

The Committee on Climate Change – Call for Evidence
151 Buckingham Palace Rd
London, SW1W 9SZ

30 Park Street
London
SE1 9EQ

BY EMAIL ONLY

10 February 2020

In Re: The Sixth Carbon Budget and Welsh emissions targets – Call for Evidence

Thank you for the opportunity to respond to the Committee on Climate Change call for evidence on the Sixth Carbon Budget, published on 5 December 2019.

I am responding on behalf of the Chamber of Shipping which is the trade association for the UK shipping, representing more than 200 member and associate members across the maritime industry. This response reflects the consolidated views of our members who represent a diverse range of vessels and interests.

As an island nation where 95% of trades is transported by ships, the UK economy and development are highly dependent on shipping. In 2017, shipping and the maritime sectors contributed an estimated £46 billion in GVA. That is significantly higher than the contribution from rail, air and road sectors.

As a preface to our response, I would like to stress that the UK Chamber of Shipping is grateful for the significant work undertaken by the Committee on Climate Change over the years in producing sound scientific advice for the UK to deliver the climate change ambitions and reach a net-zero economy by 2050. We also appreciate your Committee's consideration of addressing emissions from shipping.

Climate change is the greatest threat posed to our society, and therefore urgent action is necessary. The UK shipping industry stands behind the UK's ambition to deliver the Paris Agreement goals and is determined to support the transition to decarbonisation.

Transport by sea is the most carbon-efficient mode of transportation. Over the last 10 years, the industry has made great strides by reducing its emissions by 10%, while facilitating a 30% increase in global trade. This is done through the optimisation of our operations and investment in technology and alternative fuels. Therefore, shipping should be seen as a vital part of the solution to achieving the Paris Agreement's goals.

The call for evidence asks question 35 under section "E. Sector-specific questions" which relates to shipping and below is our answer.

The Chamber of Shipping is, of course, willing to provide further detailed evidence if required and constructively assist in this process.

Yours faithfully

32. Aviation and Shipping: In September 2019 the Committee published advice to Government on international aviation and shipping and Net Zero. The Committee recognises that the primary policy approach for reducing emissions in these sectors should be set at the international level (e.g. through the International Civil Aviation Organisation and International Maritime Organisation). However, there is still a role for supplementary domestic policies to complement the international approach, provided these do not lead to concerns about competitiveness or carbon leakage. What are the domestic measures the UK could take to reduce aviation and shipping emissions over the period to 2030/35 and longer-term to 2050, which would not create significant competitiveness or carbon leakage risks? How much could these reduce emissions?

We agree with the Committee's view that there is a role for UK domestic policies to assist in reduction of emissions over the period 2030/2035 and longer-term to 2050. These policies mustn't lead to conflicting regulations with the IMO but rather supplement it and contribute to its effective and efficient implementation.

Development of sustainable global maritime environmental regulations through the International Maritime Organization

We welcome the Committee's recommendation that the primary policy approach for reducing emissions from international shipping should be set through the International Maritime Organisation. Shipping is an inherently international industry that depends on a global regulatory framework to operate efficiently. Without international action, through the IMO, there will not be sustainable progress in the reduction of global emissions due to carbon leakage and will have a significant impact on the cost of reduction for the UK.

Besides, the UK, as an island nation that is heavily depended on shipping, has a definite interest in the international community to achieve meaningful emission reductions. The UK has shown that it has the capacity to take a leadership role at the IMO to ensure that measures and agreements reached are designed to be efficient, effective, and equitable. Only by committing to the IMO's role and work the UK has a seat at the table in shaping shipping international emissions.

Research and development of zero-carbon fuels and innovative technologies to further enhance the energy efficiency of ships

The International Maritime Organisation has made significant progress by adopting the initial GHG strategy. The strategy aims to improve the industry's CO₂ efficiency by at least 40% by 2030 and half its emissions by 2050.

To achieve the long-term 2050 target, the energy efficiency of all ships trading globally would have to increase dramatically across all sectors, at least 85%¹ compared to 2008. It is difficult to predict the status of the technology in the long term, but it is believed that this can only be achieved with a

¹ <https://www.lr.org/en-gb/insights/articles/decarbonisation-no-time-to-lose/>

switch to zero-emission fuels. The fossil fuels used today might, in large part, need to be replaced with alternatives such as batteries, sustainable bioenergy, ammonia or hydrogen. As vessels have on average a lifespan of 20-30 years, that subsequently raises the question of how we future-proof vessels built today, and which might be operating in 2050. According to some studies, to ensure a smooth transition, zero-emission commercial ships will have to enter the fleet by 2030 and form a significant portion of the fleet by 2050. Therefore, that would require in this decade for these zero-emission options to evolve rapidly to mature and overcome barriers around cost, safety, global availability, recycling and subsequently to be commercially viable compared with conventional ships.

To this end, the industry has proposed to the International Maritime Organisation (IMO) the establishment of an International Maritime Research and Development Fund, to be financed by a mandatory contribution of US\$2 per tonne of marine fuel. This will generate US\$5 billion of funding over a 10-year period in order to accelerate the research and development of zero-carbon technologies. A global R&D fund such as this is also likely to attract funding from other sources. At the very least, the UK Government should support this initiative at the IMO whilst also specifically helping the UK shipping industry by investing in UK R&D initiatives that will set up the UK as a world leader in such research thereby helping to ensure that part of the global fund is invested in UK based research.

Measures to encourage investment in port infrastructure to support the supply of alternative low-carbon and zero-carbon fuels and shore power supply, preferably from renewable sources

Developing new fuels or propulsion technologies are just one part of the decarbonisation story. In fact, the speed of the decarbonisation of the shipping industry is also determined by the ability of ports to build the chosen paths to decarbonisation. During the development and then operation of these new solutions, our ports will require the ability to receive ships. That will require reception facilities, including new bunkering and significant new power supplies. Many of these investments will require an upfront cost, which might not necessarily be attractive in the short-term, but likely to be cost-saving in the long-run. Therefore, there is a need for an early coordinated vision of how port infrastructure would fit into the broader UK's shipping energy transition agenda and support from the government to unlock the barriers to investment in green maritime infrastructure required.

At least 16% of carbon emissions from shipping come from when vessels are in port, and there are therefore substantial and quick reductions to be realised if shore power, generated from non-fossil fuel sources, is provided in UK ports. This will require a national strategy based on regulation as well as financial support. No port in the world has successfully introduced the provision of shore power without Government support, whether that be national or regional.

Access to finance

The shipping industry will be taking significant strides to move towards a sustainable, zero-carbon future. To adequately address the challenge of increased demand for transport and reduction of emissions, there is a need for a deal that must be credible and consistent to give the industry the security to invest in low and zero-carbon technologies. That requires adequate, long-term green finance availability and incentive schemes that will encourage the first movers to uptake the new zero-emission technologies and fuels.

Incentivise modal shift in transport from roads and air to ferries and coastal shipping around the UK to reduce emissions from the transport sector.

In terms of CO₂ emissions per tonne of cargo transported one mile, shipping is recognised as the most efficient form of commercial transport. Shifting passengers and goods to inland waterways, ferries and coastal shipping around the UK will per se reduce CO₂ emissions in the UK. The Chamber encourages the development of a strategy for modal shift from road and air to sea, including concrete suggestions for incentivising this shift.

Finally, we would call for caution when considering measures that might be promoting inaction and be counter-productive for the sector in the long-term. Any measure proposed should not detract from the development of infrastructure, technology and low or zero-carbon fuels to support a net-zero carbon emission shipping.

