

**POSITION PAPER OF
THE GREEK SHIPPING CO-OPERATION COMMITTEE (GSCC)¹
ON THE
DEVELOPMENT AND IMPLEMENTATION OF MEASURES TO REDUCE
CARBON EMISSIONS FROM INTERNATIONAL MARITIME TRANSPORT**

The GSCC first issued a position paper, relating to the application of emissions reduction schemes to the international maritime transport sector, in August, 2008. In view of the extensive debate on the issue which has ensued since that time, involving much agitation in favour of imposing a Market Based Mechanism (MBM) on the shipping industry and the several MBM proposals which have been put forward, the GSCC reiterates its position, as expressed in its previous paper and wishes to stress the following:

1. Notwithstanding the fact that the maritime transport sector carries 90% of all world trade and produces only about 2.7% of total world-wide carbon emissions and is, thus, widely acknowledged as the most environmentally friendly of all transport modes, the GSCC supports the commitment of the international shipping industry to do all it can, in proportion to its share of such emissions, to implement practical and effective ways of achieving further reductions. Currently identifiable technical and operational efficiency measures, which are under discussion at IMO, are estimated to reduce emissions from the maritime sector by between 15% and 30%. The GSCC supports such measures.

2 Any measure, including an MBM, in particular, must be designed, developed and implemented by the International Maritime Organization (IMO), as the sole international regulatory body for the shipping industry, specifically for the purpose of reducing carbon emissions from ships. It must be especially stressed that any such measure should be judged on its effectiveness as regards the benefits to the environment, i.e., the reduction in carbon emissions resulting from the measure, rather than on the revenue generated.

3 The GSCC notes with concern that the UN High-Level Advisory Group on Climate Change Financing has identified maritime transportation as a significant source of revenue to an extent which is substantially disproportionate to the sector's share of global carbon emissions. It agrees with most other national and international shipping associations that the industry must not be targeted as the source of funding for the climate change agenda of the world's politicians and in particular, the flow of funds for environmental development or for other purposes from developed to developing nations. The shipping industry must not be considered a 'cash cow'.

4. Such measures should be applied internationally on a global basis, regardless of the flag of the vessel or the country of the loading port or discharge port of the cargo. This is most important in order to preserve a competitive "level playing field" internationally within the maritime transport sector and to avoid any distortion of competition within the sector. In view of the mobility of flag state registration within the maritime sector, the GSCC does not believe that any solution, which gives certain flag States advantages over others, would be appropriate for the shipping industry.

5 The GSCC hopes that the third intersessional meeting of the IMO Working Group on GHG emissions from ships will reach a clear consensus on the strategy to deliver emissions reductions from the international maritime sector, including the question as to whether there is a compelling need for an MBM to be part of that strategy.

6. Although for the reasons stated in its earlier paper, the GSCC is not in favour of an MBM for the shipping industry, it would nevertheless, support a solution agreed at IMO, including an MBM, provided it were applied uniformly to all ships trading worldwide, as aforesaid, and that any revenue contributed by or derived from the maritime sector would be directed by IMO,

¹ The Greek Shipping Co-operation Committee, (GSCC) is an organisation founded in London in 1935 comprising membership of firms based in the United Kingdom representing Greek shipowning interests,

purely towards environmental benefit, in a completely transparent manner. There should be no possibility of profiteering and, thus, as explained below, no emissions trading, and the funds should not be channelled to governments or other agencies or bodies.

7. In particular, the GSCC is opposed to an Emissions Trading Scheme (ETS) or similar scheme, whereby shipowners would be obliged to purchase emissions trading permits in order to continue to trade. It remains most emphatically concerned that such a scheme would be highly unsuitable and ineffective for the shipping industry, especially if third parties outside the maritime sector, such as financial institutions and/or futures trading houses, were permitted to engage in the emissions trading process. Under such a system, emissions trading, as transacted between two trading counterparts, would become a zero sum game with some counterparts gaining at the expense of others. Those counterparts having the greater expertise in futures trading, including financial institutions and, possibly, large, multinational corporations, whether pure shipping companies or not, would be most likely to benefit at the expense of other smaller companies. Such gains and losses would pass from one counterpart to the emissions trading transaction to the other, with no benefit, whatsoever, to the environment. This would also create another form of distortion of the competitive environment within the maritime sector, which the GSCC believes should be avoided at all costs. Furthermore, according to the analysis made by the Congressional Budget Office (CBO) of the United States of America, for land based manufacturing businesses which are fewer and, therefore, capable of being administered more cost effectively than the international maritime transport sector, a fuel oil levy would be much more cost efficient than an ETS.

8. Another risk inherent in an ETS is the fraud which was recently discovered in the EU emissions trading system, which resulted in carbon trading in the EU being halted for a time. Hence, the GSCC believes that an ETS would become a disastrous burden on the shipping industry without significant compensatory environmental benefit.

9. Thus, the GSCC believes that if an MBM were deemed by IMO to be appropriate in order to reduce carbon emissions from the maritime sector to a greater extent than that would result from technical and operational efficiency measures, a pure fuel oil levy would be the more suitable mechanism, in that it would be applicable to all ships worldwide on the basis of their fuel oil consumption. It would be consistent with the aim of reducing fuel oil consumption and, thus, carbon emissions. Moreover, only a levy would produce certainty with respect to the price of carbon. Owing to the fluctuating market price of carbon inherent in an ETS, such a system would produce no such certainty. Certainty in respect of the price of carbon is necessary for two main reasons. Firstly, and most importantly, certainty would enable shipowners to pass such (levy) costs on to the charterers and down the chain to consumers, thus affecting the pattern of trade in a manner that would reduce tonne-mile demand thus reducing CO₂ emissions. Secondly, it would encourage slow steaming, which would reduce fuel consumption and, thus, CO₂ emissions, further. A fuel oil levy fund, furthermore, would be more easily administered and since it would apply to all vessels and all flags world-wide, it would preserve a level playing field that would avoid any distortion of the competitive environment within the international maritime sector.

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Greek Shipping Co-operation Committee



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