Council of the European Union

Brussels, 14 July 2023
(OR. en)

Interinstitutional File: 2023/0284(COD)

11888/23
ADD 8

MI 622
ENT 165
ENV 862
CODEC 1377
IA 189

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	14 July 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2023) 27 final
Subject:	COMMISSION STAFF WORKING DOCUMENT Union submission to the International Maritime Organization's 14th Intersessional Working Group on Reduction of GHG Emissions from Ships on the timing of follow-up actions in the Revised IMO Strategy on reduction of GHG emissions from ships

Delegations will find attached document SWD(2023) 27 final.

Encl.: SWD(2023) 27 final

EUROPEAN
COMMISSION

Brussels, 31.1.2023
SWD(2023) 27 final

COMMISSION STAFF WORKING DOCUMENT

Union submission to the International Maritime Organization's 14th Intersessional Working Group on Reduction of GHG Emissions from Ships on the timing of follow-up actions in the Revised IMO Strategy on reduction of GHG emissions from ships

Union submission to the International Maritime Organization's 14th Intersessional Working Group on Reduction of GHG Emissions from Ships on the timing of follow-up actions in the Revised IMO Strategy on reduction of GHG emissions from ships

PURPOSE

This Staff Working Document contains a draft Union submission to the International Maritime Organization's (IMO) 14th Intersessional Working Group on Reduction of GHG Emissions from Ships (ISWG-GHG 14). The IMO has indicatively scheduled ISWG-GHG 14 from 20 to 24 March 2023.

The draft submission provides elements from the proposal on section 6 of the revision of the Strategy on reduction of GHG emissions made in document ISWG GHG 13/3/1 and suggest to include them to the working document as proposed in annex 1 of MEPC 79/WP.10.

This submission follows-up to the Union submission to ISWG-GHG 13/3/1, which included concrete proposals for the revision of the strategy, inter alia amendments on Section 6 of the Strategy, addressing the follow-up actions and their timing. At ISWG GHG 13, the proposals from this document together with proposals from other submissions were discussed, but no conclusions were reached on Section 6. The Chair suggested to include a new proposed structure for follow-up actions and associated milestones in Section 6, while further discussing the target years and specific content for those milestones at a later stage. The text of the draft Revised IMO GHG Strategy, representing the Chair′s reflection of the status of the discussions, was set out in annex 1 of document MEPC 79/WP.10 for further consideration by the Group at its next session. Nevertheless, this text by now does not include the proposed amendments on Section 6 of the Strategy as suggested by Austria et al. in ISWG-GHG 13/3/1.

Hence, the current document aims to contribute to the discussion on Section 6 at ISWG-GHG 14. It provides further explanations on the timing for follow-up actions initially proposed in document ISWG-GHG 13/3/1, as well as a proposal on how to include elements from document ISWG GHG 13/3/1 in the new structure of Section 6 in the working document as proposed in annex 1 of MEPC 79/WP.10.

EU COMPETENCE

Regulation (EU) 2015/757[1] (EU MRV Regulation) establishes the legal framework for an EU system to monitor, report and verify (MRV) CO_2 emissions and energy efficiency from shipping. The regulation aims to deliver robust and verifiable CO_2 emissions data, inform policy makers and stimulate the market uptake of energy efficient technologies and behaviours. It does so by addressing market barriers such as the lack of information. It entered into force on 1 July 2015.

Any IMO measure on GHG matters, which will unequivocally require the monitoring, verification and reporting of GHG emissions from shipping, would affect the EU MRV Regulation. Therefore, the EU has exclusive external competence for GHG emissions in shipping.

Beyond this, the EU Climate Law[2] sets a binding Union climate target of a reduction of net greenhouse gas emissions—emissions after deduction of removals—by at least 55% by 2030 compared to 1990. It also includes the aim of climate neutrality by 2050 and an aspirational goal for net negative emissions after this time.

[1] Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and amending Directive 2009/16/EC, OJ L 123, 19.5.2015, p. 55–76

[2] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'); OJ L 243, 9.7.2021, p. 1–17

In addition, on 14 July 2021, the Commission adopted the *Fit for 55* package of proposals to reduce GHG emissions. *Fit for 55* includes a number of Commission's proposals that specifically target the shipping sector. This comprises the revision of the EU Emission Trading System (ETS) [3] to include the maritime transport sector (and the corresponding amendments to the EU MRV Regulation).

Fit for 55 also contains the FuelEU maritime proposal[4], which focuses on the use of renewable and low-carbon fuels in the maritime sector and mandates their uptake by ships calling at EU ports. According to the case-law[5] of the Court of Justice, the risk of affectation concerns not only the rules as they stand, but also their foreseeable future development. Besides, the New Approach for a Sustainable Blue Economy is helping transforming the blue economy sectors towards a modern, resource-efficient and competitive economy[6]

In light of all of the above, the present draft Union submission falls under EU exclusive competence pursuant to article 3(2) TFEU.[7] This Staff Working Document is presented to establish an EU position on the matter and to transmit the document to the IMO prior to the required deadline of 3 February 2023.

[3] COM(2021) 551 - Proposal for a directive of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union, Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and Regulation (EU) 2015/757

[4] COM(2021) 562 - Proposal for a regulation of the European Parliament and of the Council on the use of renewable and low-carbon fuels in maritime transport and amending Directive 2009/16/EC.

[5] Opinion 1/03 of the Court of Justice of 7 February 2006, Lugano Convention, point 126.

[6] https://oceans-and-fisheries.ec.europa.eu/ocean/blue-economy/sustainable-blue-economy_en

[7] An EU position under Article 218(9) TFEU is to be established in due time should the IMO Marine Environment Protection Committee eventually be called upon to adopt an act having legal effects as regards the subject matter of the said draft Union submission. The concept of '*acts having legal effects*' includes acts that have legal effects by virtue of the rules of international law governing the body in question. It also includes instruments that do not have a binding effect under international law, but that are '*capable of decisively influencing the content of the legislation adopted by the EU legislature*' (Case C-399/12 Germany v Council (OIV), ECLI:EU:C:2014:2258, paragraphs 61-64). The present submission, however, does not produce legal effects and thus the procedure for Article 218(9) TFEU is not applied.

INTERSESSIONAL MEETING OF THE
WORKING GROUP ON REDUCTION OF
GHG EMISSIONS FROM SHIPS
14th session
Agenda item [x]

ISWG-GHG 14/1/xxx
16 January 2023
Original: ENGLISH
Pre-session public release: ☒

FURTHER CONSIDERATION AND FINALIZATION OF THE DEVELOPMENT OF THE DRAFT REVISED IMO STRATEGY ON REDUCTION OF GHG EMISSIONS FROM SHIPS

Timing of follow-up actions in the *Revised IMO Strategy on reduction of GHG emissions from ships*

Submitted by Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the European Commission, acting jointly, in the interest of the European Union

SUMMARY

Executive summary:	This document provides elements from the proposal on section 6 of the revision of the Strategy on reduction of GHG emissions made in document ISWG GHG 13/3/1 and suggests to include them to the working document as proposed in annex 1 of MEPC 79/WP.10.
Strategic direction, if applicable:	3
Output:	3.2
Action to be taken:	Paragraph 13
Related documents:	Resolution MEPC.304(72); MEPC 77/16 and MEPC 77/7/22, MEPC 78/7, MEPC 78/7/2, MEPC 78/7/6, MEPC 78/7/14, MEPC 78/7/18, MEPC 78/7/20, MEPC 78/7/24, MEPC 78/7/27, C127/4/a, ISWG GHG 13/3/1

1 In 2018, the Organization adopted the *Initial IMO Strategy on reduction of greenhouse gas emissions from ships* (the 'Initial IMO Strategy') (MEPC.304(72)). The Initial IMO Strategy requires that a revised Strategy should be adopted in 2023 in line with the *Roadmap for developing a comprehensive IMO Strategy on reduction of GHG emission from ships* (the Roadmap).

2 MEPC 77 initiated the review of the Initial IMO Strategy with the following terms of reference: "Taking into account the progress made by the Organization since the adoption of the Initial GHG Strategy, the "key stages" for the adoption of a Revised IMO GHG Strategy, as set out in section 6.2 of the Initial GHG Strategy, relevant data, and in accordance with the timeline described in the Programme of follow-up actions of the Initial IMO Strategy on reduction of GHG emissions from ships up to 2023, conduct a revision of the Initial GHG Strategy with a final draft Revised IMO GHG Strategy to be considered by MEPC 80 (spring 2023), with a view to adoption". MEPC 77 also recognized the need to strengthen the

ambition of the Initial Strategy during its revision process.

3 MEPC 78 invited Member States to submit concrete proposals to MEPC 79, including possible text proposals, as appropriate, addressing all relevant sections of the Initial Strategy, taking into account the comments expressed during that session.

4 Document ISWG-GHG 13/3/1 (Austria et al.) included concrete proposals for the revision of the strategy, inter alia amendments on Section 6 of the Strategy, addressing the follow-up actions and their timing. At ISWG GHG 13, the proposals from this document together with proposals from other submissions were discussed, but no conclusions were reached on Section 6. The Chair suggested to include a new proposed structure for follow-up actions and associated milestones in Section 6, while further discussing the target years and specific content for those milestones at a later stage. The text of the draft Revised IMO GHG Strategy, representing the Chair's reflection of the status of the discussions, was set out in annex 1 of document MEPC 79/WP.10 for further consideration by the Group at its next session. Nevertheless, this text by now does not include the proposed amendments on Section 6 of the Strategy as suggested by Austria et al. in ISWG-GHG 13/3/1.

5 Hence, the current document aims to contribute to the discussion on Section 6 at ISWG-GHG 14. It provides further explanations on the timing for follow-up actions initially proposed in document ISWG-GHG 13/3/1, as well as a proposal on how to include elements from document ISWG GHG 13/3/1 in the new structure of Section 6 in the working document as proposed in annex 1 of MEPC 79/WP.10.

Timing for the development and adoption of mid-term measures, including their impact assessment

6 In document ISWG-GHG 13/3/1, the co-sponsors proposed the following timing for the development and adoption of the mid-term measures, including their impact assessment:

.1 Development of mid-term measures for adoption by MEPC in 2025;

.2 Comprehensive impact assessment of the basket of measures to be completed in time for the orderly adoption of the mid-term measures in 2025;

.3 Date of entry into force of mid-term measures to be defined for each measure but no later than 1 January 2027.

7 This proposal is based on the following considerations:

.1 the science-based climate urgency calls for developing and adopting mid-term measures complementing the existing short-term measures. The main focus of mid-term measures is to trigger swiftly the energy transition of shipping towards low and zero GHG fuels, while further promoting energy efficiency improvements. Such focus is consistent with the vision and levels of ambition to phase out GHG emissions from international shipping by 2050 at the latest;

.2 it is necessary to provide at the earliest all stakeholders with a clear picture of the forthcoming regulatory framework. Doing so will minimize the risk of stranded assets while taking into account the long lifespan of ships and other related infrastructures. In a context where an increasing number of stakeholders define their long-term decarbonization strategies and where strategic decisions need to be planned several years in advance, it is neither rational nor convenient to wait for 2030 to provide certainty in the measures: now is the time to finalize the revised vision for setting shipping’s decarbonization goal and timelines.

.3 after having concluded Phase 1 of the Workplan in Spring 2022 and considering the aim to conclude Phase 2 in Summer 2023, it thus appears sensible to aim at concluding Phase 3 in 2025;

.4 the co-sponsors fully trust the capacity of this Organization to develop and agree in two years the basket of measures that will be identified by the end of Phase 2, including the completion of a comprehensive impact assessment to be initiated by mid-2023.

Fifth IMO GHG Study

8 In document ISWG-GHG 13/3/1, the co-sponsors proposed to leave to the Committee the decision of the dates of initiation and publication of the Fifth IMO GHG Study, which should cover the period 2019-2023, following the period 2012-2018 covered by the *Fourth IMO GHG Study 2020*. This is justified by the necessary flexibility to adequately plan the preparation of this process taking into account the timeline of future meetings. The co-sponsors' supported proposal in this respect is annexed to the present submission.

Checkpoints

9 In document ISWG-GHG 13/3/1, the co-sponsors proposed to add two checkpoints, in 2030 and 2040 respectively, to assess the effectiveness of adopted measures as soon as the data is available. It will provide a clear direction to steer the shipping sector with the necessary speed to pursue the alignment with the Paris Agreement's temperature goal of 1.5°C.

11 Intermediate checkpoints and assessments serve the purpose of tracking that GHG emissions from international shipping reduce at the agreed pace. Because of the possible interplay with the IMO GHG Strategy, potential follow-up actions could be linked to periodic reviews comparing actual achievements with levels of ambition set in the Strategy.

Conclusion

12 Therefore, the submitters propose to include the elements as reflected in annex 1 of this document into the annex 1 of MEPC 79/WP.10 for further consideration by ISWG GHG 14 and 15.

Action requested of the Working Group

13 The Group is invited to consider the explanations provided in this document and the proposal in annex 1 of this document when revising Section 6 of the Initial IMO GHG Strategy, and to take action as appropriate.

ANNEX 1

6 FOLLOW-UP ACTIONS

New 6.2

Target dates	Milestones
MEPC 80 (July 2023)	• [Adoption of the Revised Strategy] • [Start procedure for comprehensive impact assessment] • [Initiation of phase 3 of the workplan for the development of mid- and long-term measures including implementation schedules. Development of mid-term measures to be finalized targeting adoption by MEPC in 2025]
MEPC 81 (Spring 2024)	• [Specific development of mid-term measures and mid-term report for the Comprehensive impact assessment, to be completed before the adoption of the mid-term measures in 2025]
[To be decided by the Committee]	• [Initiation of Fifth IMO GHG Study using data from 2019-2023]
MEPC 82 (Autumn 2024)	• [Approval of the Comprehensive Impact assessment and mid-term measure(s)]
MEPC 83 (Summer 2025)	• [Approval and publication of Fifth IMO GHG Study] • [Review of the Approved short-term measures to be completed by 1st of January 2026] • [Adoption of Mid-term measure(s)]
MEPC 84 (Spring 2026)	• [Consider and finalize potential adjustment to the short-term measures]
2026/2027	• [Entry into force of mid-term measures. To be defined for each measure but no later than 1 January 2027]
[MEPC 90 / 91] [2030]	• [2030 Checkpoint] • [Effectiveness of adopted measures to be assessed as soon as data is available]
[2040]	• [2040 Checkpoint] • [Effectiveness of adopted measures to be assessed as soon as data is available]