

Reducing Carbon in a Global Economy

Contribution of Environmental Defense Fund Europe to the DfT August 2020 workshop

We are a global NGO who are working closely with the International Maritime Organization to support and promote the transition to the use of clean fuel for shipping.

As with many industries around the world, shipping is facing the challenge of how best to decarbonise to address the increasing costs and risks of climate change. Rather than considering it as a challenge, we are encouraged that the UK sees this as an opportunity in the Clean Maritime Plan (CMP). The UK can become a champion of clean shipping by focusing on reducing greenhouse gas emissions.

In addition to fulfilling our moral obligation to future generations, tackling climate change provides one of the best opportunities for reinvesting in shipping infrastructure. It can attract foreign investment and positively influence our balance of trade. Putting shipping at the forefront of global climate action will help secure first mover advantage and bring many benefits to the UK economy. The UK industry will be able to mitigate future risk associated with changing global climate policy and regulations. Moreover, it will strengthen the UK's position as a leading and progressive maritime nation.

Maritime transport is often described as the backbone of international trade and the global economy. Around 80% of global trade by volume and over 70% of global trade by value are carried by sea and handled by ports worldwide. On the scale of the UK, as a percentage of the country's overall GHG emissions, shipping's contribution (both international and domestic) is 3.4%. As emissions from other parts of the economy decrease in line with UK commitments and action on climate change, the contribution of relatively smaller sources of GHGs, including the maritime sector, will increase unless action is taken.

This can be done by several means. Firstly, emissions from shipping should be covered under the Carbon Budgets. The Committee on Climate Change has suggested this change many times in the past, however, their arguments have fallen on deaf ears. We believe it is time to change this. In June 2019, the UK became the first major economy to legislate a target for net zero emissions by 2050. Although emissions from international shipping and aviation are not formally included within the legislation at this point, net zero cannot be achieved without their contribution. This change will send a strong signal to the industry and set the UK on the right path to meet the ambitious decarbonisation targets defined by the Clean Maritime Plan. It also represents a huge opportunity for the UK to export its knowledge and technology around the world, strengthening UK's position as clean shipping research and technology hub.

Secondly, the UK should be at the forefront of the global clean shipping movement. Shipping is a global sector and one country cannot decarbonise it alone. However, the United Kingdom is well placed to increase the speed and ambition of global decarbonisation while also benefiting from it. Although the UK delegates in the International Maritime Organization (IMO) have been among the more progressive, much more has to be done to ensure international shipping does its fair share in meeting the Paris Agreement temperature goals. The UK should advocate for effective policies that would drive adoption of alternative zero-emission fuels all over the world, and provide help especially to those countries who are economically disadvantaged. In particular, it should bring forward a proposal – or partner with other countries - to introduce a carbon price for international shipping at the IMO at the earliest opportunity. It has a leadership role at the IMO and if it steps forward with an ambitious proposal, other countries will follow suit.

The Clean Maritime Plan committed to a consultation on what incentives could be put in place to assist the UK shipping sector on their journey to decarbonisation. We would urge you to continue with that consultation and base it around:

- Adding a carbon price to all emissions from ships on journeys to and from the UK;
- Directing the profits towards a fund which would help UK offset costs associated with the transition towards clean shipping;

Linking the carbon price to a decarbonisation target to ensure its level is high enough to drive the transition to clean shipping. And within that framework, the UK should start the transition to zero-carbon fuels as soon as possible, making sure that emissions of all greenhouse gases and throughout the whole life cycle are taken into account. The forthcoming consultation on the RTFO could be a suitable place to carry out this lifecycle analysis work.

While zero-carbon shipping becomes more cost-competitive, with the cost of electrolyzers falling rapidly, it is still much more economical for ships to run on fossil fuels. That competitiveness gap will have to be closed by a policy. A well-designed carbon price tied to the sector's emissions could spur innovation and create incentives to deploy a range of measures to reduce emissions: slow steaming, improved efficiency and ultimately a switch to alternative fuels. By helping ensure the most cost-effective emission cuts, a carbon price would enable more ambitious reduction goals in the future. The revenue generated from a carbon price could also help fund innovation and deployment of new propulsion technologies, including sustainable fuels and their infrastructure, driving down their cost and making them more affordable.

It is always difficult to introduce new economic measures but the costs of doing nothing are extraordinarily high. Covid-19 has shown us that the public is in favour of radical action on climate change and supportive of bold measures. Without bold action, the goals of the CMP (all domestic ferries zero emission by 2050 and all new vessels being ordered for use in the UK waters will be designed with zero emission propulsion capability by 2025) will not be achieved. Investing in green shipping as part of the green recovery will bring jobs and economic benefits to the UK as a whole.

Conclusion: At the national and international level, a well-designed carbon pricing policy must be implemented if we want to see significant change towards sustainable fuels. If the shipping industry and key flag states see such a policy as being in their financial and geopolitical interest, it will spur innovation and the deployment of low-carbon technologies. Through the Clean Maritime Plan, the UK has already set a clear path forward, and is a leader in terms of ambition to decarbonise the industry. It is urgent that it puts in place the policy to ensure those aims and targets are achieved in the near-future. The Environmental Defense Fund Europe looks forward to working with the Department for Transport on putting the ambitious and exciting Clean Maritime Plan into action.