - Statistical pocketbook 2009, DG TREN

402Mt CO₂eq¹⁴. For the international shipping sector, the baseline business-as-usual scenarios indicate projected CO₂ emission growth in the range of 220-310% for the period 2007-2050¹⁵.

All other transport modes, including domestic shipping, are covered by emission reduction targets thanks to the revised directive 2003/87/EC which set the European emission trading scheme (EU-ETS) or to the decision (EC) n°406/2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community's greenhouse gas emission reduction commitments up to 2020. Moreover, some specific measures are used to help the internalisation of the carbon cost, such as the regulation (EC) n°443/2009 and 510/2011 setting CO₂ emissions standards for cars and vans, but none of them apply to international shipping.

- Do you consider that the maritime sector should contribute to European emission reduction efforts as other sectors?

In accordance with article 191 paragraph 2 of the Treaty, any EU policy shall be based on the "polluter pays" principle.

Regulating maritime emissions is therefore likely to give rise to considerable financial revenue. The level of revenues is dependent on the scope of a possible system as well as the stringency of the regulation. Assuming a regulation that delivers an explicit or implicit carbon price of some 10 to 15 Euros/tCO₂ would result in revenues of some 3.1 to 4.6 billion euro per year (considering traffic to and from EU ports, 310.6 Mt CO₂)¹⁶. These figures can be compared to the figures raised in 2010 Report of the UN Secretary-General's High-level Advisory Group on Climate Change Financing. According to this report, contribution of international maritime transportation to global climate financing could be US\$4-9 billion¹⁷ (€4.2 - €6.3 billion) at a carbon price at US\$25 (€17.5), which correspond to the medium price scenarios (relating to intra-OECD traffic, routes to and from non-Annex-I countries not being included).

- What use should be made of the revenues arising from regulating maritime emissions?
 - Revenues should primarily be used to support investments to reduce emissions in the maritime sector
 - Revenues should primarily be used for international climate change finance
 - Revenues should be use for other purposes
 - If yes, please indicate which one(s)?

¹⁴ Second IMO GHG study 2009 – table 3.8

¹⁵ Id. p106

¹⁶ The CO₂ emissions figures cover all traffic in 2006, also traffic that is not likely to be covered by a possible regional proposal. If a regional system is pursued, it would not necessarily cover all maritime emissions/ships and it could take a phased approach. The estimates therefore provide a maximum, very rough EU-27 estimate of potential revenues.

¹⁷ The key input variables for the calculation are as follows:

- Total emissions from international maritime activities: between 925 Mt and 1,058 Mt in 2020 (from the International Maritime Organization, based on the Intergovernmental Panel on Climate Change Special Report on Emissions Scenarios);
- Share of revenues excluded due to incidence on developing countries: 30 per cent of total based on value share of worldwide imports;
- Share of revenues raised used for international climate finance: between 25 and 50 per cent of total revenues.

C. The common parameter of the policy options

C1. The scope

C1.a. Routes covered

According to Climate and Energy Package, the primary issue to be addressed is including international maritime emissions in the EU's reduction commitment.

The Commission would consider covering the emissions of ships from their last port of call before calling to an in-scope port (i.e. all incoming routes) and those to the next port of call after an in-scope (i.e. all departing routes). The compliance with EU regulation will be set as a condition of entry to in-scope ports (possibly also including ports in the EU overseas territories).

For all of the possible policy options included in the short-list (except for the taxation option based on fuel), the Commission would consider setting the coverage of routes as follows:

- For all vessels **arriving** at an in-scope port, all CO₂ emissions for the journey starting from the last port of call outside the scope of the measure to the first port called at within the EU would be included.
- For all vessels **departing** from an in-scope port, all CO₂ emissions for the journey starting from the departure port within the EU to the first port called at outside the scope of the measure would be included.
- All CO₂ emissions from intra-EU journeys would be included in the scope of policy coverage.
- Do you think that the following routes should be excluded from the scope:
 - Routes related to search and rescue, fire fighting or humanitarian operations authorised by the appropriate competent authority? Yes/No
 - Routes performed exclusively for the purpose of scientific research or for the purpose of checking, testing or certifying vessels or equipment? Yes/No
 - Routes performed in the framework of public service obligations in accordance Council Regulation (EEC) N°3577/92 of 7 December 1992 applying the principle of freedom to provide services to maritime transport within Member States (maritime cabotage) ? Yes/No
 - Routes performed from or to a Least Developed Country as defined by the United Nations¹⁸? Yes/No
 - Any other routes which should be considered for exclusion? Yes/No
 - Please substantiate your answer [max. 1000 characters]
- Do you have any other remarks on the routes covered? Yes/No
 - If yes, please substantiate your answer [max. 1000 characters]

¹⁸ The list of LDC's is defined the Committee for Economic Development and endorsed by the Economic Social Council of the United Nations. This list is updated every three years according to specific criteria (www.un.org/special-rep/ohrrls/ldc/ldc%20criteria.htm). This list can be found at [www.un.org/esa/policy/devplan/profile/ldc list.pdf](http://www.un.org/esa/policy/devplan/profile/ldc%20list.pdf)

C1.b. The type of ships

European policy action for controlling CO₂ emissions from maritime transport could be applied to all types of vessels or only some types of vessels, such as general cargo, tankers, containers, bulk carriers, refrigerated ships, passenger ships, ferries, fishing ships and military, customs or police ships.

- Do you see reasons for excluding any particular ship category? If yes, which one(s). Please substantiate your answer [max. 1000 characters]
- Are there other categories than those mentioned above which should be included? If yes, please substantiate your answer [max. 1000 characters]

C2. The reliance on shipping

- Do you consider that the reliance on shipping at a local or regional level should be taken into account? Yes/No
- If yes, how should this be taken into account? [max. 1500 characters]

C3. Evasion / avoidance

The environmental effectiveness of any measure depends heavily on the level of compliance and limiting the possibility for evasion. Compliance can be ensured with a robust monitoring, reporting and verification system and clear enforcement policies with deterrent and appropriate sanctions/penalties in the case of non-compliance. However, for some policy options, such measures could also lead to a change of traffic patterns.

Two cases of evasion/avoidance can be identified:

1. an additional port call is added to the route for the sole purpose of minimizing the distance from the last port of call before arriving at an in-scope port or minimizing the distance to the next port of call after leaving an in-scope port;
 2. a ship could call at an out-scope port situated close to an in-scope port, and discharge its cargo there. The cargo could then be transported by another mode of transport. The whole journey would then fall outside of the scope of the policy action. Theoretically, a similar approach could be applied for cargo exported.
- Please provide us specific examples, analysis, data, etc. on this potential issue [max. 1500 characters]

Please note that any additional study, example, analysis, etc. can be sent to clima-eccp-ships@ec.europa.eu

D. The policy options

D1. A compensation fund

An entity, called compensation fund, would take the responsibility of the emissions of vessels which have contributed to this fund. The only obligation of a ship calling into an in-scope port would be to produce a certificate mentioning its belonging to the compensation fund approved by a public authority. If not, it will have to pay a penalty. It can be recalled that any possible Commission proposal will be flag-neutral.

Ship owners and operators contribute to the compensation fund as provided for in the funds internal rules.

A regional compensation fund could be established which could serve as a precursor for a global measure of the same nature.

There are a number of ways to manage a compensation fund.

- Who should manage a compensation fund?
- Please substantiate your answer [max 1000 characters]

In order to give flexibility to the maritime sector and to build on existing partnerships or cooperation, several compensation funds could be set up. On the other hand, implementing several compensation funds might increase the administrative burden for the public authorities who will be required to check compliance and reduce the benefit of mutualisation among all actors.

- Do you think that several compensation funds could be feasible? Yes/No
- Please substantiate your answer [max 1000 characters]

Two main options could be envisaged:

- Option 1 : Contribution-based approach

Under this option, a contribution has to be paid for each ton of CO₂ emitted falling under the responsibility of the compensation fund. The level of the contribution is driving the level of reduction. No ex-ante emission reduction target is set as such.

In order to be recognised by the EU, the compensation fund should set fees in accordance with minimum levels. As the management entity of the compensation fund would entirely be responsible of revenues collected, the public authorities would have no control on the earmarking of these revenues. Therefore, in the event that revenues are needed for international climate finance, a mandatory contribution to international climate finance from the collected funds should be set as a criterion for approval the compensation fund.

In order to limit its immediate impact and despite that all sectors should in principle contribute to European emission reductions, the contribution may be required in respect of only a proportion of the emissions only.

- Do you consider that contributions to a compensation fund should, in the initial years of a system, be limited? Yes/ No
- If yes, should this contribution be initially reduced by:
 - reference to contributing a percentage of a certain carbon price? Yes/ No
 - pre-set levels of contribution in financial terms? Yes/ No
- In the event that revenues are needed for international climate finance, how long should a transition take to full contribution? [max 1000 characters]

- Option 2 : Target-based approach

An overall target based on historical transport performance or emissions would be set and divided between individual compensation funds according to the emissions of the ships they cover. Each compensation fund is free to reach its target in the most cost effective way. Under this proposal, the emissions from the covered shipping entities up to the level of the target are effectively grandfathered to those entities if no additional contribution to international climate finance is foreseen. The polluter pays principle should therefore be duly analysed under this proposal.

Each year, the achievement of the target will be assessed.

- How can compliance be ensured? [max 1500 characters]

- Do you consider that these options could achieve the emission reduction required effectively and efficiently :
 - Option 1? Fully agree / Partially agree / Partially disagree / Disagree
 - Option 2? Fully agree / Partially agree / Partially disagree / Disagree

- Please substantiate your answer [max 1000 characters]

D2. Mandatory emission reductions per ship

A target corresponding to a mandatory emission reduction compared to historical transport performance or emissions can be set for each ship calling into in-scope ports. The mandatory emission reduction target can be set:

- as percentage of an historical baseline (option 1);
- in comparison with an index, such as the EEDI (option 2).

- Do you consider that these options could achieve the emission reduction required effectively and efficiently :
 - Option 1? Fully agree / Partially agree / Partially disagree / Disagree
 - Option 2? Fully agree / Partially agree / Partially disagree / Disagree
 - Please substantiate your answer [max 1000 characters]
- Do you consider that the target can be set on an other basis? Yes/No
 - Please substantiate your answer [max 1000 characters]

A mandatory emission reduction per ship ensure that a certain level of emissions reduction. However, in such scheme, early movers can not be rewarded for their efforts. Moreover, there is no incentive to go beyond this target.

- Do you consider that a mechanism that rewards early movers should be explored? Yes/No/No opinion
 - If yes, what kind of mechanism could be implemented? [max 1500 characters]
- Do you consider that a mechanism that creates incentives to go beyond the mandatory emission reduction should be explored? Yes/No/No opinion
 - If yes, what kind of mechanism could be implemented? [max 1500 characters]

D3. An emission trading system

The EU has an emissions trading system in operation since 2005, which covers around 50% of European carbon dioxide emissions. Under an emissions trading system, the environmental

outcome is guaranteed, and the price of emission allowances is determined by the market based on the level of efforts needed to make the necessary reductions.

Ships would have to surrender emission allowances corresponding to their actual in-scope emissions. Regarding the different options of monitoring and reporting, the ship can either surrender the allowances once it has reported its emissions related to a port call or surrender the allowances once a year according to the annual emissions declared.

In order to limit its immediate economic impact, free allocation of allowances may be given during a transitional period. If such free allocation were to be pursued, it may be required that compliance is ensured through a third party, to avoid any consideration related to the ownership of a vessel. Free allowances are valuable for the ships, as they can be monetised.

- Do you consider that financial support (either directly as free allowances or some of the revenue generated from allowances) should be given during a transitional period? Yes/ No
- If yes, and in the event that revenues are needed for international climate finance, how long should a transition take? [specify a year]

The 2009 IMO Second GHG study mentioned that the shipping sector can implement measures with significant negative abatement costs. Therefore, on the one hand, by linking a maritime ETS with other sectors, the shipping sector could have a net benefit of selling emission allowances to other sectors. On the other hand, in case measures with positive abatement costs would have to be implemented in the shipping sector, it may be more cost-effective for the shipping sector to buy emission allowances from other sectors.

- Should shipping be able to acquire emission allowances from other sectors? Yes/ No
- Should shipping be able to sell emission allowances to other sectors? Yes/No
- Please substantiate your answers [max 1000 characters]
- Do you consider that an ETS could achieve the emission reduction required effectively and efficiently? Fully agree / Partially agree / Partially disagree / Disagree
 - Please substantiate your answer [max 1000 characters]

D4. A tax

D4.a A tax on fuel

A tax would be levied when the fuel sold in the EU leaves the fuel supplier for consumption. The level of the tax will trigger the emission reduction. The fuel exported as cargo (including the fuel for offshore bunkering) would be exempted.

On one hand, the implementation of this option may be relatively simpler than other options as it does not require monitoring of actual emissions. On the other hand, applying a tax purely on bunker fuel sold in the EU could lead to a significant risk of evasion and, may, as a result, undermine the environmental effectiveness and economic efficiency of the fuel tax.

- Do you consider that the evasion risk can be avoided when setting a tax on bunker fuel related to its carbon content? Yes/No

- If yes, what specific measures could be developed to avoid/reduce the risk of evasion? [max 1500 characters]
- Do you consider that a tax on fuel is could achieve the emission reduction required effectively and efficiently? Fully agree / Partially agree / Partially disagree / Disagree
 - Please substantiate your answer [max 1000 characters]

D4b. A tax on emissions

A tax could be set on emissions monitored and reported. Regarding the different options for monitoring and reporting, the ship can either pay the tax once it has reported its emissions related to a port call or pay the tax once a year according to the annual emissions declared.

- Do you consider that a tax on emissions could achieve the emission reduction required effectively and efficiently? Fully agree / Partially agree / Partially disagree / Disagree
 - Please substantiate your answer [max 1000 characters]

E. Choice of policy options

- Which of these options for an EU proposal could be better to promote progress at the IMO (rank from 1 (preferred) to 3 + No opinion)?
 - Compensation fund
 - Mandatory emission reduction per ship
 - Emission trading system
 - Tax

The Commission has identified criteria that could be taken into account for the evaluation of possible EU measures. In order to help us assess the appropriateness of this evaluation method, please indicate for each criterion the importance you attach to it by ranking it from 1 (most relevant) to 5 (less relevant).

	1	2	3	4	5	No opinion
Environmental effectiveness (ensure effective emission reduction in line with the 2°C objective)						
Maintain the competitiveness of the EU						
Maintain competitiveness of the EU maritime sectors, while giving them the first mover advantage, by providing incentives to increase fuel efficiency						
Enforceability (Ensure appropriate monitoring, reporting and verification while keeping administrative burden to the minimum)						
Consistency with the related EU policies						
Vulnerability: Exposure to/Risk of evasion						
Timeliness (Consistency with timing of application of measures and interaction with policy progress in international fora)						

- Should other criteria be used? Yes / No/No opinion
- If yes, please substantiate your answer [max 1000 characters]

- Regardless of the option proposed, should the maritime sector be in principle authorized to use international credits (e.g. from the Clean Development Mechanism) for its compliance? Yes / No
- Should the maritime sector be authorized to use international credits subject to quantitative and qualitative limits, along the same lines as for other sectors? Yes / No
- If yes, what kind of restriction (quantitative and qualitative) should apply on these international credits? [max. 1000 characters]
- If no, what are the reasons to authorize any type international credits? [max. 1000 characters]

F. General comments

Please feel free to give any additional comments. [max. 2000 characters]

**ANNEX II: DOCUMENTATION OF COMMENTS RECEIVED DURING THE ONLINE
CONSULTATION**