Submission by the Climate Action Network (CAN) on cooperative sectoral approaches and sector-specific actions: emissions from international aviation and maritime transport.

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This submission presents the views of the Climate Action Network on issues related to addressing emissions from international transport.

Climate Action Network International is the world's largest network of civil society organizations working together to promote government action to address the climate crisis, with more than 700 members in over 90 countries. www.climatenetwork.org

Background:

International aviation and maritime transport are major and fast-growing sources of greenhouse gas emissions, while being under-taxed from an environmental perspective.[1] Yet there is high potential to reduce those emissions globally, beyond the energy efficiency measures developed and considered under the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO).[2] Carbon pricing would be an effective means of addressing this situation and can be applied fairly and equitably. In addition, it could raise considerable funds to support climate action in developing countries, and in the maritime and aviation sectors.

While the UNFCCC should set the climate targets, ICAO and IMO should develop global measures to reduce GHG emissions from international aviation and maritime transport (bunker fuels), and to develop and implement measures based on fairness and efficiency in addressing the collective challenge of mitigating and adapting to climate change. COP18 should adopt a decision that supports efforts by ICAO and IMO to complete the development of global policy frameworks for GHG emissions from international aviation and maritime transport, respectively, including carbon pricing of their emissions, by 2015. To enable such progress, the decision should clarify how the principle of common but differentiated responsibilities and respective capabilities (CBDRRC) may be operationalized in these inherently global and complex sectors, without distorting competition and avoiding carbon leakage. The most promising option for addressing impacts on developing country economies in our view is through the use of revenues generated by carbon pricing to address potential burden on poor countries.[3] However, other approaches may also be explored, particularly for the aviation sector, such as *de minimis* clauses, distribution of emission allowances under an ETS mechanism (in the less than optimal outcome of partial free allocation of allowances) to ensure equitable distributional effects for developed and developing countries, phase-in periods, or by providing technical support to developing countries in complying with the agreed measures. In the case of using

[1] UNEP predicts that under BAU assumptions, global aviation and shipping combined could be between 1.7 to 2.5 Gt CO_2 in 2020. The Potsdam Institute assumes total emission to be 1.8 Gt in 2020 (Rogelj et al 2010). Business-as-usual projections by the International Civil Aviation Organisation (ICAO) and International Maritime Organisation (IMO) suggest that in the absence of policies to control them, emissions could triple by 2050. Such unchecked emissions would take up a substantial proportion of any global carbon budget to stay below 2°C.

[2] A 2009 IMO report estimates that 250 $MtCO_2$ reductions in 2020 are achievable with no-regret measures (with an uncertainty range from 130 to 360 $MtCO_2$). The potential in the international aviation sector is not yet fully estimated; preliminary conservative estimates indicate the sector could achieve at least 110 $MtCO_2$ reductions by 2020. The UNEP report estimates a potential to close the gap by 1.3 $GtCO_2$ with mitigation actions considered by ICAO/IMO.

[3] See MEPC GHG-WG_3-3-11, WWF

revenues to address impacts, the main international reports on innovative finance (by the AGF and the World Bank and IMF[4]) estimate that up to 40% of revenues would be used to address impacts on developing countries, i.e., through rebates.

Part of the remaining funds may be used to finance emissions reductions, both inside and outside the respective international transport sectors, to meet the emissions reductions objectives established. These reductions could be achieved through financing NAMAs, or through purchasing emissions allowances from outside the sector. Options that allow for the use of offsets from other mechanisms would need to be carefully assessed and include stringent quality standards. The experience with JI and CDM has shown that a large fraction of such offsets are not additional.

The remaining revenues from such carbon pricing mechanisms could be channeled to the Green Climate Fund as international climate finance, although only the part attributed to developed countries (according to agreed criteria) should be counted towards the fulfillment of the financial commitment to mobilize 100bn USD annually by 2020. The AGF found that after addressing the incidence on developing countries, up to $18 billion in climate finance for developing countries could be available from shipping and up to $6 billion from aviation, at a carbon price of $25/t$CO_2$.[5]

Response to Facilitator's questions from the AWG-LCA Spin-off Group on Sectoral Approaches in Bonn in May:

At the May Bonn session, spin-off group Facilitator George Wamukoya (Kenya) posed the following questions:

1. *How can we frame a general framework that does not inhibit investment and growth in all the sectors as set out in art 4.1 (c) of the Convention?*
2. *How would we like emissions from international bunker fuels to be handled under UNFCCC? How do we package a message(s) to other UN specialized agencies such as IMO and ICAO, dealing with bunker fuels?*
3. *Given that the LCA is to close at Doha, what kind of outcome would you like to see in Doha pursuant to Decision 2/CP17 para 74 and 78?*

On the first question, there has to be separate treatment of those inherently international sectors where emissions occur outside and between national boundaries. So it is likely not a useful exercise to spend more time and efforts to develop a framework covering all sectors, unless it involves recognizing and starting from this distinction.

On the second question, we welcome the willingness expressed by most parties to send a signal to IMO and ICAO, but we note some differences in what that signal should be. A decision on sectoral approaches in Doha can contribute to progress towards agreement under ICAO and IMO, through sending a signal on how to reconcile the respective principles and customary practices of the different bodies, given the shared and overlapping jurisdiction between UNFCCC and the specialized agencies IMO and ICAO. In this context, it is not useful to propose that the principles of one body taking precedence over another, but instead, arrangements should be found that reflect the principles and customary practices of both bodies. The IMO and ICAO operate on the basis of non-differentiation between nationality (flag) of ships and

[4] Mobilizing Climate Finance. A Paper prepared at the request of G20 Finance Ministers. October 6, 2011 http://www.g20-g8.com/g8-g20/root/bank_objects/G20_Climate_Finance_report.pdf; Report of the Secretary-General's High-Level Advisory Panel on Climate Change Financing. 5 November 2010. http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF%20Report.pdf

[5] This figure is an estimate of the amount of funds remaining after compensating developing countries for costs born by them, to ensure there is no net incidence on developing countries.

aircraft, respectively, and there is no accepted or indeed feasible way to differentiate between countries in rules applied to ships and aircraft operating in highly competitive global markets.[6] However, the mechanism design under IMO and ICAO should avoid posing any disproportionate burdens to developing countries that may arise even with equal treatment of ships and aircraft. It should also build in mechanisms to allow it to be adjusted over time to reflect different countries' evolving responsibilities and capabilities.

On the third question – we think it is extremely important to get a robust outcome from Doha. For bunker fuels we need a signal that recognizes and urges acceleration of ongoing work of the IMO and ICAO, and gives them advice on a way forward that reconciles the principles and procedures of the different bodies, and notes that these sectors should contribute their fair share to global efforts and increased ambition. We understand that the best way to do this in the context of the current discussions in both bodies of global market based measures, is to pursue global measures consistent with the procedures of the IMO and ICAO, while addressing the UNFCCC principles through the use of revenue generated and potentially through some other design elements. This revenue can be used to ensure that the impact on developing countries is addressed, by ensuring that revenue collected from them (as determined by an agreed indicator or key) is returned and used to address any impacts on vulnerable populations and for climate change actions in those countries, and revenue collected from developed countries is channeled through the Green Climate Fund for climate action in developing countries, as well as a portion to be used for technology assistance and other in-sector actions.

From Bangkok to Doha

COP 18 will provide the last chance for the AWG-LCA to complete its mandate under the Bali Action Plan, which includes para 1b4 on Cooperative Sectoral Approaches and Sector-Specific actions. A successful outcome on this item could clear the way for progress in addressing emissions from these sectors in the IMO and ICAO, and demonstrate the value and effectiveness of multilateral approaches. Failure to achieve a significant outcome under the UNFCCC, and under the IMO and ICAO, will strengthen the voice of those who argue that the UN multilateral system is failing to achieve effective outcomes and that the world must look elsewhere for solutions to the climate crisis.

The five options on International aviation and maritime transport in the current text contain the elements for a successful outcome that can send a signal to the IMO and ICAO, or to parties to these bodies (to use a potentially useful wording from Option 3), on how to address convention principles in the context of their own established approaches and customary practices. Option 2 provides a useful compromise – take account of the principles and provisions of the UNFCCC in the context of global measures under the IMO and ICAO, but it would be useful to go beyond this and say how this might be done. Option 4 provides the basis for this, by introducing the issue of finance potentially generated by MBMs. These two texts (Option 2 and 4) can be combined in a way that gives appropriate guidance on how to address CBDR, in global measures under the sectoral bodies.

This could point to the use of revenue generated by MBMs to address any impacts on developing countries, to support technology transfer and cooperation and transfer for developing countries, especially the most vulnerable, in implementing these measures, and also to provide financing for developing countries, while making sure that only financing raised from developed countries counts towards the financial commitments of those countries.

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[6] See, for shipping, MEPC GHG-WG 3/3/3. The IMO, global MBMs that reduce emissions and the question of Principles.