INTERFERRY

Representing the Ferry Industry World-Wide

# Green House Gas regulations

IMO

- WHERE ARE WE HEADING?

# What should IMO's role be?

**The existence of a proposal for legal text on an individual MBM does not imply that implementation of that particular proposal is imminent.**

*International Chamber of Shipping (ICS) Brief*

**MEPC 64 will be held at IMO Headquarters**
**4 Albert Embankment, London SE1 7SR**
**from Monday, 1 October to Friday, 5 October 2012**

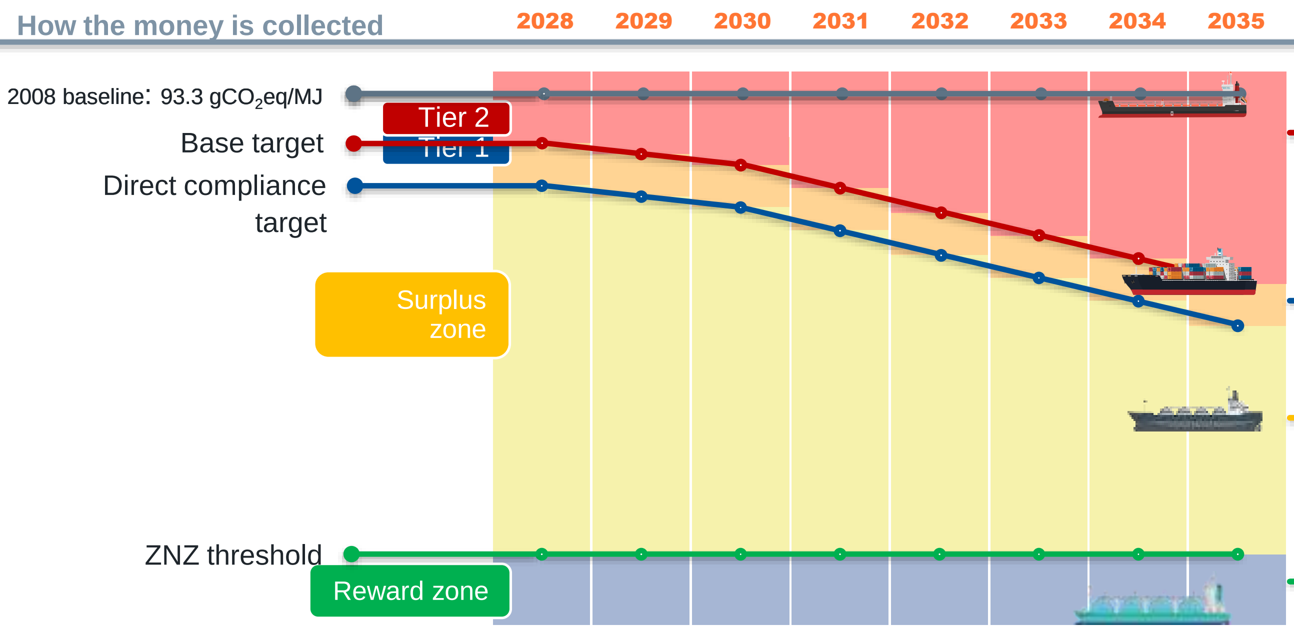
**PROVISIONAL AGENDA**

| Date | Item | | WG |
|---|---|---|---|
| Monday 1 October | 1<br>2<br>3<br>6 | Adoption of the agenda<br>Harmful aquatic organisms in ballast water (RG)<br>Recycling of ships (WG)<br>Consideration and adoption of amendments to mandatory instruments (DG) | All groups to meet |
| Tuesday 2 October | 4<br>7 | Reduction of GHG emissions from ships<br>Interpretations of, and amendments to, MARPOL and related instruments | All groups to meet |

# This is how the IMO NZF [*should*] work in practice

International Chamber of Shipping

## How the money is collected




**Tier 2 compliance:**
- Purchase Remedial Units (RUs) from the IMO at USD380 per tonne of $CO_2eq$
- Or trade for Surplus Units (SUs)

**Tier 1 compliance:**
- Purchase Remedial Units (RUs) from the IMO at USD100 per tonne of $CO_2eq$

**Surplus zone:**
- Earn Surplus Units (SUs) tradable & bankable
- No penalties apply

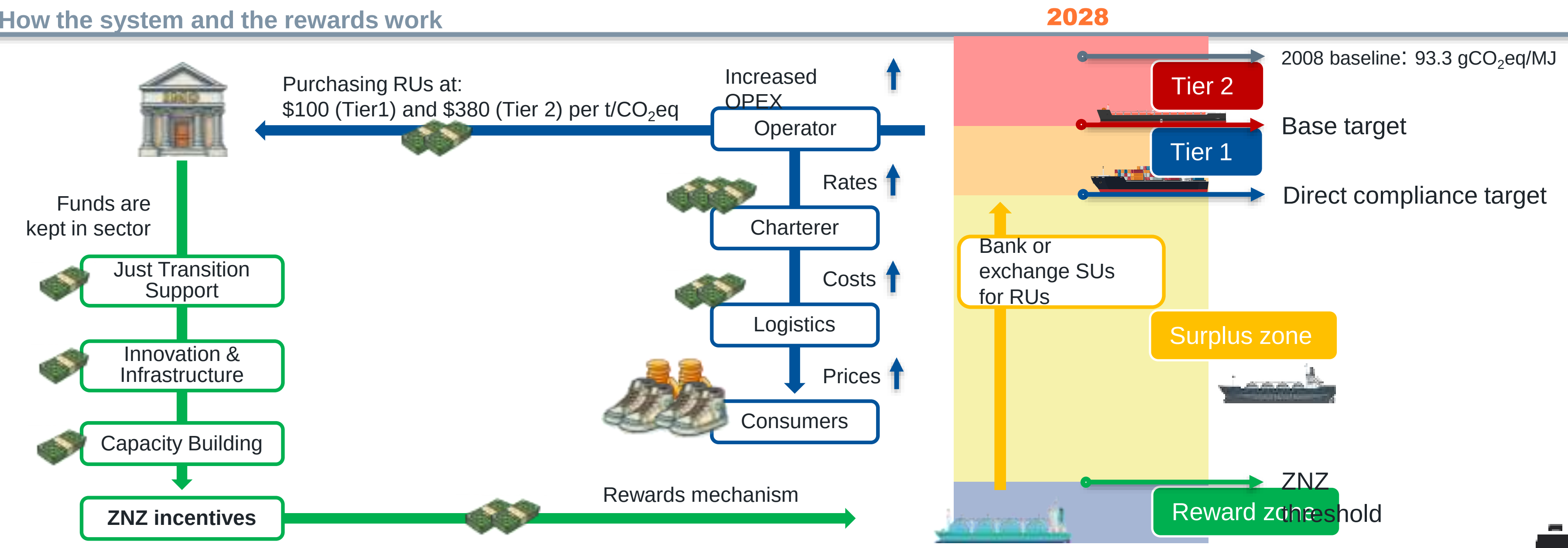
**Reward zone** (in addition to SUs)**:**
- Cash rewards for use of zero or near-zero GHG emissions fuels and technologies (details still to be agreed) potentially including carbon capture

INTERFERRY

# This is how the IMO NZF [*should*] work in practice

A global reward system that supports direct **OPEX (**& potentially **CAPEX)**,
a trade-off between short-term operating pain and long-term strategic investment.

## How the system and the rewards work



# IMO Extraordinary Session 2


## Tacit acceptance

Marpol amendment enters into force 10 months after it is formally adopted by the MEPC, unless one third of parties to Marpol, or countries representing 50% of the world's gross tonnage, object.

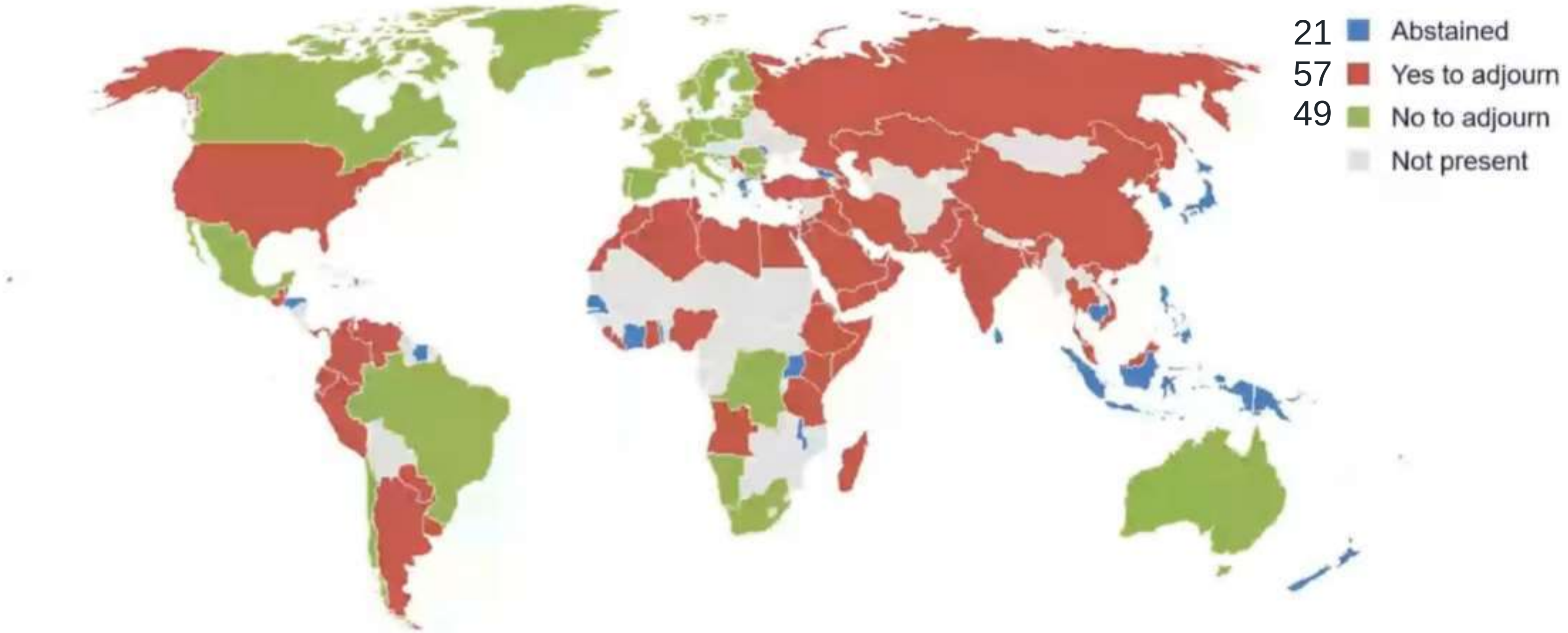
## Explicit acceptance

Two thirds of contracting governments need to write to the IMO to confirm their acceptance after the adoption.

# IMO Extraordinary Session 2

Motion to adjourn the meeting!

# The geography of adjournment



# Working Group outcome LCA and fuel certification

- Fuel certification
  - Approval of Sustainable Fuel Certification Schemes (SFCS)
  - Fuel Lifecycle Label to consider well-to-tank emissions only
  - No decision on chain of custody (e.g. mass balance)
- LCA guidelines
  - Avoided emissions and net negative emissions
  - Use of power purchase agreement for electricity in fuel production
  - Minimum requirements for geological storage of $CO_2$
  - Determining default values: using highest vs weighted average of data points
  - Sustainbility aspects and indirect land use emissions

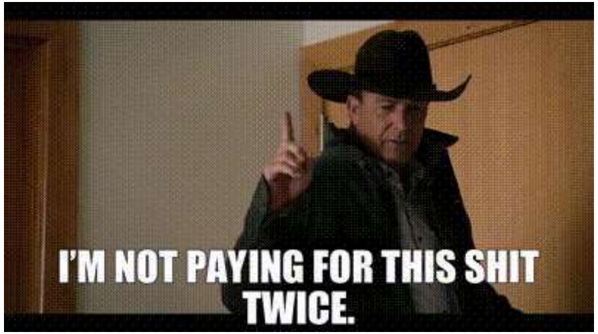
# Future for Net-Zero Framework?

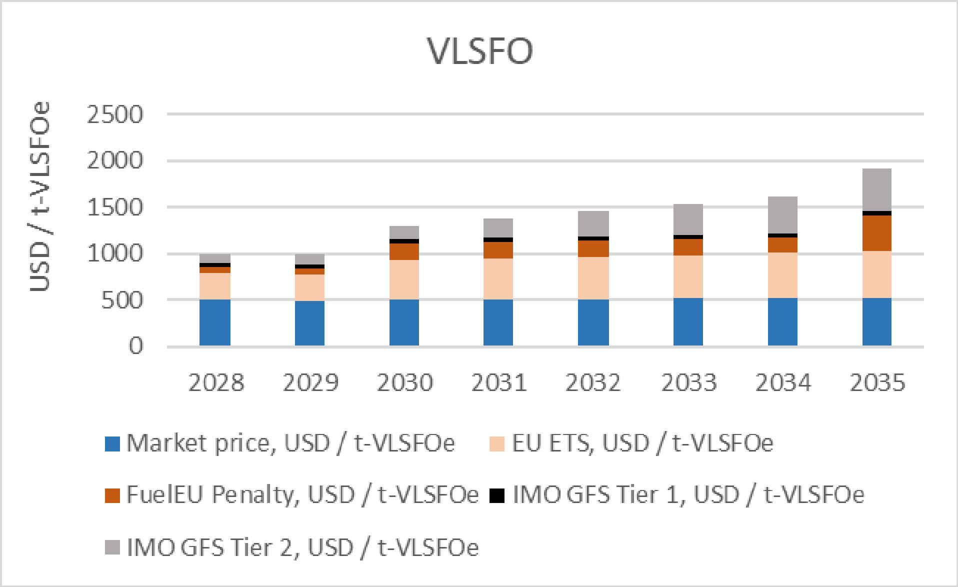
- The vote does not necessarily indicate how any of these States might have voted if the vote on adoption had taken place.
- Development of detailed Guidelines continues between sessions, but application from 2027 looks unlikely.
- The EU ETS was partly to blame for the development, and we still do not know if the EU is willing to withdraw. For now the ETS will certainly remain.
- If the financial dimension of NZF cannot be resolved we should expect the entire framework to be scrapped. This could lead to very strict technical and operational requirements being put on the table. Think CII on steroids...

# IMO & EU GHG

## INTERFERRY Position

If both the EU and the IMO systems are imposed, we would see double energy cost for ferries in EU trade already in 2028. They would double again by 2035.



# Questions?