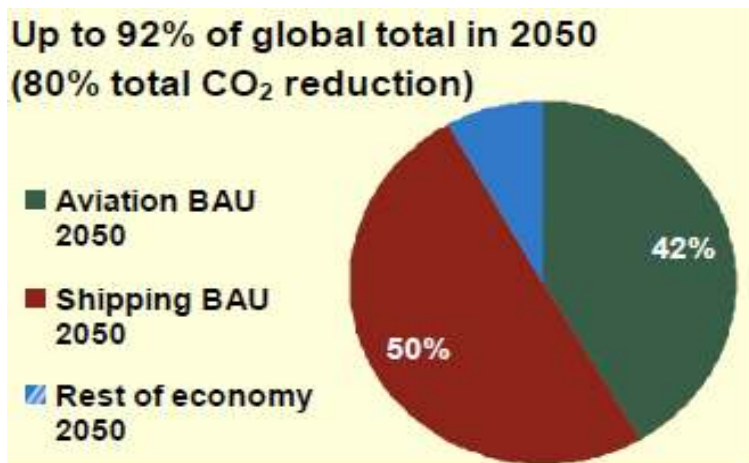
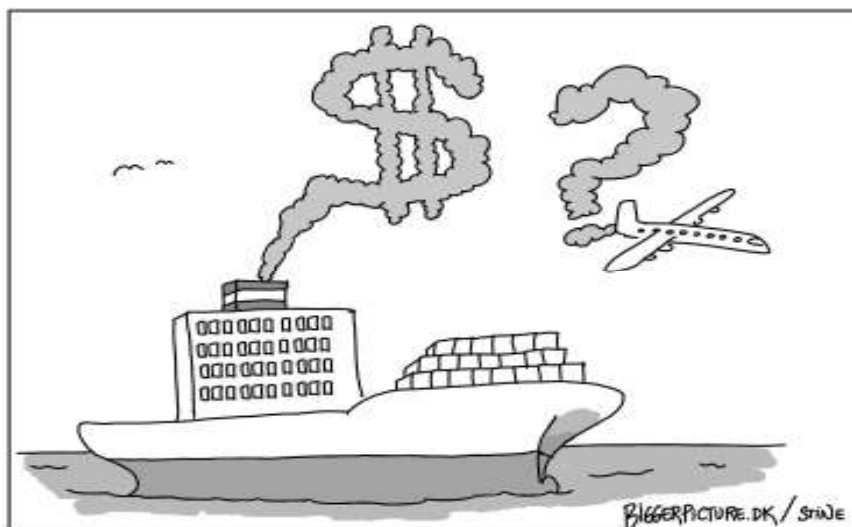


If we leave aviation and shipping emissions unregulated we have no chance of hitting 2 degrees.¹



Regulating them globally could generate tens of billions of dollars of additional climate finance.²



The choice is yours.

See over for details...

¹ Business-as-Usual (BAU) central estimates for shipping and aviation for 2050 (based on IMO 2009 and extrapolated ICAO CAEP forecasts), and a global GHG reduction of 80% by 2050 from 1990 levels. Source: AEA technology. AN 80% cut yields a high likelihood of avoiding 2 degrees of warming.

² European Commissions estimates that the revenues could be between \$25-37 billion per annum by 2020.

- Emissions from international shipping and aviation bunker fuels are growing fast. A recent study estimates that under business as usual, these sectors would take up 92% of the global total, if we achieve the global GHG reduction of 80% by 2050 from 1990 levels that is required to give a high likelihood of avoiding 2 degrees of warming.
- These emissions are best regulated globally. Parties agree they cannot be attributed to any particular country, so it is not possible to pass measures applied only to Annex I emissions. Any policy applied only to Annex I ships or airlines would be ineffective, lead to carbon leakage (eg through re-flagging of ships) and be contrary to the usual practice of the International Civil Aviation Organisation (ICAO) and International Maritime Organisation (IMO).
- In order to make global measures equitable, and to deliver a substantial new source of climate finance, they should be designed to reduce emissions AND raise revenue that is spent on adaptation and mitigation in developing countries. Furthermore, exemptions to prevent any negative impacts on the most remote or vulnerable countries can and should be part of the design.
- Cap and trade systems for the two sectors (or in the case of shipping, a fuel levy) could raise in the order of \$25-37 billion annually by 2020 according to European Commission estimates.
- If a global framework cannot be agreed, Europe and the US will tackle these emissions through regional measures. Aviation is set to be included in the EU ETS by 2012, and the EU is committed to tackling shipping next. The default option in the draft US climate legislation is to cover fuels for international transport under an upstream cap. These measures would mean that developing country operators will pay when they visit these regions, but the revenues will not be used for climate finance in developing countries.
- A number of developing countries have expressed concerns that a global framework would contradict the principle of common but differentiated responsibilities. However:
 - as these are not Party emissions, measures to tackle them do not establish emission reduction obligations on Parties, but rather on the sectors themselves;
 - there is provision for global sectoral approaches in the UN Framework Convention on Climate Change (Art 4.1c), on condition that developed countries meet agreed incremental costs.
- Revenue should be additional to significant Annex I contributions, not a substitute.
- Impacts on trade are likely to be small. The cost of shipped goods would rise by a fraction of a percent in most regions. In any case, traffic on routes to SIDS and LDCs, who are most vulnerable to any impact, could be exempted by a system of thresholds.
- A growing number of developed and developing countries support the option of 'bunker finance'. Transferring revenues to developing countries will make agreement at ICAO and IMO more likely by giving all countries a stake in the negotiations.
- To accelerate on-going efficiency improvements in the aviation and maritime industries, a small percentage of the funds could be directed into a dedicated global fund for

research, development and demonstration of low carbon technologies in these sectors.