Analyzing approaches to set GHG reduction target in anticipation of potential ‘further measures’ for international shipping

The International Conference on Maritime Energy Management (MARENER 2017)
24-25 January 2017

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IMO is facing an ever-increasing challenge to set a GHG emission reduction target for international shipping, due to progress in developing reduction targets in other sectors.

A roadmap to develop an IMO strategy for GHG reduction was approved at MEPC70. In the roadmap, the initial IMO strategy is scheduled to be adopted in spring of 2018.
There are mainly four types of quantified emission reduction targets included in the INDCs:

(a) absolute emission reduction target, (b) reduction target relative to business-as-usual (BAU) emission, (c) peaking target, and (d) intensity target.

Absolute emission target (a, b & c) shows the development of absolute emission level, while intensity target (d) shows the development of intensity (emissions per activity) level. An absolute emission target can be converted to an intensity target and vice versa.
Characteristics of absolute target & intensity target

- Absolute emission target, which factors in the activity level, has higher certainty of the outcome of the absolute emission level, while the intensity target, which does not factor in the activity level, has higher certainty of the outcome of the intensity level and abatement costs.
- There is a trade-off between the certainty of absolute emission level and the certainty of intensity level and abatement costs, depending on whether the target factors in the activity level.

<table>
<thead>
<tr>
<th>Assessment criteria</th>
<th>Absolute emission target</th>
<th>Intensity target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certainty of the outcome of absolute emission level</td>
<td>higher</td>
<td>lower</td>
</tr>
<tr>
<td>Certainty of the outcome of intensity level</td>
<td>lower</td>
<td>higher</td>
</tr>
<tr>
<td>Certainty of abatement costs to achieve the target</td>
<td>lower</td>
<td>higher</td>
</tr>
</tbody>
</table>

\[
\text{CO}_2 \text{ emission} = \frac{\text{Activity}}{\text{Activity}} \times \frac{\text{Activity}}{\text{Energy}} \times \frac{\text{Energy}}{\text{Activity}} \times \frac{\text{Activity}}{\text{Energy}} \times \frac{\text{Energy}}{\text{Fuel mix}}
\]

\[
\text{Absolute emission target} = \text{Activity} \times \text{Intensity}
\]
International shipping is the backbone of global trade and plays a vital role for the sustainable development of world economy, in particular developing countries. It is also the most efficient mode of transport and modal shift is an effective measure to reduce global CO₂ emission.

Intensity target would be more appropriate to accommodate growth of trade and modal shift. It is also useful as a measure of progress to improve sustainability of international shipping.

Source: Second IMO GHG Study 2009

**Range of Typical CO₂ Efficiencies for Various Transport Modes**

Source: Second IMO GHG Study 2009
Carbon budget approach: setting an absolute emission reduction target, based on the carbon budget for the shipping sector, which is derived from the remaining cumulative global CO\textsubscript{2} emission budget to limit global warming to 2\textdegree C (or 1.5\textdegree C), assuming shipping’s share of global emissions remains constant.

### Cumulative global CO\textsubscript{2} emissions under 2\textdegree C scenario

<table>
<thead>
<tr>
<th>CO\textsubscript{2} concentrations in 2100 [ppm CO\textsubscript{2}eq]</th>
<th>Cumulative CO\textsubscript{2} emissions (2011-2100) [GtCO\textsubscript{2}]</th>
<th>Likelihood of staying below 2\textdegree C over the 21st century</th>
</tr>
</thead>
<tbody>
<tr>
<td>450 (430-480)</td>
<td>Total range</td>
<td>630-1180</td>
</tr>
<tr>
<td>500 (530-580)</td>
<td>No overshoot of 530</td>
<td>960-1430</td>
</tr>
<tr>
<td></td>
<td>Overshoot of 530</td>
<td>990-1550</td>
</tr>
</tbody>
</table>

### Shipping’s share of global CO\textsubscript{2} emissions

![Graph showing shipping’s share of global CO\textsubscript{2} emissions from 2007 to 2012.](source: Third IMO GHG Study 2014)

### CO\textsubscript{2} trajectories based on carbon budget approach (only for illustrative purpose)

![Graph showing CO\textsubscript{2} trajectories for different scenarios.](source: Smith et al. (2015), Second IMO GHG Study 2009, author’s own calculation.)
Approaches for target-setting (2) Similar reduction

- Similar reduction approach: setting a target at a level in which reduction efforts of the shipping sector would be the same as other sectors.
  - Aggregating reduction targets of Parties to UNFCCC and transferring it to the shipping sector.
  - Applying the marginal abatement costs (MAC) to achieve the global emission target to the shipping sector ('Equal MAC approach').

**Global CO₂ emission and ambition level to achieve 2ºC target (A1B scenario)**

![Graph showing CO₂ emissions for different scenarios](image)

Source: Norway's proposal at MEPC60 (MEPC60/4/23)

**CO₂ trajectories based on ‘Equal MAC approach’ (only for illustrative purpose)**

![Graph showing CO₂ trajectories](image)

Source: Norway's proposal at MEPC60 (MEPC60/4/23), Second IMO GHG Study 2009, author's own calculation.
Approaches for target-setting (3) Efficiency based

- Efficiency based approach: setting a reduction target based on levels of efficiency improvement that are technically achievable. Efficiency (intensity) target developed could derive absolute emission trajectories as an ‘expected outcome’.

**Efficiency improvement of different ship types**

| Contract Delivery | 2012-16 2015-19 | 2017-21 2020-24 | 2022-26 2025-29 | 2027-31 2030-34 | 2032-2035-
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Bulk/General cargo</td>
<td>25%</td>
<td>40%</td>
<td>45%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Tanker</td>
<td>35%</td>
<td>40%</td>
<td>55%</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>VLCC</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td>Container</td>
<td>35%</td>
<td>45%</td>
<td>55%</td>
<td>65%</td>
<td>70%</td>
</tr>
<tr>
<td>Coastwise shipping</td>
<td>20%</td>
<td>25%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Japan’s proposal at MEPC59 (MEPC59/4/35)

**CO₂ trajectories based on efficiency based approach (only for illustrative purpose)**

Source: Japan’s proposal at MEPC59 (MEPC59/4/35), Second IMO GHG Study 2009, author’s own calculation.
Preliminary assessment of different approaches

- Carbon budget approach will likely have higher environmental effectiveness, while similar reduction approach and efficiency based approach seems to be more equitable.
- A hybrid approach, in which consideration is based on the analysis of the reduction potential and the extent to which the stringency of the efficiency level could be strengthened to meet the objectives of the UNFCCC, taking into account the reduction efforts of other sectors and characteristics of international shipping, would be appropriate to set a fair, ambitious and achievable target.

<table>
<thead>
<tr>
<th>Assessment criteria</th>
<th>Carbon budget approach</th>
<th>Similar reduction approach</th>
<th>Efficiency based approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental effectiveness</td>
<td>Likely to be higher</td>
<td>Likely to be lower</td>
<td>Likely to be lower</td>
</tr>
<tr>
<td>Medium (depends on the efforts of other sectors)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(depends on stringency of efficiency level)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic performance</td>
<td>‘Equal MAC approach’ aims for cost-effectiveness</td>
<td>Depends on economic efficiency and cost effectiveness of measures</td>
<td></td>
</tr>
<tr>
<td>Distributional &amp; social impacts</td>
<td>Less equitable</td>
<td>‘Equal MAC approach’ aims for fair distribution of costs</td>
<td>More equitable</td>
</tr>
<tr>
<td>Medium (if capability is not taken into account)</td>
<td></td>
<td></td>
<td>(reduction potential is taken into account)</td>
</tr>
<tr>
<td>Institutional &amp; political feasibility</td>
<td>Depends on environmental effectiveness, economic performance, and distributional &amp; social impacts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Assessment criteria are drawn from IPCC AR5 WGIII, author’s own analysis.
Setting a reduction target in anticipation of ‘further measures’ may require consideration on whether the target assumes offsetting or not.

- Offsetting has cost-saving potential but uncertainty remains as to its environmental effectiveness and economic performance. It would also not be a sustainable solution because it does not lead to efficiency improvement in the shipping sector. Offsetting should therefore not be considered as a major component in the reduction target.

Emissions from international shipping and offsetting mechanisms
Conclusion

- Careful consideration is necessary, taking into account the science-based required reduction level, reduction efforts in other sectors, reduction potential of international shipping and its distinctive role for sustainable development, in order to set a fair, ambitious and achievable reduction target for international shipping.

- Such consideration should also take into account what would be appropriate for the industry, whose support is critical for actions to reduce GHG emissions in the shipping sector.