WHAT WOULD A PARIS CLIMATE DEAL MEAN FOR THE SHIPPING AND AVIATION INDUSTRIES?

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Shipping and aviation, the two powerhouses of globalisation, bring trade, wealth and development to the remotest corners of the world. But in return they demand a hefty environmental price.

Aviation currently accounts for about two per cent of the world's greenhouse gas emissions, according to its regulatory body, the International Civil Aviation Organistation (ICAO). Left unchecked, the ICAO estimates this figure could grow by almost 400 per cent by 2050. Meanwhile, international shipping similarly currently accounts for just over two per cent of global CO2 emissions and emissions are likely to grow anywhere from 50 per cent to 250 per cent by 2050, according to a UN-backed study released last year.

Regulation of these sectors has become something of a bureaucratic headache for climate negotiators. As international industries, they are not easily covered by national or regional decarbonisation policies, but nor are they covered under international climate agreements.
During the 1997 Kyoto summit, the issue of regulating shipping and aviation proved too much of a sticking point for negotiators, who opted to leave it out of the final agreement. Since then, regulation has been the responsibility of UN-backed industry bodies ICAO and the International

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Maritime Organisation (IMO). However, progress has been slow. Since 1997 only a handful of measures have been introduced by ICAO or IMO to address the sectors' emissions.

In shipping, new ship efficiency standards adopted in 2011 required all new vessels to meet the Energy Efficiency Design Index (EEDI), but new ships are already well exceeding the required standards. The IMO says it is also planning to develop a global data collection system to monitor ship emissions, with an announcement detailing how this system will work expected at the next assembly in 2016. However, it continues to resist calls for an overall emissions reductions target, most recently rejecting a proposal for an emissions cap made in May by the Marshall Islands.

Meanwhile, talks at the ICAO have only produced a series of voluntary commitments from the aviation industry and a target for "carbon neutral growth" by 2020. The ICAO has so far failed to set out how exactly it plans to achieve this – although it is expected to release more details about the scheme next year.

Many observers remain decidedly unimpressed. "There's no evidence at all yet that the ICAO exercise is anything other than greenwash," says Tristan Smith, a lecturer in energy and transport at University College London (UCL). "Similarly the IMO… needs to demonstrate how policies that have been put in place are going to create genuine absolute emissions reductions. They haven't demonstrated that at all."

The industries' enthusiasm for tackling carbon emissions seems to come in waves, mirroring the cycle of UNFCCC negotiations, according to Tim Johnson, director of the Aviation Environment Federation. "Whenever you get a big meeting – like in Copenhagen – and everyone's talking about climate change and how to get it under control, I think both ICAO and the industry feel the need to act and show their leadership role," he says.

With the next big international climate summit in Paris now just a few months away, the ICAO and the IMO both seem to be "really engaged" with finalising their emissions plans, Johnson says. But how do the industries feel about the prospect of a new international climate deal and how would it impact them?

The latest version of the UN's draft text calls on shipping and aviation industries to limit their emissions in line with internationally agreed targets. This appears relatively uncontroversial at first look. It simply requires the two industries to follow the lead set by UNFCCC – something they are likely to do already, according to James Beard, a policy officer at WWF's Energy and Climate unit. In many ways, the ICAO takes its cue from UNFCCC, he says. "It's not going to want to be doing more than them, but it's also not going to want to be doing a lot less than them either," he predicts. Likewise, the clause could give the IMO a very clear mandate to act on shipping emissions, argues Smith, perhaps acting as a catalyst for the IMO to set tangible emission reduction targets.

However, exactly how these emissions reductions might be delivered is a bone of contention. Although the Paris text seems relatively relaxed about the issue, it is the subject of fierce debate within the industry.

Aviation is broadly welcoming of a market-based measure in principle, and in particular is reportedly exploring a global carbon offsetting programme as a means of achieving its goal of carbon-neutral growth by 2020. However, carbon offsetting schemes are difficult and costly to enforce, and the ICAO's scheme may not even be legally binding or universally applied, leading some green campaigners to voice concerns over the plans.

As for aviation's longer-term decarbonisation ambitions, it is placing a lot of faith in efficiency

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measures and biofuels. And although the IPCC predicts the aviation industry can improve aircraft efficiency by up to 50 per cent by 2050, it says it is unlikely that any practical alternative to kerosene-based jet fuels will be found within the next few decades. Land resource is also major issue – the UK's Committee on Climate Change says that "competing claims for scarce bio-energy resource means policy should not be planned on the basis of significant penetration of biofuels in aviation".

Meanwhile, the shipping industry is largely opposed to a market-based measure for limiting its emissions. Many within the sector insist efforts to reduce emissions should be limited to efficiency measures and voluntary fuel emissions savings, claiming that this already gives ship owners the most powerful incentives to minimise their carbon impact.
"It's easy to be trite about these things but it's really a case of enlightened self-interest," says Simon Bennett, director of policy and external relations at the International Chamber of Shipping. "The important thing to understand about the shipping industry is that fuel costs by far are the most significant cost that a ship operator has. So ship operators have every interest in reducing the fuel consumption of a ship as much as possible."

In an attempt to limit their costs, many ships have already adopted the practice of "slow steaming" – where ships travel at lower speeds to save on fuel. This partly explains why emissions from shipping have actually fallen in recent years, Bennett says. And although some campaigners say slow steaming is a temporary trend, Bennett believes it is here to stay – partly because new regulations mean ships will have to switch to a more expensive, low-sulphur fuel from 2020.

If new international emissions policies and targets could drive the development of lower carbon forms of shipping and aviation, it is the prospect of climate-based taxation that promises to really shake up the twin industries. One option in the draft text is for the ICAO and IMO to develop a levy scheme that will provide cash for an international Adaptation Fund, which would be used to fund climate mitigation projects around the world.

Both industries are very, very reluctant to be singled out for a climate levy. The ICAO expressed "clear concerns" to BusinessGreen over the proposal to make aviation pay a levy, saying that "international aviation should not be targeted as a source of general revenue in a disproportionate manner".

Most of the shipping industry is equally opposed to the idea. The ICS warns against treating the industry as a "cash cow", saying it will be "lobbying hard" in the run-up to the summit to persuade governments to drop the idea of a levy.
"Ship owners are not turkeys, they don't volunteer for Christmas," says Bennett. "No one volunteers to pay money they don't need to pay." However, if a levy is imposed, there is a preference for a fuel levy over another kind of market-based measure such as an emissions trading scheme, he says.

Some experts argue that a fuel levy on shipping and aviation would actually be a rather fair way to raise cash for the Adaptation Fund. WWF's Beard believes the levy clause is a very positive element of the draft text, saying it represents a "big opportunity to mobilise finance" for climate adaptation and mitigation. Aviation is an industry that "generally doesn't pay as much tax as others, and is generally used by wealthier people in wealthier countries," he says. Meanwhile, shipping firms currently don't pay any tax on their fuel, leaving some commentators to suggest maybe it is time for it to start paying its fair share.
We don't know exactly what the IMO and ICAO's carbon-cutting plans will look like until they are officially announced next year. But right now, we can be sure both organisations are keeping a close eye on the progress of COP21 negotiations, using the summit to gauge the level of ambition

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needed for their own emissions reduction plans.

This is a potentially risky waiting game, says UCL's Smith. While confidence for the summit keeps building, it is driving the ICAO, IMO and industry representatives to start to act on carbon emissions. But if the summit is an environmental washout, all the pressure on shipping and aviation will trickle away, he warns. "If there isn't a perceived threat of UNFCCC action, if there's another meeting like Copenhagen, then you very easily create an atmosphere in an organisation where there are lots of excuses not to do anything," he says.
Confidence is certainly mounting for a global deal at Paris. But a lot can happen before the summit – the draft text is still not final, and any mentions of shipping or aviation may still be slashed from the agreement at the next round of talks in Bonn.

But with or without those specific clauses, a strong agreement to curb global emissions will keep the pressure up on ICAO and IMO to deliver on aviation and shipping's carbon reduction promises and deliver the strong international policies needed to do so. Who knows, it may even inspire them to go the extra mile in their journey to decarbonisation.

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