



EUROPEAN COMMISSION  
Impact Assessment Board

Brussels,  
D(2012)

**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**  
**(draft version of 24 October 2012) \***

**(A) Context**

The emissions of the shipping sector have been recognised as a growing environmental problem as they affect 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 CO<sub>2</sub> emissions from maritime transport should be reduced by 40% (if feasible 50%) from 2005 levels by 2050.

**(B) Overall assessment**

**The report requires considerable further work on several important aspects. First, the report should better establish the problems, by explaining and demonstrating with robust evidence the concrete shortcomings and underlying market failures to be addressed. It should then improve the baseline scenario, by providing a clear description of how the problems and the identified market barriers would evolve in the absence of further EU measures, including an outlook on fuel prices, shipping capacity, competitiveness, efficiency and trade. Second, the report should improve the intervention logic by better linking the specific problems, their drivers, objectives and policy options. For instance, it should clearly show how further monitoring and reporting together with higher duties/levies would actually ameliorate the situation and rectify the problems. Furthermore, the report should explain in greater detail the content and functioning of the policy options, and explain how they would concretely address the different market barriers. Third, the report should provide a more substantiated and differentiated impact analysis,**

\* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted

**including a clear presentation of (investment) cost figures for the shipping sector, administrative costs for Member States, and (compliance) costs for all actors involved, better clarifying assumptions made about revenue recycling. Finally, the report should clarify the future monitoring and evaluation arrangements, and should present the different stakeholder views better throughout the analysis, particularly on the assessment and comparison of options.**

**Given the nature of these recommendations, the Board asks DG CLIMA to submit a revised version of the report, on which it will issue a new opinion.**

### **(C) Main recommendations for improvements**

**1) Clarify the policy context, strengthen the problem definition and reinforce the baseline scenario.** The report should present a more comprehensive, consistent and streamlined problem definition, indicating clearly up-front the problems and market failures that the initiative will tackle as well as the importance of curbing the GHG emissions in the maritime sector for reaching the EU's overall climate policy objectives. This should include experiences from other sectors (e.g. aviation) and shortcomings of already existing (EU) schemes aimed at CO<sub>2</sub> reductions. The report should better present evidence and quantitative data demonstrating the scale of the problem and the underlying market failures/barriers. This should include key background information on the various segments of the shipping sector (e.g. ownership versus charter, fleet size distribution, shares in overall transport), its resource/fuel efficiency and CO<sub>2</sub> emissions and relevant trade flows. The report should also present a stronger argumentation for the prevailing barriers of split incentives and limited access to finance. Subsequently, it should clarify and justify the need for EU action at this point in time, taking account of international maritime laws to which the EU is a signatory. Finally, the report should present a more developed baseline scenario, by providing a clear description of how the individual problem drivers and the identified market barriers would evolve in the absence of further EU measures, under the given time horizon. This should include an outlook on trade, fuel prices, competitiveness, shipping efficiency and capacity. The report should also give an overview of the existing policies at the international, EU, Member State and private level and explain how these would develop vis-à-vis the identified problems and shortcomings.

**(2) Establish a clear intervention logic, reinforce the objectives and clarify the content and functioning of the policy options.** The report should strengthen the intervention logic by clearly connecting the identified problems, their drivers and the specific objectives with the options and measures. This should be achieved, for instance, by presenting the objectives in "S.M.A.R.T.er" terms, and by clearly showing how further monitoring and reporting, together with higher duties/levies, would ameliorate the situation and rectify the problems. Consequently, the report should explain in greater detail the content of the policy options, including their relevant technical background, and how they would address the market barriers (e.g. access to finance, information failures). The report should clarify if option 2 ("Monitoring") can be considered at all as a stand-alone option given that it is prerequisite for the other options to work effectively. If a staged approach is envisaged this should be reflected in the presentation of the options. The report should also clarify why other potentially effective options, such as stricter regulations on ship design, speed limits, or obligatory weather routing are not mentioned and further analysed. Finally the report should explain how the potential measures will interact with other relevant EU legislation as well as international conventions and instruments.

**(3) Better assess and compare options.** The report should present a more comprehensive impact analysis across the three pillars, including a more detailed assessment of implementation (and investment) costs, administrative burdens and impacts on trade (i.e. on imports and exports of various goods), competitiveness of all affected sectors, transport modal split, SMEs and consumer prices. This should be achieved; (i) by providing greater clarity on references to the underlying calculations, methodologies, assumptions (for instance on carbon prices) and studies supporting the analysis; (ii) by clarifying the concrete expected benefits and (compliance) costs for all actors involved, particularly for consumers and; (iii) by carrying out a sensitivity and risk analysis. The report should further distinguish clearly between and analyse administrative costs aspects for Member States. 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 present analysis. The report needs to be more specific on the up-front investment costs for the various segments of the shipping sector, particularly during the initial phases of a possible new regime. In this context the report should explain whether, and if so, how access to appropriate finance for business can be ensured. The report should also differentiate the analysis of impacts on the prices of a representative sample of commodities, by showing impacts in the short term versus the long term, and should explain in the main text why the results differ per type of commodity. Furthermore, the report should compare and summarise the impacts in a clear and concise manner, by comparing the options against each other and the baseline scenario using a clear set of comparison criteria, and by showing how far the options tackle the main identified problems drivers (market barriers) and improve the existing situation. The report should make clear if options 3 and 4 (and their sub-options) can only be applied effectively with option 2 as a prerequisite. If this is the case, then the report would need to analyse and compare these options as a "packages" to allow a full assessment in terms of effectiveness and efficiency. In doing so, it should also verify if the (overly) positive rating of option 2 in the comparison section is coherent with the underlying analysis. Finally, it should be clearer on the advantages, costs/benefits of the option (packages) in general, and should clearly state whether the report supports a preferred option in terms of costs and benefits.

**(4) Clarify the future monitoring/evaluation arrangements and the different stakeholders' views.** The report should provide a more operational monitoring and evaluation regime, including a set of robust progress indicators which are clearly linked to the specific objectives, and show how appropriate data collection would be ensured. Relevant stakeholders' views should be presented and utilised throughout the whole text, particularly as regards the assessment and comparison of options.

*Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report*

#### **(D) Procedure and presentation**

The report should provide greater clarity of and concrete references to the underlying sources, such as the AEA technology study, and include these studies and/or their executive summaries in the annex and/or provide adequate internet links. While doing so, the report should aim to achieve a better balance in the distribution of relevant information between the different annexes and the main text. It should streamline the technical language to make it more accessible for the non-expert reader, and corroborate the analysis by using available evidence to elucidate the importance of the underlying problems.

<b>(E) IAB scrutiny process</b>	
Reference number	2012/CLIMA/001
External expertise used	No
Date of IAB meeting	21 November 2012