



EUROPEAN COMMISSION
Impact Assessment Board

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Opinion

Title **DG CLIMA - An EU initiative on a proposal for the inclusion of GHG emissions from maritime transport in the EU's reduction commitments**
(resubmitted draft version of 21 December 2012) *

(A) Context

The emissions of the shipping sector have been recognised as a growing environmental problem as they affect the climate, have direct impacts on human health, and they contribute to ocean acidification and eutrophication. The EU is committed to achieve the climate objective of limiting global average temperature increase to less than 2 degrees Celsius above pre-industrial levels. To this end, the Europe 2020 Strategy for smart, sustainable and inclusive growth includes five headline targets. One of the headline targets is to reduce GHG emissions by at least 20% compared to 1990 levels or by 30%, if the conditions are right. According to the EU's climate and energy legislation, all sectors of the economy should contribute to achieving these emission reductions, including international maritime shipping. International shipping is the only sector and transport mode so far not covered at the EU level by the emission reduction target. In the view of contributing to the EU 2020 Strategy, the 2011 Commission White Paper on Transport states that EU CO₂ emissions from maritime transport should be reduced by 40% (if feasible 50%) from 2005 levels by 2050.

(B) Overall opinion: POSITIVE

While the report has been improved to some extent in line with the Board's recommendations, several aspects still require further work. First, the report needs to better substantiate the problems by presenting more robust evidence on the magnitudes of the underlying market failures, and by more convincingly demonstrating the sector's apparent failure to follow cost-efficient business strategies. This analysis should be fully informed by stakeholder views, clearly differentiating between larger and smaller operators/ships. The report should then further develop the baseline scenario, in qualitative as well as quantitative terms, taking into account the expected market dynamics until 2020 (e.g. ship overcapacity, the need to generate fuel savings, new technology, slow steaming etc.) as well as emergent sector responses, such as initiatives of climate conscious ship-operators/shippers. Second, the report should better explain the content and functioning of the policy options, particularly the envisaged 'two-step' approach. It should provide a more differentiated impact analysis, including a clearer

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted
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presentation of cost figures for all actors involved and administrative costs for Member States. Finally, the report should present the views of stakeholders, clearly differentiated by category, particularly on the problem definition and the need for and assessment of the 'second step' options.

Given the need to establish in a 'first step' robust industry monitoring/reporting standards, the overall uncertainty of the modelling projections, the fact that three substantive policy change options do not really differ in terms of environmental effectiveness, and the on-going work at the international level, the report should state more clearly that a possible 'second step' action is taken only once a sufficiently robust evidence base is available.

(C) Main recommendations for improvements

(1) Strengthen the problem definition and reinforce the baseline scenario. The report should better substantiate the relevance and size of the market failures, for instance by showing why the sector apparently fails to adapt cost-efficient business strategies despite the increase in competition. It should also present a more credible analysis for the lack of information, barriers of split incentives and limited access to finance. This analysis should be complemented by stakeholder views, clearly differentiating between larger and smaller operators and ships. On that basis the report should significantly develop the baseline scenario, in qualitative as well as quantitative terms, taking into account the expected market dynamics until 2020 (e.g. ship overcapacity, business needs to generate fuel savings, new technology, slow steaming etc.) as well as emergent sector responses, such as initiatives of climate conscious ship-operators/shippers. Against this background the report should reconsider the statement that the baseline scenario does not address any of the market barriers. Finally it should clearly indicate issues with uncertainty related to the modelling work and acknowledge limited data availability.

(2) Better present and assess the policy options. The report should better explain the envisaged 'two-step' approach in the presentation and assessment of the options, particularly that options 3 and 4 can only be applied effectively with option 2 as a prerequisite. It should clarify the link and any 'automatism' between the two stages. It should also justify why other potentially effective options, such as stricter regulations on ship design, speed limits, or obligatory weather routing are not mentioned and further analysed. On that basis the report should provide a more substantiated and differentiated impact analysis, including a clearer presentation of benefits and costs, for all actors involved. This should include a more comprehensive analysis of impacts on trade, sector competitiveness, SMEs, availability of financing for business, consumer prices and administrative costs for Member States. Furthermore, it should analyse in greater detail the available choices on the recycling of revenues for the relevant options and should indicate clearly the corresponding assumptions for the analysis. Finally, the report should be clearer on the costs/benefits of each of the options in general. It should clarify whether it intends to support already at this point in time, on the basis of the current evidence base and in absence of 'step one' robust monitoring data, a political decision on the need for and preferred type of 'step two' action.

(3) Clarify the different stakeholder views. While the report provides more references to stakeholder views, these need to be presented in a more differentiated way, particularly as regards the presentation of options and analysis of impacts.

(D) Procedure and presentation

The report should aim to achieve a better balance in the distribution of relevant information between the different annexes and the main text and streamline the technical language to make it more accessible for the non-expert reader.

(E) IAB scrutiny process

Reference number	2012/CLIMA/001
External expertise used	No
Date of IAB meeting	Written procedure. An earlier version of this report was submitted to the IAB in October 2012, for which the Board has issued an opinion on 23 November 2012.