



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

***Julien Dufour***  
*CEO, VERIFAVIA, [www.verifavia.com](http://www.verifavia.com)*

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

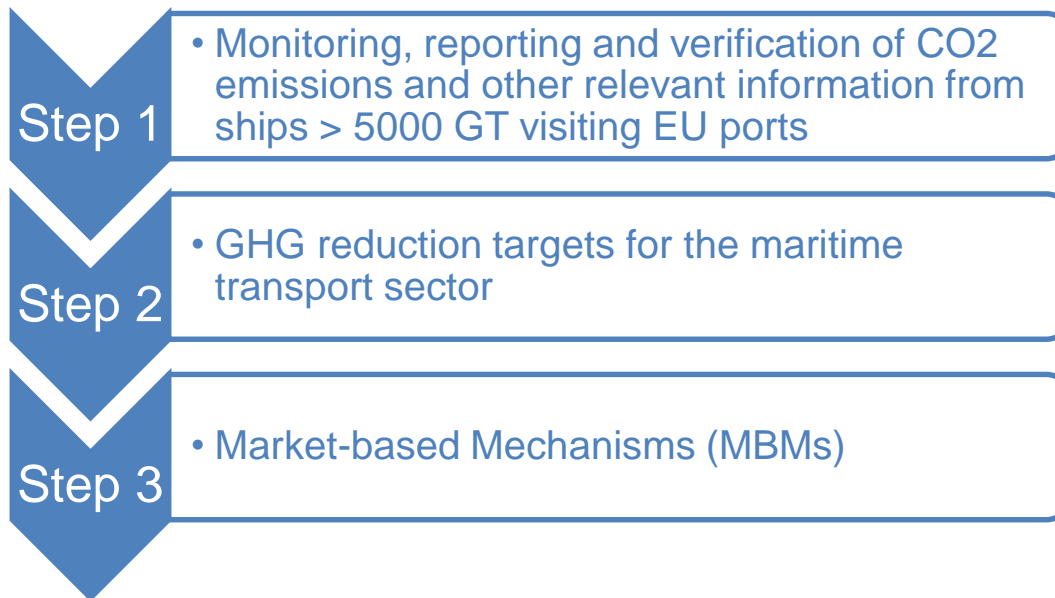
Date	Key Event
28 June 2013	Legislative proposal published
4 July 2013	Committee referral announced in Parliament, 1st reading/single reading
10 October 2013	Debate in Council
13 December 2013	Debate in Council
30 January 2014	Vote in Committee, 1st reading/single reading
31 January 2014	Committee report 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 TCO<sub>2</sub> / 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<sub>x</sub>** and lower the threshold

- Parliament's ENVI committee proposed to include MRV of **NO<sub>x</sub> emissions** from vessels in addition to CO<sub>2</sub> 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<sub>x</sub> emissions was rejected
- Only average energy efficiency metrics expressed in fuel consumption per distance and CO<sub>2</sub> 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

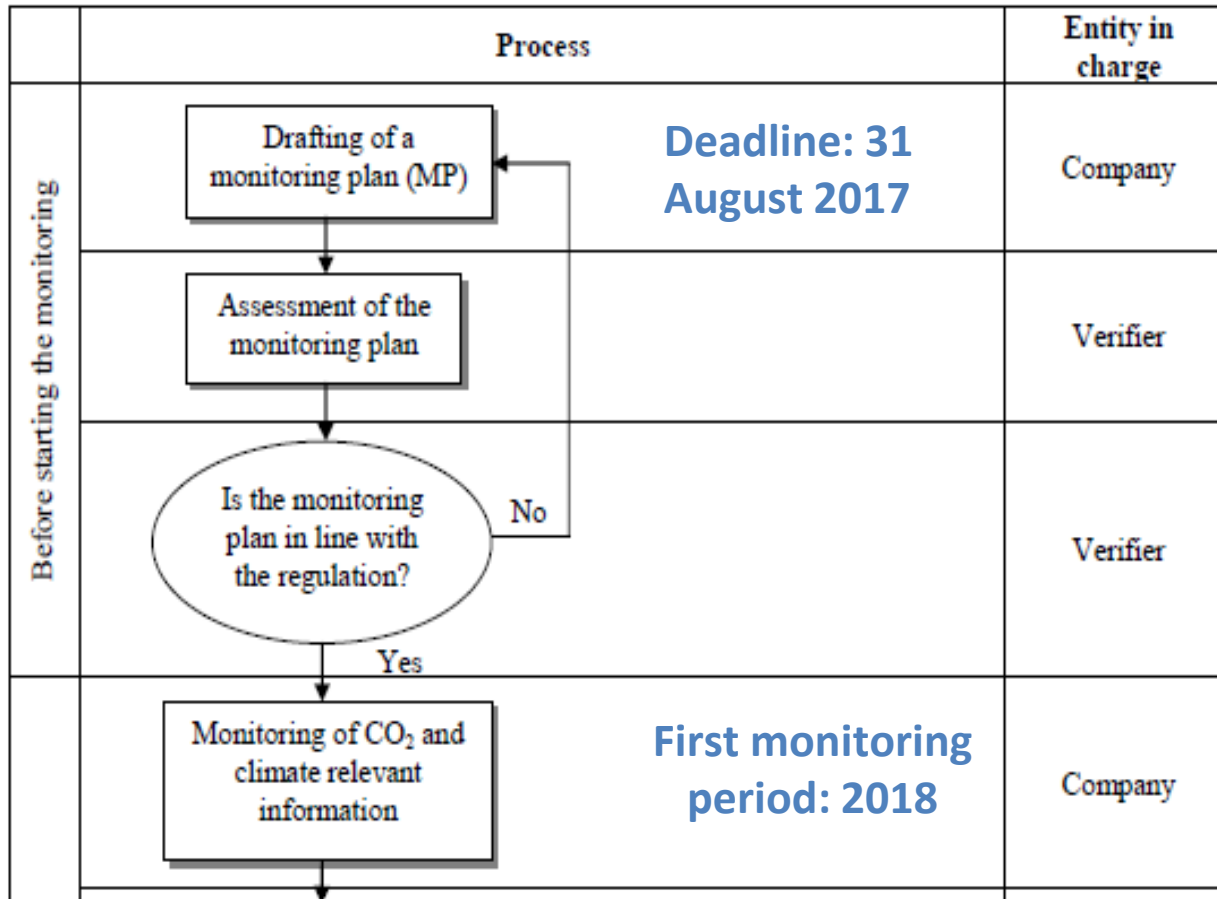


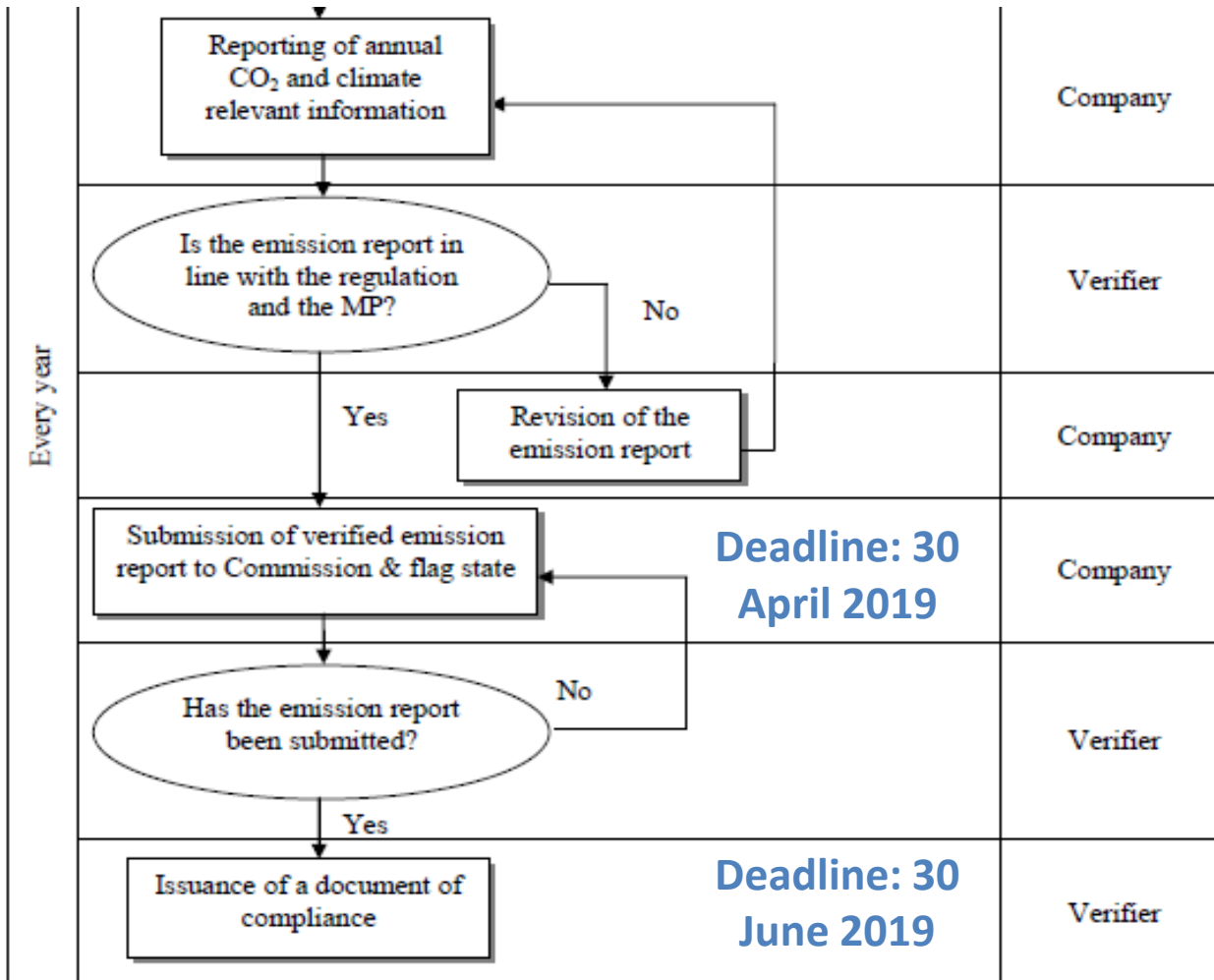


**This is only an MRV at this stage: it is not ETS as there is no surrendering of allowances (yet)!**

- 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!**





Julien Dufour, CEO

VerifAvia SARL :

15 rue des boulangers, 75005 Paris (France)

VerifAvia (UK) Ltd. :

Suite 13399, 2nd Floor, 145-157 St John Street, London EC1V 4PY (UK)

Tel. : +33 665 697 489 - Fax : +33 183 621 618

Email : [julien.dufour@verifavia.com](mailto:julien.dufour@verifavia.com)