

## **Oslo meeting prepares ground on GHG reduction mechanisms**

Progress towards developing a mandatory regime to control greenhouse gas (GHG) emissions from international shipping was made during the first intersessional meeting of IMO's Working Group on Greenhouse Gas Emissions from Ships, held in Oslo, Norway (23 to 27 June 2008). The meeting was attended by more than 210 delegates, comprising experts from all over the world.

The week-long session was tasked with developing the technical basis for reduction mechanisms that may form part of a future IMO regime to control GHG emissions from international shipping, and with developing drafts of the actual reduction mechanisms themselves, for further consideration by IMO's Marine Environment Protection Committee (MEPC), which next meets in October 2008 and, notwithstanding the importance of the Oslo meeting, will have the final, decisive role to play on the issue.

In particular, the Oslo meeting made progress on developing a mandatory CO<sub>2</sub> Design Index for ships and an interim CO<sub>2</sub> operational index, and held extensive discussions on best practices for voluntary implementation and economic instruments with GHG-reduction potential

Although, to date, no mandatory GHG instrument for international shipping has been adopted, IMO has given extensive consideration to the matter and is currently working in accordance with an ambitious work plan, due to culminate, in 2009, with the adoption of a binding instrument. IMO is working to have measures in place to control GHG emissions from international shipping before the first commitment period under the Kyoto Protocol expires at the end of 2011.

### **Mandatory CO<sub>2</sub> Design Index**

The meeting developed further a formula and the methodology, as well as draft text for the associated regulatory framework, for a proposed mandatory CO<sub>2</sub> Design Index for new ships. Once finalized, the index will serve as a fuel-efficiency tool at the design stage of ships, enabling the fuel efficiency of different ship designs, or a specific design with different input such as design speed, choice of propeller or the use of waste heat recovery systems, to be compared.

The design index will contain a required minimum level of fuel efficiency related to a baseline, which will be established based on fuel efficiency for ships delivered between 1995 and 2005. The actual minimum level, and the frequency with which the limit will be tightened, are among the matters that will be considered by MEPC 58 in October.

The Oslo meeting thoroughly considered the different elements in the formula to avoid so-called "paragraph ships", meaning future ship designs optimized for certain conditions but which do not actually deliver greater fuel efficiency. The different correction factors to make the formula relevant for all ship types were given extensive consideration, as was verification of the design index, as there might not be a Flag state dedicated to the ship at the design stage.

The meeting encouraged Member States and observer organizations to test the robustness of the agreed draft formula by conducting simulations and submitting the outcome to MEPC 58. With this outcome, MEPC 58 should be in a position to approve the CO<sub>2</sub> Design Index for new ships and agree on the final details.

### **Interim CO<sub>2</sub> operational index**

The intersessional meeting considered the interim CO<sub>2</sub> operational index and identified all areas where changes have been proposed. The interim CO<sub>2</sub> operational index was adopted by MEPC 53 in July 2005 and has been used by a number of flag States and industry organizations to determine the fuel efficiency of their ship operations. IMO has received the outcome from thousands of trials and a large amount of data exists.

The interim CO<sub>2</sub> operational index has been used to establish a common approach for trials on voluntary CO<sub>2</sub> emission indexing, enabling shipowners and operators to evaluate the performance of their fleet with regard to CO<sub>2</sub> emissions. As the amount of CO<sub>2</sub> emitted from a ship is directly related to the consumption of fuel oil, CO<sub>2</sub> indexing also provides useful information on a ship's performance with regard to fuel efficiency. The draft CO<sub>2</sub> operational index will be put forward to MEPC 58 with a view to finalizing it at that session.

### **Best practices for voluntary implementation**

The intersessional meeting reviewed best practices for voluntary implementation and developed further guidance for the ship industry on fuel efficient operation of ships. The meeting considered best practices regarding a range of measures identified by earlier sessions of the MEPC and for how they can be implemented by ship builders, operators, charterers, ports and other relevant partners to make all possible efforts to reduce GHG emissions. Operational measures have been identified as having significant reduction potential that often can be achieved without large investments, but would require co-operation with other stakeholders.

### **Economic instruments with GHG-reduction potential**

The Oslo meeting had a thorough and in-depth discussion related to the further development of different economic instruments with GHG-reduction potential including, inter alia, a global levy on fuel used by international shipping and the possible introduction of emission trading schemes for ships. Proposals for both open emission trading schemes, where ships will be required to purchase allowances in an open market in line with power stations or steel mills, and closed schemes, where the trading will only be among ships, were considered.

"Grandfathering" or auctioning of the allowances, how the cap is set and by whom, the

management of any system, the banking of allowances and the impact on world trade, as well as legal aspects, were also among the issues considered. The meeting had an extensive exchange of views, paving the way for further discussion at MEPC 58 on the possible introduction of market-based measures to provide incentives for the shipping industry to invest in fuel-efficient ships.

### **Next steps**

MEPC 58 will be held in London from 6 to 10 October 2008 and is expected to consider further the reduction mechanisms developed by the intersessional meeting, with a view to their forming part of the future IMO regulatory regime. MEPC 58 is also expected to consider the related legal aspects and decide whether the GHG regulations should form part of an existing convention or whether an entirely new instrument should be developed and adopted.

However, no clear conclusion was reached as to whether any such instrument should apply to all ships, irrespective of flag, or only to ships flying the flag of Parties to the UNFCCC and listed in Annex I to that Convention.

MEPC 58 will also decide on the work needed prior to MEPC 59, to be held in July 2009, when final adoption of a coherent and comprehensive IMO regime to control GHG emissions from ships engaged in international trade is planned.

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