

European Commission
Directorate- General Climate Action
Ms. Beatriz Yordi, Director Dir. B
Unit B3 – International carbon market, aviation
and maritime
BU24 – Avenue de Beaulieu 24
B-1049 Bruxelles
BELGIUM

**Consultation on the revision of the policy on monitoring,
reporting and verification of CO₂ emissions from maritime
transport**

Dear Ms Yordi,

The German Shipowners' Associations (VDR) represents the national shipowning companies of Germany, owning and controlling 21% of the global container ship fleet and 6.2 % of the world merchant fleet respectively. German shipowners control the fourth biggest merchant fleet in the world by gross tonnage.

VDR wishes to make the following comments on the European Commission's latest consultation exercise on the revision of the policy on monitoring, reporting and verification of CO₂ emissions from maritime transport, in addition to the answers we have provided to the questionnaire - which if read in isolation could potentially be taken out of context.

VDR wishes to emphasise that it supports a **full alignment** of Regulation (EU) 2015/757 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport (the MRV regulation) with the IMO data collection system (DCS).

Most importantly, in practical terms, a full alignment with the IMO DCS will make submission of separate data to the EU system unnecessary. In addition, requiring ship operators to manage two distinct and separate reporting systems will add additional costs and administrative burdens for no overall benefit, while potentially undermining support among non-EU Member States for making further progress at IMO on the development of additional CO₂ reduction measures.

VDR notes that Recital 34 and Article 22.3 of the MRV Regulation commit the European Commission to reviewing Regulation (EU) 2015/757 and, if appropriate, to proposing amendments to align it with a global reporting system.

VDR acknowledges that the EU may have different objectives with regard to what the EU MRV Regulation is meant to achieve, as distinct from the objectives of the IMO DCS. While VDR does not necessarily concur with such objectives, the decision by IMO to develop an IMO GHG Strategy, which will include a list of candidate CO₂ reduction measures, provides EU Member States with the ability to achieve these objectives at the global level.

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Hamburg,
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The Commission will be aware that during the discussions at IMO, the International Chamber of Shipping (ICS) representing the international shipping industry has not opposed any of the candidate measures that have so far been proposed from being included in the list that should go forward as part of the initial strategy to be adopted by IMO Member States in April 2018, so that these can be given detailed consideration by IMO Member States as soon as possible.

VDR asserts that the IMO DCS is indeed an appropriate global reporting system. A full alignment of the EU MRV Regulation with the IMO DCS will therefore demonstrate the EU's continuing commitment to working with all IMO Member States towards a global solution for reducing GHG emissions from international shipping. This is particularly important as IMO develops, with the full support of EU Member States, its initial IMO Strategy for the reduction of GHG emissions, for adoption by MEPC 72 in April 2018.

Many non-EU Member States supported the adoption of the IMO DCS on the clear understanding that the EU would then align its regional system with what has been agreed for global application. A very important element of this understanding was that any data collected from individual ships would be anonymised.

Full alignment of the EU and IMO systems would therefore be well-received by non-EU Member States as clear evidence of the EU wishing to honour an implicit commitment to accept what has been agreed by IMO for global application. Significantly, this will help facilitate global agreement on a suitably ambitious IMO GHG reduction strategy containing additional candidate measures, including further CO₂ reduction measures that can be implemented globally in the short term, before 2023.

VDR therefore requests the Commission to undertake a full alignment with the IMO DCS in order to demonstrate its confidence in the work of IMO and in the interests of promoting further co-operation on GHG reduction at the global level.

General Comments on Questionnaire

VDR notes that this second phase of this consultation includes a series of questions which are concerned with GHG emissions reduction policy rather than alignment of the MRV regulation with the DCS.

The European Commission will be aware that the IMO DCS is part of an internationally agreed 'three step' approach to developing further CO₂ reduction measures for international shipping. VDR is concerned that by focusing on GHG emissions reduction policy, this round of consultation could be misinterpreted by non-EU Member States as being a precursor to proposals on mandatory operational efficiency indexing of individual ships.

Furthermore, the approach taken by the questionnaire might lead to the perception that the Commission is seeking to pre-empt the outcome of the IMO data analysis that will follow the next IMO GHG Study to be conducted in 2019.

If such a perception is created, this could prejudice attitudes of non-EU Member States as they participate in the development of the comprehensive IMO GHG Strategy.

On a matter of principle, VDR is disappointed that the consultation seeks to elicit answers to complex and carefully nuanced questions using a multiple choice format. We would advise the Commission that meaningful answers to such questions cannot be provided simply by selecting one of five pre-defined answers, or attaching different orders of priority to aspects of policy which are equally important.

In a spirit of co-operation, VDR has attempted to provide answers to most of the questions. VDR nevertheless wishes to offer some general observations on the consultation document, before proceeding to comment on each section in turn.

Observations

The consultation conflates fuel data collection, energy efficiency and GHG reduction policy. Although these three things are linked, they are not synonymous, and treating them as such risks creating confusion and makes it unclear what is being asked in some of the questions.

The consultation document implies that fuel costs are not part of the current decision making process of market actors because of 'split incentives' between shipowners and charterers, and speculates that insufficient information is a market barrier preventing the adoption of technical solutions for reducing fuel use. This aspect also fails to consider the industry's impressive track record with respect to reducing fuel consumption per tonne-km and developing more fuel efficient ships (now supported by the IMO EEDI regulations and the SEEMP).

The questionnaire states that there is a 'presumption' in the IMO system that flag State administrations fulfil their international obligations. This presumption underpins all international treaties and Conventions. However, we advise the Commission that this is supported by a broad range of instruments and mechanisms which are intended to ensure effective implementation. This includes the IMO Instruments Implementation Code (III Code), the IMO Member State Audit Scheme, and the global system of Port State Control. Unlike the MRV regulation, which relies on commercial verification bodies operating in a competitive environment, the DCS will be administered by IMO Member States and their duly authorised Recognized Organizations.

1. General policy objectives

VDR is cautious about saying that it supports the concept of a 'fair contribution' in the context of this MRV alignment exercise, as this could be interpreted to imply that international shipping should reduce its CO₂ emissions to the same extent and speed as other sectors of the global economy.

One of the principles of the Paris Agreement is that Parties, via their INDCs, are only required to make GHG reduction commitments appropriate to their national circumstances, and the same principle of taking into account the specific circumstances to the international transport sectors should apply.

The industry fully accepts its responsibility to reduce the total CO2 emissions of the sector as soon as possible, consistent with what is technically possible and reflecting the legitimate concerns of developing nations about the potential impacts on trade and sustainable development. We assert this is demonstrated by the ambitious CO2 reduction objectives which the industry has proposed that IMO should adopt on behalf of the sector as part of its initial GHG reduction strategy to be adopted in 2018.

2. Policy options

VDR is disappointed that the consultation document does not provide genuine full alignment as an option. 'Full alignment' as envisaged by the Commission will still require reports for voyages to and from EEA ports to be submitted to the EU system. This is not full alignment; full alignment would be a single global data collection system, i.e. the IMO DCS.

Since we consider full alignment to be the only appropriate outcome we have not ranked elements of the EU MRV in terms of priority for alignment with the IMO DCS. Ranking priorities is only relevant if considering partial alignment. We do not consider the operational energy efficiency of a ship to be a relevant question in the context of an MRV alignment exercise.

VDR agrees that it is important to ensure the quality of reported data and a level playing field. We are confident that the verification requirements of the IMO DCS will achieve this. Since IMO DCS verification costs will be included within the ship's statutory fees we do not consider it useful to comment on an arbitrary figure for verification costs (under a non-aligned EU system) such as 500€.

VDR does not support making individual ships' data available to the general public and has serious legal concerns with the publication of commercially sensible data from ships, even if this data is aggregated on an annual level. It has already been agreed that data submitted to the IMO DCS will be anonymised.

The IMO DCS is intended to facilitate analysis and informed decision making. It is not an operational indexing mechanism, and the approach decided by IMO is fully supported by VDR.

We would be interested to receive and would greatly appreciate responses from the European Commission to the specific points which we have raised above.

Yours faithfully,



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Chief Executive Officer



Dr. Martin Kröger
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