



**Platts 6th Annual European Emissions
Markets Conference**
The shipping perspective

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Shipping MRV Regulation's journey through EU's legislative process

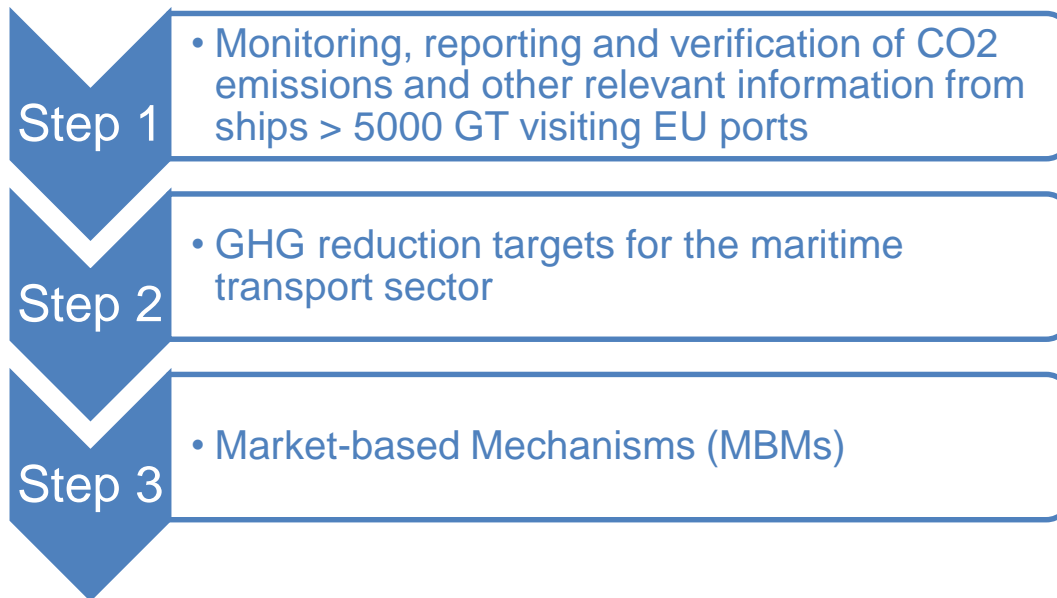
Date	Key Event
28 June 2013	Legislative proposal published
4 July 2013	Committee referral announced in Parliament, 1st reading/single reading
10 October 2013	Debate in Council
13 December 2013	Debate in Council
30 January 2014	Vote in Committee, 1st reading/single reading
31 January 2014	Committee report tabled for plenary, 1st reading/single reading
16 April 2014	Results of vote in Parliament
16 April 2014	Decision by Parliament, 1st reading/single reading
12 June 2014	Debate in Council
24 Sept 2014	Opening of interinstitutional negotiations (trilogue)
2015	Coming into force?

Background – Why the EU decided to act

- Shipping = large and growing source of GHG emissions
- Global shipping = around 1 billion TCO₂ / year
- 3% of the world's GHG emissions
- 4% of EU's total emissions
- Emissions expected to double by 2050
- International shipping not covered by EU's emissions reduction target
- The EU decided to act!



A 3-step strategy



Objectives of MRV system:

- Collect GHG data and energy efficiency data
 - Cut CO₂ emissions by up to 2%
- Reduce net costs to owners by up to 1.2 billion €
 - Analyse performance of ships



Jan 2014 – ENVI committee proposes to include NO_x and lower the threshold

- Parliament's ENVI committee proposed to include MRV of **NO_x emissions** from vessels in addition to CO₂ emissions
- ENVI committee also proposed that minimum threshold for covered vessels be reduced **from 5,000 GT to 400 GT**



Theodoros_Skylakakis, ENVI Committee

April 2014 – Shipping MRV regulation adopted at Parliament but amendments rejected

- Plenary approved shipping MRV regulation, which closely resembled the initial proposal made by the Commission in June 2013
- Proposal to reduce threshold from 5,000 GT to 400 GT was rejected
- Proposal to include MRV of NO_x emissions was rejected
- Only average energy efficiency metrics expressed in fuel consumption per distance and CO₂ emissions per distance shall be reported
- The amount of cargo carried shall no longer be monitored and reported



Regulation still needs Council approval – Trilogue is about to start!

- Regulation voted at Plenary must now go through Council
- Interinstitutional negotiations ('trilogue' between Parliament, Commission and Council) now open!
- Plenary text will be discussed, and if need be compromises must be found
- Council opinion is expected very soon
- Council must agree through a Qualified Majority Vote (QMV)
- Regulation to return to Parliament for a second reading



Shipping MRV regulation: An MRV system for ships above 5000 GT

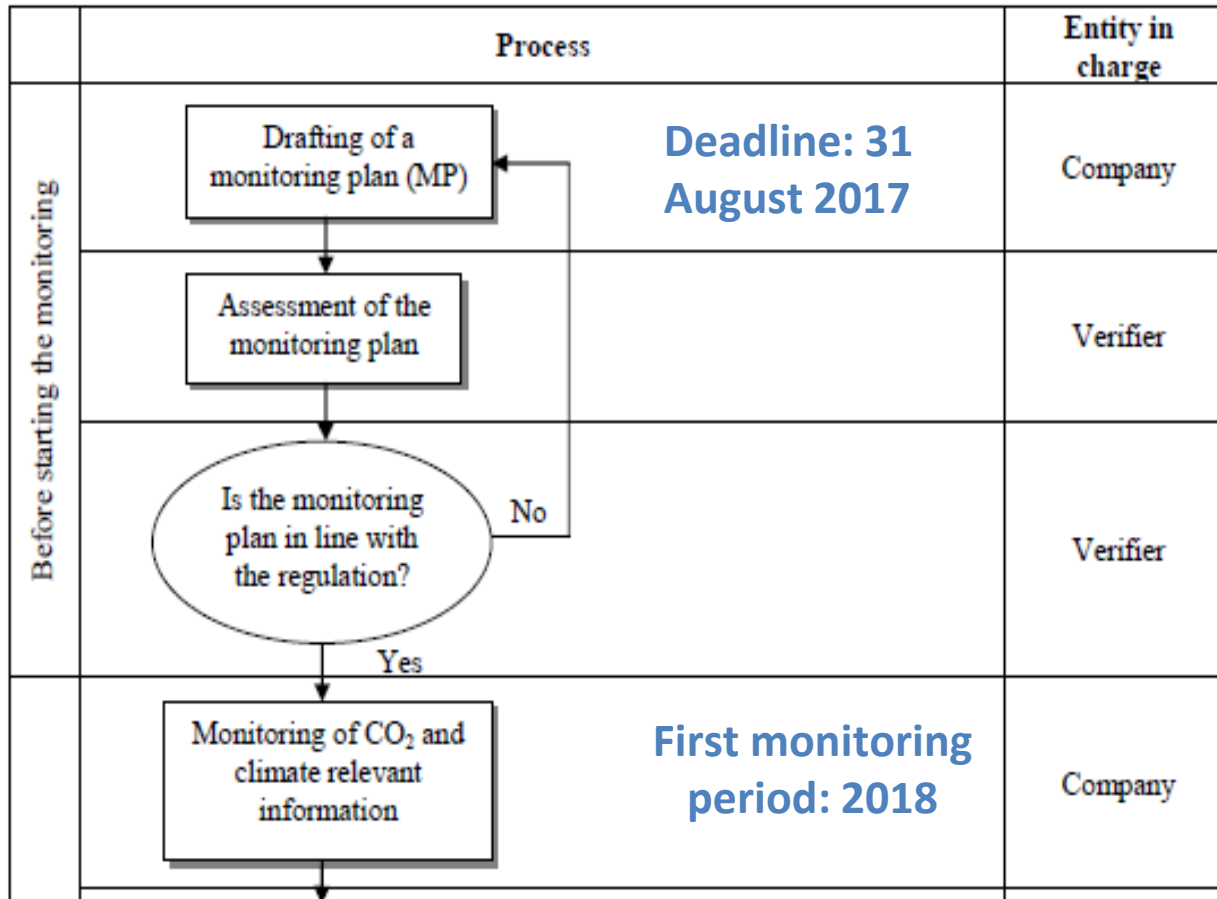
- All vessels > 5,000 GT visiting EU ports required to report per-voyage and annual CO2 emissions
- Vessels to also report average energy efficiency data: fuel consumption and CO2 emissions per distance
- Allowed fuel consumption monitoring methodologies:
 - Use of bunker fuel delivery notes
 - Bunker fuel tank monitoring
 - Flow meters
 - Direct emissions monitoring
 - Modelling

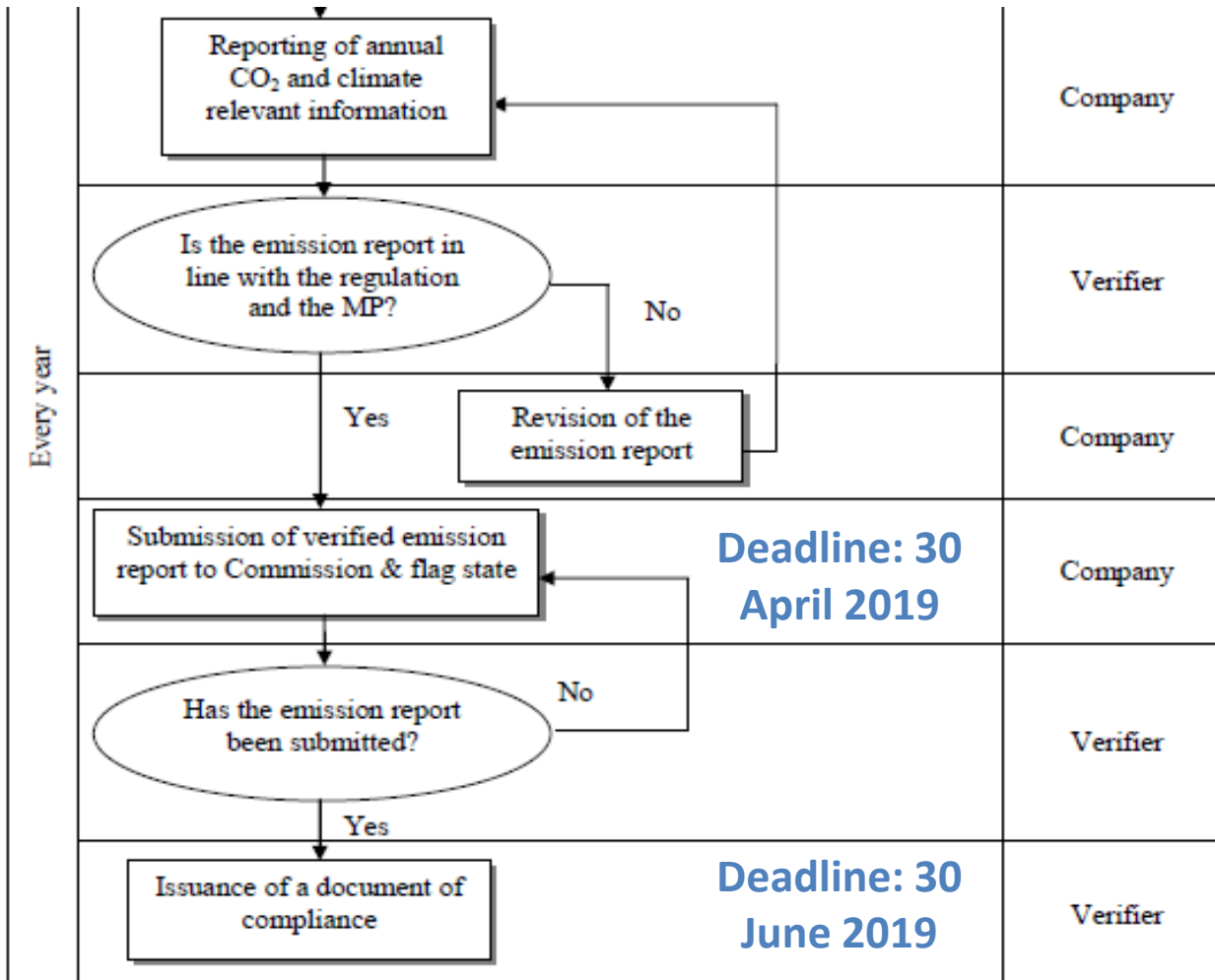


This is only an MRV at this stage: it is not ETS as there is no surrendering of allowances (yet)!

- Ship owners only required to monitor and report aggregate annual and per-voyage CO2 emissions; and average energy efficiency data
- All the reported data needs to be verified by third-party verifiers
- EU may use the collected data to develop an MBM (e.g. ETS) for the shipping sector or push for a global MBM under the aegis of IMO
- One can expect the EU to adopt a strategy similar to that adopted in the aviation sector
- Several possible models for an international ETS for the shipping sector have been proposed

A long-term timeline





- According to 'Third IMO GHG Study 2014', total GHG emissions from international shipping in 2012 decreased by 9.6% over 2007
- Share of international shipping in global GHG emissions has fallen from 2.6% (in 2007) to 2.1% (2012)
- IMO seems more inclined towards implementing its mandatory energy efficiency improvement standards as a tool to reduce GHG emissions
- In its latest submission to the UNFCCC (dated 15 May 2014) IMO made no explicit reference to the possibility of an MBM to reduce GHG emissions
- IMO may be forced to consider an MBM if a comprehensive climate change treaty is agreed to in Paris COP 21 next year
- EU may push for an ETS if international efforts to improve energy efficiency fail to achieve desirable reduction in GHG emissions



It is MRV only, not EU ETS!

No surrendering of allowances, no carbon trading!

EU ETS or Global MBM might come up in the 2020s

...

However, the EU has learned from Aviation EU ETS and is not likely to repeat the same mistakes!





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