Two for one: Financing climate action and Cutting shipping emissions

Dr Andre Stochniol, founder, International Maritime Emission Reduction Scheme (Imers)

Imers in 30 words: A market-based levy on emissions from international shipping, which differentiates responsibilities between developed and developing countries. Applied worldwide, collected centrally – bypassing national coffers – raising $10bn+ annually for climate change action.

A novel proposal to raise $billions of financing for climate change and simultaneously address shipping emissions has been submitted by Nigeria and Liberia to the UN Climate Change negotiations, at the recent UNFCCC talks in Barcelona. It is the International Maritime Emission Reduction Scheme (Imers).

Progress in addressing shipping emissions has been slow, to say the least. But progress in dramatically increasing the flow of climate financing to developing countries has been even slower. Both needs are undisputed but it is the lack of scaled-up financing, estimated to be at least $100 billion annually, which is the make-or-break for UN climate negotiations later this year at Copenhagen. Shipping emissions alone are peripheral to many, even though they amount to double the emissions from aviation.

Addressing both issues simultaneously provides the best chance of progress. That was the idea Dr Andre Stochniol, the founder of Imers, brought to the UN's International Maritime Organization (IMO) in 2007. It took over two years to shape the idea with 30 national delegations, half of which were from developing countries. Already supported by many countries, the proposal has every chance of being agreed by both developed and developing countries.

Refund breakthrough? The novelty of the idea is based on a "refund". Each developing country would be entitled to obtain a refund from the global scheme for shipping emissions. The value of the refund would be defined by a country's share of worldwide imports. Given that the demand for foreign goods causes shipping emissions in the first place, this is the most equitable formula possible. The share of imports could also be used to calculate the share of emissions for each country. For instance, the UK could then account for circa 5% of emissions from international shipping; all of Africa for fewer than 3%, as the continent imports so little.

As the current negotiations have proven, developing countries strongly oppose any uniform schemes. For them, that would be against the principles of the UNFCCC convention, including the principle of common but differentiated responsibilities and respective capabilities. These require rich nations to take the lead on climate action, based upon their historical contribution to the amount of greenhouse gases in the atmosphere.

In this context, according to Dr Stochniol, it is paramount to resolve the conundrum of making a shipping scheme both global (as per the IMO) and differentiated (as per the UNFCCC).

After intensive consultations, Dr Stochniol has found that the refund option is the preferred way forward. Another differentiation option based on the final destination of goods is too complex. He also prefers a market-based levy, which could be easily implemented globally. Importantly, both the refund and the levy are easily understood by everyone.

Imers is in fact a 'cap-and-charge' scheme as opposed to cap-and-trade: it imposes a carbon levy on emissions but simultaneously can cap emissions. The levy would be charged on fuel used by all ships active in international transport. It would be set at the rolling average market price of carbon, and obtained directly from ships, thus bypassing national coffers.

The liability would stay with the ship, irrespective of the flag it flies, the nationality of the shipowner and where the fuel is bought in the world. The scheme would be enforced by standard ship certification procedures and port entry conditions.

As a result of the scheme reduced costs of transport are expected, mostly through efficiency incentives, and increased investments in R&D and capacity building. Even with no improvements, the anticipated impact of the scheme would be minute, only circa 0.1% increase in the price of imported goods to developed countries (equivalent to an extra US$1 for every US$1,000 of imported goods).

All of the revenue raised would be disbursed to climate change action, comprising adaptation, forestry (REDD+), and technology in the maritime sector.

Roughly 70 percent of goods are imported by developed countries. Thus, a levy of US$15 per ton of CO_2 would raise approximately US$10 billion in 2013, after the refunds to developing countries have been issued. Given than the G8, the EU, and recently the G20 have failed to agree on financing climate action in developing countries, this would be a major step in the right direction.

Andre Stochniol, andre@imers.org, +44 7809 764 894