

# FAQ: Bunker Emissions at Copenhagen

## December 2009

### How much CO<sub>2</sub> is emitted by international shipping and aviation?

795 Mt CO<sub>2</sub> from international shipping and 671 Mt CO<sub>2</sub> from international aviation in 2005/7. Together, the sectors emit more than the sixth largest emitting country, Germany. Emissions are on course to double or even triple by 2050 taking up an increasing share of the remaining "safe" carbon budget which should be available for use by developing countries.

### Why are global sectoral approaches needed - couldn't it just be left to developed (Annex I) countries?

Aviation and shipping (bunker) emissions largely occur on the high seas or in international airspace. Parties failed to agree a way to attribute emissions to countries despite many years of debate in the UNFCCC's Subsidiary Body for Scientific and Technological Advice (SBSTA). So its not feasible to say which emissions belong to Annex I Parties or to design measures that tackle only those emissions. Any approach targeting only developed country airlines and ships would lead to competitive distortion, and (particularly for shipping) severe carbon 'leakage' and for these reasons would be politically unacceptable. When the EU took action to address its aviation emissions, foreign carriers were included just so as to avoid competitive distortions. Both industries now support global sectoral policies over regional approaches to avoid both competitive distortions and the prospect of overlapping schemes and possibly double charging.

### What global schemes for aviation and shipping have been proposed?

For shipping, there are two main proposals at IMO: for emissions trading - ETS - (by Norway, Germany and France), and for a levy on marine bunker fuel (by Denmark). For aviation, a number of countries support an ETS. A fuel tax for aviation would face legal problems given widespread current exemptions. Least-developed countries (LDCs) have proposed a passenger levy or flat ticket tax that would generate adaptation finance. There are also proposals to treat the two sectors together under a combined ETS.

### Can global schemes respect CBDR?

Article 4.1 (c) of the UNFCCC commits all Parties to co-operate in the development of practices and processes that reduce emissions from transport, taking into account their common but differentiated responsibilities (CBDR). Global approaches do not necessarily contravene CBDR, but they should take

into account the interests of developing countries. To ensure this, NGOs propose 3 'equity safeguards':

- **revenues from global measures should be used to cover any incremental costs incurred and to fund climate change mitigation and adaptation in developing countries;**
- **journeys to and/or from Small Island Developing States (SIDS) and LDCs should be exempt to eliminate any potential negative impacts on the most vulnerable countries;**
- **measures should be subject to a review of any observed negative impacts on developing countries.**

Each of these safeguards is explained below.

### What revenues might global maritime and aviation measures generate?

Oxfam has estimated that annual auction revenues from aviation and shipping measures could exceed \$12 billion and \$16.6 billion respectively at an allowance price of \$45 per ton. The European Commission has published estimates that the two sectors could generate €17-25 billion (\$25-37 billion) annually by 2020, in the case where 100% of emissions allowances were auctioned.

### Are there potential negative impacts for instance on food prices or tourism?

Setting a carbon price of \$30/tCO<sub>2</sub> on all shipping GHG emissions would raise the cost of shipped goods by a small fraction of 1%. For SIDS this figure could rise to around 1%, but SIDS could be exempted from the scheme (see below). Any impact on trade volumes is likely to be smaller still, since demand for shipped goods is quite inelastic. Emissions trading for aviation would increase airfares to some extent, but expected increases from the EU's scheme are currently commercially acceptable. Proposals for global measures should include impact assessments on developing countries.

### Could the most vulnerable countries be exempted?

The schemes should contain provisions that exempt traffic on routes to and/or from SIDS and LDCs. Note that the countries themselves should not be exempted (this could lead to carbon leakage, particularly in shipping as ships are flagged to countries). Instead, exemptions could be based on thresholds on routes with limited frequency or traffic volume, and/or vessels below a certain tonnage – such a provision would effectively exempt SIDS and LDCs. If traffic deliberately diverted to these routes

they would exceed the threshold, thus removing the incentive to re-route. The EU ETS has a number of provisions for aviation that exempt over 80% of developing-country airlines that would otherwise be covered by the scheme. These provisions could serve as a guide.

### **Why involve UNFCCC? Why not leave the decisions to ICAO and IMO?**

The Kyoto Protocol gave ICAO and IMO the task of tackling bunker emissions in 1997 but neither organisation has agreed a single binding measure since then. This is in part because of the difficulty posed by Article 2.2 of the Protocol, which commits Annex I Parties to work through ICAO and IMO - bodies which in their regulatory activity does not distinguish between Annex I and non-Annex I countries. Some developing countries question whether measures should be global or differentiated in accordance with UNFCCC principles.

Consideration of measures in ICAO and IMO is now deadlocked. Copenhagen provides a unique opportunity to find a political solution or risk years of ongoing indecision.

### **A Copenhagen bunker agreement?**

Copenhagen needs to provide a more productive form of guidance on how to handle bunkers than is currently the case with the Kyoto Protocol.

Copenhagen should agree on global mitigation with CBDR being applied through exemptions to and/or from SIDS/LDCs and in the use of revenues generated. It should establish the principle of a co-operative approach, with revenues spent on covering incremental costs and on climate change mitigation and adaptation in developing countries.

Given the failure of IMO and ICAO to agree on appropriate policies in the 12 years since Kyoto, Copenhagen provides the opportunity for Parties to recognise the urgency of the problem, agree on the outlines of a global solution and set clear timelines

for the development, agreement and implementation of policies.

As the body with overall responsibility for climate protection, the UNFCCC should set the level of sectoral ambition (the target or cap). Neither IMO nor ICAO has assessed future emission trends and agreed an overall sectoral cap in line with wider UNFCCC mitigation efforts and climate science.

UNFCCC is also the body that should oversee the management of any revenues generated to ensure they are channelled to developing country actions (NAMA / NAPA actions), and not recycled to the shipping and aviation industries.

### **Does the current negotiation text include options that cover everything to be decided in Copenhagen?**

All options (with the exception of the review clause) are included in the text being developed under '1 b iv' on Co-operative Sectoral Approaches. It will be important to keep the text submitted by Botswana linking sectoral approaches to financing climate work in developing countries, and to include the principle of exemptions for traffic to/ from SIDS and LDCs.

### **What mitigation targets are needed in these sectors to fairly keep global temperature rise below 2 degrees C?**

Aviation and shipping are mature industrial sectors. As a first principle we suggest targets in line with Annex I countries: reductions of at least 40% below 1990 levels by 2020.

Under emissions trading, airlines and ship operators could buy allowances to cover any emissions above the cap from other industrial sectors covered by schemes like the EU ETS. Some access to CDM and offsets could also be available. Reductions financed in other sectors would form part of aviation and shipping's contribution to limiting overall emissions.

