



Possible uses of revenues generated by a Global Maritime Emissions Trading System

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IMO and Market based measures

- IMO is currently developing
 - Technical measures
 - Operational measures and
 - Market based measures
- In order to reduce CO₂-emissions from international shipping
- Currently under discussion: different market based measures (MBM), among them a Worldwide Emissions Trading Scheme
- Germany attaches highest priority to an agreement on worldwide scale, as this would achieve best climate protection and avoid market distortions



Why develop a worldwide ETS for shipping in the IMO?

- ETS responds precisely to the need for emission reductions: cap guarantees achievement of environmental target
- ETS is a cost-effective market base measure: it enables the shipping sector to reduce emissions in the most cost efficient way
- Allowances from other sectors can be surrendered: no limit on shipping sector growth
- Additional benefit: ETS will generate revenues which are not needed to achieve the emission reduction target

Discussion at next MEPC in July

- German Submission to MEPC 62 (MEPC 62/5/15) to be discussed in July 2011: Possible uses of revenues generated by an ETS
- Building on the ETS system proposed by Norway (MEPC 60/4/22)
- Proponents of ETS system: NOR, GER, FRA, GBR

Generating revenues from auctioning allowances

- IMO Greenhouse Gas Study estimated that ETS would generate USD 20-78 billion annually (MEPC 61/INF.2)
- With an ETS, these revenues are NOT needed to achieve the emission reduction target, so the question of the use of resources arises
- Final use of revenues will be based on a political decision

Possible uses of the revenues

- A) Compensation of the economic impact on developing countries
- B) R&D and technological support to promote mitigation and adaptation in the maritime sector
- C) Contribution to international climate finance

A) Compensation of economic impact on developing countries

- Overall economic impact of ETS on shipping sector would be low
- Building on scenarios, an increase in percentage of GDP varies between 0.01 (Central America and Caribbean, North America) and 0,17% (on routes to South East Asia for an allowances price of US\$15 per tonne of CO₂.)

- Small Island Developing States would be affected most by an increase of transport costs due to their remote location
- GER submitted a study on details of the impacts on developing countries (MEPC 60/4/54)
- Revenues could be used to compensate and take into account particular economic situation of developing countries

B) R&D and technological support for mitigation and adaptation

- Mitigation examples:
 - Facilitate additional R&D: reduction technologies e.g. optimising hull forms
 - Promote adoption of new technologies in demonstration projects e.g. auxiliary propulsion systems using wind, LNG or fuel cell systems
- Adaptation examples:
 - Facilitate R&D to investigate concrete impacts of CC on shipping (e.g. extreme weather events)
 - Develop options for possible adaptation action

C) Contribution to international climate finance

- Support developing countries in their efforts to climate change mitigation and adaptation
- ETS could contribute to generate revenues from shipping for international climate finance as proposed by the High Level Advisory Group on Climate Change Financing
- Green Climate Fund could play a role for the channelling of revenues to support climate action in the future

Conclusion

- With an ETS shipping will achieve environmental goals as to climate change target
- By auctioning, ETS will generate revenues which are not needed to achieve the target but can be used for purposes, such as
 - Compensation of economic impacts on developing states
 - R&D and technological support to promote mitigation and adaptation in the maritime sector
 - Contribution to international climate finance



Thank you for your attention

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