

[REDACTED]

Dear [REDACTED]

I refer to 'part 5' of your request dated 30 January 2022 pursuant to the Official Information Act 1982 (the Act), seeking "...All information held by MFAT used to formulate a NZ position at IMO on shipping decarbonisation since 2015...". This part of your request was transferred from the Ministry of Foreign Affairs and Trade (MFAT) to Te Manatū Waka the Ministry of Transport (the Ministry) on 4 February 2022.

On 11 February 2022, the Ministry informed you that the timeframe for preparing a response to your request was extended by 10 working days owing to the inability to reasonably conduct the necessary consultations required within the original 20 working days time limit.

Further to this, on 1 March 2022, the Ministry sought your views on our proposal to provide you with a representative response of the information sought given the broad scope and volume of material required under part 5 of your original request. This information pertained to any material the Ministry holds which was used to formulate a New Zealand position at the International Maritime Organisation (IMO) on shipping decarbonisation. In your email of 2 March 2022, you agreed to the Ministry's proposed approach to provide a representative response to part 5 of your original request.

The interagency delegation representing New Zealand at IMO negotiations, is comprised of the Ministry, Maritime New Zealand and MFAT, with Maritime New Zealand and MFAT supporting the Ministry negotiators and leading in some areas as needed. MFAT has been involved in this work since mid-2016.

New Zealand's negotiation priorities and the delegation's mandate is determined by Cabinet on consideration of Cabinet papers submitted by the Minister of Transport. This mandate is operationalised through the delegation brief for each meeting, and interventions made by the New Zealand negotiator.

Please see the table below which outlines the most recent Cabinet papers, meeting briefings and interventions which constitute our representative response to your request. Documents 1, 3, 5, 6, 8 and 9 are enclosed. Document 2, which is already publicly available, can be found here at: <https://www.transport.govt.nz/assets/Uploads/Redacted-International-Maritime-Organisation-Climate-Change-Negotiation-Mandate-Cabinet-Paper.pdf>

You have made this request at a time when the IMO's negotiation of measures to reduce GHG emissions from shipping is still ongoing. Information about New Zealand's positioning in these negotiations relates directly to New Zealand's ongoing negotiation strategy, and therefore remains highly confidential. The Ministry is not able to release negotiation-sensitive material into the public domain presently without jeopardising New Zealand's negotiation interests. We are therefore refusing documents 4 and 7 in full.

#	Type	Date	Document	Description of information withheld
1	Cover briefing	21/5/21	OC210418 – Cover Briefing: Cabinet paper seeking agreement to New Zealand's engagement stance at the International Maritime Organization	Some information withheld under section 9(2)(a) of the Act.
2	Cabinet paper	8/6/21	International Maritime Organisation – Climate Change Negotiation Proposal	Refused in full under section 18(d) of the Act as this document is publicly available and can be found here: <a href="https://www.transport.govt.nz/assets/Uploads/Redacted-International-Maritime-Organisation-Climate-Change-Negotiation-Mandate-Cabinet-Paper.pdf">https://www.transport.govt.nz/assets/Uploads/Redacted-International-Maritime-Organisation-Climate-Change-Negotiation-Mandate-Cabinet-Paper.pdf</a>
3	Briefing	20/1/21	OC200956 – Reducing greenhouse gas emissions and air pollution from shipping	Some information withheld under section 9(2)(a) of the Act.
4	Delegates Brief	22/11/21 – 26/11/21	Excerpts of Agenda Item 7 (GHG's) from the Marine Environment Protection Committee (MEPC) 77 <sup>th</sup> Session Delegate briefing	Refused in full under section 9(2)(j) of the Act.
5	Delegates Brief	10/6/21 – 17/6/21	Excerpts of Agenda Item 7 (GHG's) from the Marine Environment Protection Committee (MEPC) 76 <sup>th</sup> Session Delegate briefing	Some information withheld under sections 6(a), 6(b)(i), 9(2)(j) Act.
6	Delegates Brief	16/11/20 – 20/11/20	Excerpts of Agenda Item 7 (GHG's) from the Marine Environment Protection Committee (MEPC) 75 <sup>th</sup> Session Delegate briefing	Some information withheld under sections 6(a), 6(b)(i), and 9(2)(j) of the Act.
7	Report	1/12/20	Marine Environment Protection Committee (MEPC) 75 <sup>th</sup> Session Report Back	Refused in full under sections 6(a) and 9(2)(j) of the Act.
8	Cover briefing	28/2/18	OC05684 – Cover Briefing: International Maritime Organization: Climate Change Negotiation Mandate	Some information withheld under section 9(2)(a) of the Act.
9	Cabinet Paper	29/3/18	OC05684 – Cabinet paper: International Maritime Organization: Climate Change Negotiation Mandate	Some information withheld under sections 6a and 6(b)(i) of the Act.

As outlined in document 2, New Zealand's negotiation priorities and the delegation's mandate were updated and approved by Cabinet in 2021. This includes a desire to see the following at upcoming IMO negotiations:

- an ambitious revised IMO Strategy, applicable to all ships, accompanied by a concrete schedule of pragmatic steps to ensure appropriate action is not deferred;
- recognition and protection of the interests of Pacific Island countries and territories; and
- operationalisation of Common but Differentiated Responsibilities and Respective Capabilities by the IMO that avoids arbitrary differentiation between developed and developing country Member State responsibilities.

The New Zealand interagency delegation will be attending the upcoming Marine Environment Protection Committee negotiations in 2022.

Regarding the information that has been withheld under section 9 of the Act, I am of the opinion that there are no countervailing considerations that make it desirable, or in the public interest, to make the information publicly available.

You have the right under section 28(3) of the Act to make a complaint about the withholding of information to the Ombudsman. The Ombudsman can be contacted at [info@ombudsman.parliament.nz](mailto:info@ombudsman.parliament.nz).

The Ministry publishes our Official Information Act responses and the information contained in our reply to you will be published on the Ministry website. Before publishing we will remove any personal or identifiable information.

Yours sincerely



Jemima de Lacey  
**Kaiwhakaneke, Te Rōpū Taiao me tōna Oranga**  
**Programme Manager, Environment, Emissions and Adaptation**



21 May 2021

OC210418

**Hon Michael Wood**  
**Minister of Transport**

**Action required by:**  
Wednesday, 26 May 2021

## **COVER BRIEFING - CABINET PAPER SEEKING AGREEMENT TO NEW ZEALAND'S ENGAGEMENT STANCE AT THE INTERNATIONAL MARITIME ORGANISATION**

### **Purpose**

Seek your agreement to lodge the attached Cabinet paper for Cabinet consideration.

### **Key points**

- In January 2021 you agreed to engage with key Ministers in relation to the need for a coordinated, multi-agency approach to engagement on climate change issues; and to signal your intent to seek Cabinet approval to update the negotiating mandate on climate change for International Maritime Organisation (IMO) meetings (REF: OC200956).
- The IMO will meet again from 10-17 June 2021 and in November 2021. Meetings will include discussion on the greenhouse gas (GHG) reduction targets in the IMO's *Strategy for Reducing Emissions from Ships*, and measures to achieve those targets including the use of zero-carbon fuels and market-based measures.
- This Cabinet paper seeks agreement to:
  - refresh the principles for engagement for New Zealand's participation in the development of measures to reduce GHG emissions from international shipping; and
  - establish a dedicated cross-agency team to:
    - commission research to understand the impacts to New Zealand of proposed IMO measures; and
    - engage in discussions both internationally and domestically on reducing GHG emissions from shipping; and
    - prepare a national action plan to address GHG emissions from ships.
- We suggest that you acknowledge agencies are already stretched in terms of delivering the current government work programme but if global GHG emissions reduction is a priority, we need to resource this work and a budget bid may be required.



- In its manifesto, we note that the NZ Council of Cargo Owners state, in relation to New Zealand's engagement on climate change at the IMO, that:

*"The implications for New Zealand are arguably greater than for any other IMO member....*

*...Future IMO decisions are inevitable on issues such as the level of shipping emissions, the application of carbon charging for the industry and the speed at which ships travel. It is important that New Zealand is actively able to participate in and vote on policy recommendations. To do so we must have direct representation at the negotiating table."*

- Our engagement with industry on IMO GHG matters has been very limited to date. However, once New Zealand is a Party to MARPOL Annex VI<sup>1</sup>, measures agreed at the IMO will become legally binding on us and may have implications on trade and domestic shipping. Therefore it is important we are resourced to meaningfully engage with the sector to inform our position and to understand potential impacts.
- Preparing a national action plan provides an opportunity to bring together relevant agencies and industry to identify opportunities and contribute to the global effort to reduce GHG emissions from ships.

## Recommendations

We recommend you:

- 1 **note** the need to refresh the engagement principles for New Zealand's participation in the upcoming IMO meeting on 10 June
- 2 **lodge** the attached Cabinet paper with the Cabinet Office by 26 May 2021, to be considered at the Cabinet Economic Development Committee on 2 June 2021.

Yes / No

s 9(2)(a)

Ewan Delany  
Manager, Environment, Emissions and  
Adaptation

20/5/21

Hon Michael Wood  
Minister of Transport

..... / ..... / .....

<sup>1</sup> Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) deals with emissions to air.

UNCLASSIFIED

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

Clarity 38.3  
Clarity not resourcing

Contacts

Name	Telephone	First contact
Gemma Couzens, Senior Advisor, Environment, Emissions and Adaptation	s 9(2)(a)	
Ewan Delany, Manager, Environment, Emissions and Adaptation		✓

RELEASED UNDER THE  
OFFICIAL INFORMATION ACT 1992



20 January 2021

OC200956

**Hon Michael Wood**  
**Minister of Transport**

**Action required by:**  
Friday, 12 February 2021

## **Reducing greenhouse gas emissions and air pollution from shipping**

### **Purpose**

Following recent advice on New Zealand's accession to Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL) [OC200856 refers], you asked for background information about the International Maritime Organisation (IMO) and its work on greenhouse gas (GHG) emissions. This is provided in Appendix One.

Part one of this briefing seeks Ministerial agreement to develop a cross-agency approach to engagement at the IMO and to update the negotiating mandate in relation to GHG emissions from ships. Part two provides you with an update on the Maritime Transport (MARPOL VI) Amendment Bill (the Bill), intended to implement MARPOL Annex VI to reduce air pollution from ships, and seeks your agreement to assign the Bill a category 2 priority on the 2021 legislative programme.

### **Key points – Part One**

- GHG emissions from international shipping are significant, increasing, and contribute to climate change. Multilateral efforts to reduce emissions from international shipping are coordinated through the IMO's Marine Environment Protection Committee (MEPC).
- The IMO's *Initial Strategy on the Reduction of GHG Emissions from Ships* (the Strategy) sets a target of reducing the total annual GHG emissions from international shipping by at least 50% by 2050 compared to 2008. The Strategy will be reviewed in 2023.
- New Zealand needs an ambitious, effective and fair multilateral solution to reduce these emissions. Our engagement on shipping emissions should be aligned with other foreign policy priorities including climate change, trade and the Pacific.
- This year there will be two further meetings of the MEPC as well as the UN Framework Convention on Climate Change 26<sup>th</sup> Conference of the Parties (COP26).
- The MEPC meetings will include consideration of further measures to reduce emissions, as well as the ambition of the Strategy. It is in New Zealand's national interest to influence these negotiations to ensure:
  - effective, ambitious and global emissions reductions from international shipping;

- measures to reduce emissions are workable, fair and not unnecessarily burdensome; and
    - we work with and amplify the voice of the Pacific partners, while sensitively traversing the differences of views in the region.
- Consistent with the Government's expressed desire to show leadership in the global fight against climate change, we need to ensure New Zealand is coordinated across agencies in its engagement on climate change at the IMO and in other fora.

## Key points – Part Two

- In a previous briefing, [OC200856 refers], we advised you that the Ministry of Transport (the Ministry) is developing a specific Bill to make the necessary changes to the Maritime Transport Act (MTA) in order to accede to MARPOL Annex VI by the end of 2021.
- It is desirable to proceed with the Bill in 2021 because delays to implementation would put our ability to continue international negotiations on maritime GHG emissions at risk and miss the opportunity to achieve early reductions in air pollution.
- In addition to changes to rules and regulations under the MTA, the Bill will require amendments to regulations under legislation not administered by the Ministry. This includes regulations under the Energy (Fuel, Levies and References) Act 1989 administered by the Ministry of Business, Innovation and Employment to implement new marine fuel requirements.
- We have discretion about how and when some of the MARPOL Annex VI obligations are implemented domestically. Officials from the Ministry and Maritime New Zealand have been engaging with stakeholders to understand their views and the impacts of different choices on their operations.
- Public consultation on the rules, regulations and areas of discretion for MARPOL Annex VI will occur mid-May following the Select Committee consultation on the Bill. We will advise you on our proposals for the different discretionary areas prior to release of the public consultation document.

## Recommendations

Part One: we recommend you:

- 1 **agree** to engage with key Ministers (Hon James Shaw (Climate Change), Hon Nanaia Mahuta (Foreign Affairs), Hon Damien O'Connor (Trade and Export Growth) and Hon David Parker (Environment, and Oceans and Fisheries)) in relation to:
  - a. the need for a coordinated, multi-agency (MoT, MFAT, MNZ, MfE, MPI) approach to engagement on climate change issues; and
  - b. to signal your intent to seek Cabinet approval to update the negotiating mandate on climate change for IMO meetings.

Yes / No

Yes / No



- 2 **agree** the Ministry, with input from agencies outlined above, will produce a Ministerial brief outlining a detailed negotiating position and recommendations for updating the negotiating mandate, a multi-agency team structure and terms of reference. Yes / No

Part Two: we recommend you:

- 3 **agree** to assign the Maritime Transport (MARPOL VI) Amendment Bill Category 2 priority (must be passed in the year) on the 2021 legislative programme. Yes / No
- 4 **refer** this briefing to Hon Dr Megan Woods as the Minister responsible for regulations under the Energy (Fuels, Levies and References) Act 1989. Yes / No
- 5 **note** that we will provide you and Minister Woods with advice on implementation of new marine fuel quality requirements ahead of public consultation in May 2021.
- 6 **note** that your office will be provided with the Legislative Bid paper for the Maritime Transport (MARPOL VI) Amendment Bill on 21 January 2021.

**s 9(2)(a)**

Ewan Delany  
Manager, Environment, Emissions and  
Adaptation

20.01.21

Hon Michael Wood  
Minister of Transport

23.1.21

Minister's office to complete:

☐ Approved

☐ Declined

☐ Seen by Minister

☐ Not seen by Minister

☐ Overtaken by events

Comments

#### Contacts

Name	Telephone	First contact
Michelle Palmer, Graduate Advisor, Environment, Emissions & Adaptation	<b>s 9(2)(a)</b>	
Gemma Couzens, Senior Advisor, Environment, Emissions and Adaptation		
Ewan Delany, Manager, Environment, Emissions & Adaptation		✓

## **PART ONE: DELIVERING GREENHOUSE GAS (GHG) EMISSIONS REDUCTION FROM SHIPPING AT THE INTERNATIONAL MARITIME ORGANISATION (IMO)**

**The IMO is responsible for the prevention of GHG emissions by ships but progress has been slow**

- 1 GHG emissions from international shipping are significant, increasing, and contribute to climate change. Multilateral efforts to reduce GHG emissions for international shipping have been coordinated through the IMO since 1997.<sup>1</sup>
- 2 The IMO adopted its Initial Strategy on the Reduction of GHG Emissions from Ships in 2018.<sup>2</sup> The Initial Strategy sets a target of reducing the total annual GHG emissions from international shipping by at least 50% by 2050 compared to 2008. This Strategy will be reviewed in 2023.
- 3 In November 2020, the IMO's Marine Environment Protection Committee (MEPC) adopted a short-term measure to reduce GHG emissions from shipping.<sup>3</sup> The measure requires individual ships to acquire a performance rating based on energy efficiency targets (to be determined).
- 4 Several high ambition countries, including New Zealand, expressed disappointment and concern that the measure would not achieve the levels of ambition in the Initial Strategy. There is ambiguity about how the energy efficiency targets in the measure will be calculated and applied and therefore whether they will be effective in reducing emissions, and there are no compliance or enforcement mechanisms in the measure.
- 5 Several Pacific states (the Marshall Islands, Solomon Islands and Tuvalu), supported by New Zealand, urged the MEPC to accelerate the discussion on market-based measures and other mid- and long-term measures which have the most potential to achieve significant reductions in GHG emissions from international shipping.<sup>4</sup>

**There will be further meetings of the MEPC this year to discuss GHG reduction measures**

- 6 The MEPC will meet in June and November 2021 and we anticipate the meetings will include discussion of:
  - 6.1 implementation of the agreed short-term measure which will require an impact assessment, technical discussions on energy efficiency measurement and certification, establishment of monitoring and reporting, and a 2026 review clause;

<sup>1</sup> In contrast, the Nationally Determined Contributions under the Paris Agreement (i.e. emissions reduction targets) focus on GHG emissions within a State's territory.

<sup>2</sup> The Initial Strategy can be found here: <https://www.imo.org/en/OurWork/Environment/Pages/GHG-Emissions.aspx>

<sup>3</sup> Short-term measures are those that can be finalised and agreed by the MEPC between 2018 and 2023.

<sup>4</sup> Mid-term measures are those to be agreed by the MEPC between 2023 and 2030, long-term measures are those beyond 2030.

- 6.2 opening discussions on mid-to long-term measures including the use of zero carbon fuels; and
  - 6.3 advancing discussions on market-based-measures, including the industry proposal for a research and development (R&D) fund, by exploring how effective tools could be implemented and the potential offsets for negative impacts on some states.
- 7 A revised Strategy is to be adopted by the IMO in 2023 and we expect discussion on this in the upcoming meetings. There is likely to be significant debate around whether the current levels of ambition should be revised to reflect a more ambitious target.

### **It is important New Zealand influences upcoming IMO negotiations on reducing GHG emissions from shipping**

- 8 While New Zealand doesn't have a large shipping industry, we have an economy that is reliant on international shipping (a significant proportion of our trade is by sea).
- 9 New Zealand needs an ambitious, effective and fair multilateral solution to reduce these emissions. Our national interest in influencing these negotiations includes:
  - 9.1 ensuring effective, ambitious and global emissions reductions from international shipping; and
  - 9.2 ensuring measures are workable, fair and not unnecessarily burdensome given we are a geographically remote economy that is reliant on shipping for a significant proportion of our trade.<sup>5</sup>
- 10 Our engagement on shipping should be mutually supportive with other foreign policy priorities including climate change, trade and the Pacific.
- 11 To do this effectively we need to:
  - 11.1 ensure New Zealand's strategy, positions and tactics are aligned with other international engagement on climate change;
  - 11.2 work with and amplify the voice of Pacific partners while sensitively traversing the differences of views in the region;
  - 11.3 understand the impacts of proposals informed by effective stakeholder engagement; and
  - 11.4 ensure New Zealand agencies are joined up and skilled in the IMO negotiating environment.
- 12 The Ministry of Transport (the Ministry) leads engagement at the IMO on GHG matters as it is the primary agency responsible for administering international obligations under the International Convention for the Prevention of Pollution from Ships (MARPOL). However, decisions made at the IMO impact on global efforts to reduce emissions and combat climate change, and have potential impacts on our

<sup>5</sup> For example, slow steaming may result in 1 additional day for transiting to European countries, but could result in significant impacts for New Zealand.

trade, and the broader environment. Similarly, New Zealand's domestic policies related to climate change will shape how we engage internationally.

- 13 Outside of the IMO, climate change is an increasingly important part of foreign policy, and we need to ensure New Zealand's position and advocacy in different fora are joined up and mutually supportive. Therefore, it is critical that relevant agencies are appropriately engaged and a cross-agency approach is applied to engagement at the IMO.

**A cross-agency approach is needed to engage at the upcoming IMO negotiations**

- 14 To facilitate this, we recommend relevant agencies (the Ministry, Ministry of Foreign Affairs and Trade (MFAT), Maritime New Zealand (MNZ), Ministry for the Environment (MfE) and Ministry for Primary Industries (MPI)) produce a joint Ministerial brief setting out a detailed negotiating position, team structure and terms of reference.
- 15 New Zealand's negotiating mandate also needs to be refreshed as the upcoming negotiations will be specific and technical, and the current mandate will be out of date. This update should be done in light of New Zealand's national interest in an effective multilateral regime to reduce shipping emissions and the Governments stated desire to show leadership in the global fight against climate change.
- 16 We recommend that you engage with colleagues to build support for a coordinated, multi-agency approach to international engagement on climate change issues at the IMO and other fora and to signal your intent to take a proposal to Cabinet to update the existing negotiating mandate.



## PART TWO: IMPLEMENTING ANNEX VI PREVENTION OF AIR POLLUTION FROM SHIPS (MARPOL ANNEX VI)

**MARPOL Annex VI is the main international convention covering prevention of air pollution and emissions from ships**

- 17 In November 2019, Cabinet agreed (CAB-19-MIN-0593) to New Zealand's accession to MARPOL Annex VI, which seeks to address the impact of shipping emissions on human health and environments in and around port communities, as well as on climate change and ozone layer depletion. The Annex contains regulations requiring ships to minimise and manage their emissions of greenhouse gases (GHGs), ozone depleting substances, nitrogen oxides (NO<sub>x</sub>), sulphur oxides (SO<sub>x</sub>), and volatile organic compounds (VOCs).
- 18 MARPOL Annex VI also sets out requirements for shipboard incineration, port reception facilities, such as those enabling ships to unload hazardous substances, and Port State Control functions to ensure compliance of foreign-flagged vessels visiting New Zealand with MARPOL Annex VI regulations.
- 19 In a previous briefing, [OC200856 refers], we advised you that the Ministry is developing a specific Maritime Transport (MARPOL VI) Amendment Bill (the Bill) to make the necessary changes to the Maritime Transport Act (MTA) in order to accede to MARPOL Annex VI by November 2021.
- 20 We will provide your office with the Legislative Bid paper for the Bill on 21 January 2021, which recommends you assign the Bill category 2 priority (must be passed in the year) on the 2021 legislative programme. It is desirable to proceed with the Bill in 2021 because delays to implementation put our ability to continue international negotiations on maritime GHG emissions at risk, and may forego the opportunity to achieve early reductions in air pollution.
- 21 The table below sets out the high level timeframe for incorporating MARPOL Annex VI into domestic law:

<b>Maritime Transport (MARPOL VI) Amendment Bill Timeframes</b>	
<b>Key Milestones</b>	<b>Date</b>
Bill introduced into House (First Reading)	Early March 2021
Select Committee consideration (4 months)	Mid March – July
Select Committee submissions	Late March – April
Public consultation on marine protection rules and other associated regulations	May – June
Deliberation, R/T version of Bill and Select Committee report back	Late May – July
Bill reported back to House	August
Second Reading of the Bill	August – September
Drafting of rules and regulations	September - October
Committee of the Whole House	October – November
Rules and regulations approved by relevant Ministers	Early November
Third Reading and Royal Assent	November
Preparation and deposit of Instrument of Accession	Late November
Rules in force	February 2022

## The Bill will require changes to and drafting of the associated secondary legislation

- 22 As set out in the Cabinet Office Circular CO(20)10, bids for the 2021 Legislation Programme must be delivered to the Legislation Coordinator in the Cabinet Office by 29 January 2021, and must describe the extent and nature of any associated regulations that require drafting. The Bill will require the drafting of, or amendments to, the following associated regulations and rules under the MTA:
- Marine Protection (Offences) Regulations 1998.
  - Marine Protection Rules.
- 23 Subject to further policy work, the following regulations may also require amending:
- Maritime (Charges) Regulations 2014 under the MTA.
  - Maritime Levies Regulations 2016 under the MTA.
  - Engine Fuel Specifications Regulations 2011.
  - Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017.
- 24 In November 2019, Cabinet agreed (DEV-19-MIN-0304) that the Marine Protection (Offences) Regulations be amended and that the Minister of Transport will approve amendments to rules under the MTA without further reference to Cabinet unless a significant policy issue arises.<sup>6</sup>
- 25 The Engine Fuel Specification Regulations 2011, under the Energy (Fuels, Levies and References) Act 1989, are administered by the Ministry for Business, Innovation and Employment (MBIE) and prescribe specifications to which engine fuel or refined petroleum products must conform when supplied in New Zealand. Our view is that it is appropriate to amend these regulations to include MARPOL Annex VI obligations relating to marine fuel quality rather than design a duplicate framework in the Marine Protection Rules under the MTA.
- 26 The Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017 prescribe standards for road transport fuels but not for marine bunker fuels so currently, MBIE's Trading Standards primarily focuses on monitoring and enforcing road transport fuel standards.
- 27 Any additional activities associated with monitoring and enforcing MARPOL Annex VI requirements will have resource implications and further analysis is required to determine how this will be funded and the relative roles of each agency. It is the view of the Ministry, MNZ and MBIE that operational fuel sampling and testing activities could be supported by expertise from Maritime New Zealand through a close working relationship with MBIE documented in a Memorandum of Understanding.
- 28 Further policy work is needed to determine the best approach for implementing the MARPOL Annex VI fuel quality requirements and we will provide advice to you and

<sup>6</sup> The Cabinet Minute at the time referred to the Associate Minister of Transport, but we have been advised the Cabinet mandate still applies.

the Minister for Energy and Resources ahead of public consultation (currently anticipated for May 2021).

**We have discretion about how and when some of the MARPOL Annex VI obligations are implemented domestically**

- 29 Many MARPOL Annex VI obligations are mandatory but there is scope for discretion on some matters such as:
- 29.1 how energy efficiency measures should apply to ships that are only operating within New Zealand waters;
  - 29.2 whether we exclude domestic ships with engines built and installed before May 2005 from the requirement to comply with nitrogen oxide emission limits;
  - 29.3 alternative measures for reducing NO<sub>x</sub> emissions for ships that only travel within New Zealand waters; and
  - 29.4 applying certification requirements to incinerators installed on domestic ships before May 2005.
- 30 We will seek your agreement on the preferred policy approach following public consultation on the marine protection rules and other associated regulations in mid-2021. Section 392 of the MTA lists the matters you must take into account when making marine protection rules.

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OFFICIAL INFORMATION ACT 1982

## APPENDIX ONE: BACKGROUND INFORMATION ON THE INTERNATIONAL CONVENTION FOR THE PREVENTION OF POLLUTION FROM SHIPS (MARPOL) AND THE INTERNATIONAL MARITIME ORGANISATION (IMO)

**The IMO is responsible for the safety and security of shipping, and the prevention of pollution (including GHG emissions) by ships**

- 31 The IMO is a specialised agency of the United Nations and is the global standard-setting authority for the safety, security and environmental performance of international shipping. The IMO's main role is to create a regulatory framework for the shipping industry that is fair and effective, universally adopted and universally implemented.
- 32 Key treaties of the IMO (which New Zealand has adopted) include:
- International Convention for the Safety of Life at Sea;
  - International Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter;
  - International Convention for the Prevention of Pollution from Ships (MARPOL); and
  - International Convention on Standards of Training, Certification and Watchkeeping for Seafarers.
- 33 Through implementing this multilateral approach, New Zealand gains effective controls over ships to ensure secure supply chains, and minimise risks to the environment, passengers, crew and cargo.

*Annex VI of MARPOL is the main international convention preventing air pollution and emissions from ships*

- 34 The IMO adopted MARPOL in 1973 and modified it by a Protocol in 1978. MARPOL came into force in 1983 and applies to ships registered ('flagged') to states party to it, wherever they operate. It aims to prevent and minimise operational and accidental pollution of the marine environment by ships.
- 35 MARPOL has six annexes categorised by pollution type which are:
- Annex I Regulations for the Prevention of Pollution by Oil;
  - Annex II Regulations for the Control of Pollution by Noxious Liquid Substances in Bulk;
  - Annex III Prevention of Pollution by Harmful Substances Carried by Sea in Packaged Form;
  - Annex IV Prevention of Pollution by Sewage from Ships;



- Annex V Prevention of Pollution by Garbage from Ships; and
  - Annex VI Prevention of Air Pollution from Ships.
- 36 Two annexes are compulsory for all states party to MARPOL. New Zealand acceded to MARPOL and the compulsory annexes in 1998 and is now party to four of the six annexes.<sup>7</sup>
- 37 In November 2019, Cabinet (CAB-19-MIN-0593) agreed to New Zealand's accession to MARPOL Annex VI. MARPOL Annex VI seeks to address the impact of shipping emissions on human health and environments in and around port communities, as well as on climate change and ozone layer depletion.
- 38 New Zealand's accession to MARPOL Annex VI will also strengthen New Zealand's ability to play a credible role in IMO negotiations on climate change and improve New Zealand's ability to work with like-minded parties to push for global ambition in future negotiations.

### **GHG emissions from international shipping are not covered under the Paris Agreement**

- 39 The share of shipping emissions in global anthropogenic emissions has increased from 2.76 percent in 2012 to 2.89 percent in 2018. Emissions are projected to increase from about 90 percent of 2008 emissions in 2018 to 90 to 130 percent of 2008 emissions by 2050 for a range of plausible long-term economic and energy scenarios.
- 40 Shipping is the principal mode of transport for the supply of raw materials, and consumer goods.
- 41 Emissions from international shipping and aviation are not covered by the Paris Agreement and not included in national targets. Instead, efforts to reduce GHG emissions from international shipping are coordinated through an IMO sub-committee – the Marine Environment Protection Committee (MEPC).
- Clarifying note: The Paris Agreement is silent on international transport emissions, rather than them "not being covered".
- 42 Intersessional Working Groups may be convened between meetings of the MEPC. This includes the Intersessional Working Group on the Reduction of Greenhouse Gas Emissions (ISWG-GHG), which meets to discuss technical matters and coalesce views outside of the committee meetings.

*In 2011 MEPC adopted a package of technical measures for new ships and energy efficiency measures to reduce emissions from existing ships*

- 43 This added a new chapter to MARPOL Annex VI entitled "Regulations on energy efficiency for ships". The two measures included are:

<sup>7</sup> Aside from MARPOL Annex VI, New Zealand has also not acceded to MARPOL Annex IV, which sets out international standards for sewage discharges from certain vessels on international voyages. Although New Zealand has not signed up to MARPOL Annex IV, components of our domestic legislation meet the same objectives, specifically through the Resource Management (Marine Pollution) Regulations 1998.

- 43.1 the Energy Efficiency Design Index (EEDI), which requires new ships to comply with minimum mandatory energy efficiency performance levels, increasing over time through different phases; and
  - 43.2 the Ship Energy Efficiency Plan (SEEMP), which establishes a mechanism for ship owners to improve the energy efficiency of both new and existing ships using operational measures.
- 44 These measures were the first ever mandatory global GHG reduction regime for an entire industry sector.

*In 2018 MEPC adopted the Initial IMO Strategy on reduction of GHG emissions from ships*

- 45 The Initial Strategy sets out a clear vision for international shipping, the levels of ambition to reduce GHG emissions, guiding principles, as well as short-, mid- and long-term measures. The levels of ambition agreed to in the Initial Strategy include:
- 45.1 reducing CO<sub>2</sub> emissions by at least 40 percent by 2030, pursuing efforts towards 70 percent by 2050, compared to 2008; and
  - 45.2 peaking GHG emissions as soon as possible and reducing the total annual GHG emissions by at least 50 percent by 2050 compared to 2008.
- 46 Short-term measures are those that can be finalised and agreed by the MEPC between 2018 and 2023 and include inter alia technical and operational energy efficiency measures for new and existing ships.
- 47 Mid-term measures are those to be agreed between 2023 and 2030 and include an implementation programme for the effective uptake of alternative low and zero carbon fuels, and the use of market-based measures to incentivise GHG emission reduction.
- 48 Long-term measures are those to be agreed beyond 2030 and include the development and provision of zero carbon fuels. The Initial Strategy also identifies barriers and supportive measures including capacity building, technical cooperation and research and development.

## Agenda Item 7: Reduction of GHG emissions from ships

## New Zealand Priority – Lead

**See Appendix A: International Maritime Organisation - Climate Change Negotiation Mandate (June 2021 Cabinet paper)**

### **Comprehensive Impact Assessment of short term measure**

### General comments

[illegible]

## Intervention

Thank you Mr Chair and thank you to those involved in preparing the Impact Assessment.

While we acknowledge the findings in the report, we note they are underpinned by a specific set of assumptions about compliance and costs that need to be validated.

We note that the modelling in the IA assumes full compliance with the given CII reduction requirements and that the estimated costs will be consistent with the achieved reductions in carbon intensity. Given at the last meeting, we decided that there would be no punitive consequences for ships that were rated D or E, we cannot assume they will strive to achieve emission reductions and incur or pass on the costs in doing so. This means there is no need, at this stage, for the measure to include exemptions.

We note that we are limited in our ability to take action to address impacts as we have not yet discussed, let alone agreed, what we mean by disproportionate negative impacts. It is this subset of impacts that we are required by the Initial Strategy to address as appropriate.

We need a common understanding of what disproportionate means before we can determine how to address such negative impacts. Moreover, it is very important to NZ that measures to mitigate impacts should not negate the efficacy of the measure, nor should they themselves introduce negative impacts.

We underscore that the situation of remote Pacific economies is very different to that of export-oriented countries and urge the Committee to focus its attention on the actual impacts on the smallest and most vulnerable states that cannot be managed by them. These States have the most to lose from climate change and the fewest options to transition to low emissions economies.

Clearly we need to identify disproportionate negative impacts before we can address them. The review in 2026 will be an opportune time to do this, with experience and data in hand. We agree with countries proposing to defer adopting general exemptions or waivers until that review has shown whether there are any disproportionately negative impacts on States, SIDS and LDCs in particular

This would allow time for:

- Agreeing what we mean by disproportionate negative impacts
- Specific studies to be undertaken and data to be collected on the transport costs and economics of shipping for SIDS and LDCs.
- Identifying ways to protect the interests of SIDS and LDCs when the stringency and enforcement of the measure are increased following the review in 2026.

## Document MEPC 76/7

s 6(b)



## Document MEPC 76/7/Add.1

s 6(b)

[REDACTED]

[REDACTED]

[REDACTED]

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## Document MEPC 76/7/13

[illegible]

## Document MEPC 76/7/62

[illegible]

## Document MEPC 76/7/63

s 6(b)

s 6(b)

#### New Zealand Position

- s 9(2)(i)

#### Intervention

#### Document MEPC 76/7/64

s 6(b)

#### New Zealand Position

- s 9(2)(i)

## Intervention

### Outcome of ISWG-GHG 8

### General comments

## Intervention

**International Maritime Research and Development Board**

## Document MEPC 76/7/7

s 6(b)

s 6(b)

[REDACTED]

#### New Zealand Position

- s 9(2)(i)

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#### Intervention

s 6(b)

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s 6(b)

## New Zealand Position

- s 9(2)(j)

## Intervention

## Document MEPC 76/7/20

s 6(b)

### New Zealand Position

- s 9(2)(j)

## Intervention

**Document MEPC 76/7/45**

s 6(b)

### New Zealand Position

- $$-s^6(a) \quad s^9(2)(i)$$

### Intervention

## Document MEPC 76/7/49

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## Document MEPC 76/7/57

s 6(b)	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
<b>New Zealand Position</b>	
- s 9(2)(j)	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
<b>Intervention</b>	

## Document MEPC 76/7/58

s 6(b)	
<b>New Zealand Position</b>	

<b>Intervention</b>

**Discussion on mid and long-term measures (MBMs and working arrangements)**

**Document MEPC 76/7/2**

s 6(b)

**New Zealand Position**

- s 9(2)(j)

**Intervention**

**Document MEPC 76/7/9**

s 6(b)

**New Zealand Position**

- s 9(2)(j)

**Intervention**

**Document MEPC 76/7/10**

s 6(b)

**New Zealand Position**

- s 9(2)(i)

**Intervention**

**Document MEPC 76/7/11**

s 6(b)

**New Zealand Position**

- s 9(2)(i)

**Intervention**

**Document MEPC 76/7/12**

s 6(b)



s 6(b)

## New Zealand Position

- [illegible]

## Intervention

## Document MEPC 76/7/15

s 6(b)

### New Zealand Position

- s 9(2)(i)

## Intervention

## Document MEPC 76/7/18

s 6(b)

s 6(b)

## Document MEPC 76/7/39

s 6(b)

## New Zealand Position

- s 9(2)(j)

## Intervention

**Document MEPC 76/7/40**

s 6(b)

### New Zealand Position

**Intervention**

**Document MEPC 76/7/42**

s 6(b)

[Redacted]

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[Redacted]

**New Zealand Position**

- s 9(2)(i)

[Redacted]

**Intervention**

**Document MEPC 76/7/60**

s 6(b)

[Redacted]

[Redacted]

**New Zealand Position**

- s 9(2)(i)

[Redacted]

**Intervention**

## Document MEPC 76/7/61

s 6(b)

## INF papers

## Document MEPC 76/Inf.16

s 6(b)

## Document MEPC 76/Inf.21

s 6(b)

## Document MEPC 76/Inf.23

s 6(b)

## Document MEPC 76/Inf.24

s 6(b)



s 6(b)



**Document MEPC 76/Inf.61**

s 6(b)

  
  


**Document MEPC 76/Inf.68**

s 6(b)

  
  


**Document MEPC 76/Inf.68/Add.1**

s 6(b)

  
  


**Document MEPC 76/Inf.68/Add.2**

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**Document MEPC 76/Inf.68/Add.2**

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s 6(b)

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## Agenda Item 7: Reduction of GHG emissions from ships

7.1 The Committee will be invited to consider in particular the following issues, together with any other submissions received under the agenda item, taking into account the progress made at the seventh meeting of the Intersessional Working Group on Reduction of GHG Emissions from Ships, as appropriate:

- .1 proposals for the establishment of an International Maritime Research Fund

### New Zealand Position

#### Measures

- s 9(2)(j) [REDACTED] . New Zealand's mandate for considering candidate measures is that they are:
  - a. Environmentally effective – consistent with the goal of transitioning to a low-emissions global economy so as to keep the increase in the global average temperature to below 2 degrees Celsius above pre-industrial levels and striving to keep that increase below 1.5 degrees;
  - b. Environmentally credible – designed to ensure double issuance, double counting and double claiming of emission reductions is avoided;
  - c. Consistent – with New Zealand's UNFCCC negotiation objectives, as relevant;
  - d. Durable – capable of attracting agreement, responding dynamically to evolving circumstances in the sector, and improved scientific understanding of the global emissions challenge;
  - e. Transparent – actions taken must be recorded, verified and reported;
  - f. Applicable to all – measures must apply to vessels from all countries on the same legal footing;
  - g. Fair – vessels should face similar relative costs from their actions to manage emissions;
  - h. Cost-effective – measures must facilitate cost-effective action to deliver global benefits at least cost; and
  - i. Flexible – allow emitters to determine for themselves how they achieve the obligations.

s 9(2)(j)



### Papers tabled

Paper No. & submitted by	Paper Name Action requested	Summary of NZ Position	Support / Not Support
MEPC 75/7/2 ISWG-GHG 6	Report of the sixth meeting of the Intersessional Working Group on Reduction of GHG Emissions from Ships (ISWG-GHG 6)	New Zealand delegation to note results.	
MEPC 75/7/3 Secretariat	Update on the preparation of the Fourth IMO GHG Study  This document provides an update on the preparation of the Fourth IMO GHG Study expected to be approved by MEPC 76	New Zealand delegation to note results.	
MEPC 75/7/3/Add.1 Secretariat	Update on the preparation of the Fourth IMO GHG Study – Outcome of the second meeting of the Steering Committee  This document provides information on the outcome of the second meeting of the Steering Committee for the		Support



<p><b>MEPC 75/7/3/Add.2</b></p> <p><b>Secretariat</b></p>	<p>Fourth IMO GHG Study, held on 6 February 2020</p> <p><b>Update on the preparation of the Fourth IMO GHG Study – Outcome of the third meeting of the Steering Committee and finalization of the study</b></p> <p>This document provides information on the outcome of the third meeting of the Steering Committee for the Fourth IMO GHG Study and on the finalization of the study submitted to the Committee in document MEPC 75/7/15</p>		
<p><b>MEPC 75/7/4</b></p> <p>s 6(b)</p>	<p>s 6(b)</p>	<p>s 9(2)(j)</p>	<p>s 9(2)(j)</p>
<p><b>MEPC 75/INF.5</b></p> <p>s 6(b)</p>	<p>s 6(b)</p>		

s 6(b)	s 6(b)		
MEPC 75/7/8	s 6(b)		
MEPC 75/7/11	s 6(b)	s 9(2)(i)	See 75/7/4
MEPC 75/7/12	s 6(b)	s 9(2)(i)	See 75/7/4

	s 6(b)	s 9(2)(j)	
MEPC 75/7/13 s 6(b)	s 6(b)	s 9(2)(j)	See 75/7/4
MEPC 75/7/14 s 6(b)	s 6(b)	s 9(2)(j)	See above
MEPC 75/7/15 The Secretariat	Fourth IMO GHG Study 2020 – Final report  This document provides in the annex the Final report of the Fourth IMO GHG Study 2020, as well as the "Highlights" of the Study and the Executive Summary		Note
MEPC 75/7/16 SGMF	Fourth IMO GHG Study: comments on the final report  SGMF welcomes the completion and release of the		

	Fourth IMO GHG Study, and believes it makes a strong contribution toward our collective efforts to decarbonize shipping. It is a very comprehensive document, and in some of its details SGMF believes there are specific technical points that require some further careful evaluation		
MEPC 75/7/17 s 6(b)	s 6(b)		

## Background

New Zealand's headline position on the major issues to be considered under the item Greenhouse Gas Emissions from Ships are addressed at the start of the briefing on this agenda item. Additional background on some agenda items is provided here.

s 6(a), s 9(2)(i)

s 9(2)(j)

s 9(2)(j)

### Measures

s 9(2)(j)

s 6(b)

s 9(2)(j)

s 9(2)(j)

s 6(a)

s 6(a), s 6(b)

s 9(2)(j)



**Draft**

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## International Maritime Organization: Climate Change Negotiation Mandate

<b>Reason for this briefing</b>	<p>To provide you with a draft Cabinet paper, for consideration, which seeks to refresh the Cabinet mandate for New Zealand to negotiate on climate change issues at the International Maritime Organization (IMO).</p> <p>The refreshed mandate is required for New Zealand's participation in IMO discussions to develop a comprehensive strategy (the Strategy) to reduce greenhouse gas (GHG) emissions from international shipping, to be adopted in April 2018.</p>
<b>Action required</b>	<p>Consider the draft Cabinet paper and indicate any changes you may wish to make by 8 March 2018.</p> <p>Engage with ministerial colleagues with an interest in the Cabinet paper.</p>
<b>Deadline</b>	8 March 2018.
<b>Reason for deadline</b>	To ensure that we can address your comments and have the paper lodged with Cabinet Office by 10am on Thursday, 15 March 2018, for consideration by the Cabinet Environment, Energy and Climate Committee (ENV) on 21 March 2018.

### Contact for telephone discussion (if required)

Name	Position	Telephone		First contact
		Direct line	After hours	
Tom Forster	Manager International Connections	s 9(2)(a)		√
Brian Nijman	Senior Adviser	s 9(2)(a)		

### MINISTER'S COMMENTS:

<b>Date:</b>	28 February 2018	<b>Briefing number:</b>	OC05684
<b>Attention:</b>	Hon Julie Anne Genter (Associate Minister of Transport)	<b>Security level:</b>	In-Confidence

### Minister of Transport's office actions

- ☐ Noted
 ☐ Seen
 ☐ Approved
- ☐ Needs change
 ☐ Referred to
- ☐ Withdrawn
 ☐ Not seen by Minister
 ☐ Overtaken by events

## **Purpose of report**

1. This paper seeks your comment on a draft Cabinet paper that recommends a refresh of the mandate for New Zealand representatives to negotiate on climate change issues at the International Maritime Organization (IMO).

## **Background to climate change discussions**

2. The Paris Agreement on climate change sets an expectation of universal participation in the global response to climate change. All Parties are obliged to reduce emissions under the jurisdiction of the United Nations Framework Convention on Climate Change.
3. In September 2016, Cabinet approved a new mandate for New Zealand's climate change negotiations at the ICAO (International Civil Aviation Organization) and the IMO. It confirmed New Zealand's support for the ICAO and IMO remaining the lead international agencies to address climate change in their respective sectors (EGI-16-Min-0232 refers).
4. The mandate outlined guiding principles for negotiations. It also sought agreement for our representatives to negotiate on an ICAO global market based measure, subsequently adopted, to control carbon dioxide emissions from international aviation.
5. The mandate noted that once work under the IMO has progressed to the stage where New Zealand will need to consider binding decisions, the Minister of Transport expects to report to Cabinet Committee (EGI-16-Min-0232 refers).

## **IMO GHG Strategy**

6. As the United Nations body that regulates international shipping, the IMO is developing a comprehensive strategy (the Strategy) to reduce maritime greenhouse gas (GHG) emissions. The Strategy is scheduled for adoption in April 2018 and revision in 2023.
7. The impending adoption of the Strategy makes it necessary to refresh the negotiating mandate. The Strategy will frame the IMO's response to climate change for the foreseeable future. It will commit the Organization, its Member States and international shipping to short- (2018- 2023), medium- (2023-2030) and long-term (2030-) measures, which will likely be framed by a vision statement, levels of ambition, targets and national action plans.
8. These measures, aimed at rapidly reducing international shipping's GHG emissions, will impose costs and benefits on IMO Member States and sectors utilising international shipping services. Research indicates the impact on New Zealand's trade, despite our distance from markets, will be modest in terms of overall shipping costs.

## **Potential accession to the IMO air pollution treaty**

9. The Strategy will be implemented by Regulations, including those already provided for under MARPOL<sup>1</sup> Annex VI: Prevention of Air Pollution from Ships.
10. New Zealand is not party to Annex VI. We will soon provide you with a Cabinet paper (with enclosed consultation document), for your consideration, which will seek Cabinet Environment, Energy and Climate Committee's (ENV) approval for the Ministry of Transport to publicly consult on New Zealand's potential accession to Annex VI. We anticipate you will take this paper to ENV in April 2018.

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<sup>1</sup> Full title: The International Convention for the Prevention of Pollution from Ships 1973, as modified by the Protocol of 1978.

## Next steps

11. The Cabinet paper will need to be lodged with Cabinet Office by 10am on Thursday 15 March 2018. Officials will address any comments you might have prior to this time.
12. Officials will update you on the outcome of the April 2018 Strategy negotiations.

## Recommendations

13. The recommendations are that you:
  - (a) **note** the existing Cabinet mandate that enables negotiations on international transport emissions, notes that once work under the International Maritime Organization (IMO) has progressed to the stage where New Zealand will need to consider binding decisions, the Minister of Transport expects to report to Cabinet Committee (EGI-16-Min-0232 refers)
  - (b) **note** the IMO's impending adoption of the Strategy in April 2018, which will frame the IMO's climate change response for the foreseeable future, makes it necessary to update the Cabinet negotiating mandate
  - (c) **note** the attached Cabinet paper, for comment, seeks Cabinet Environment, Energy and Climate Committee's (ENV) approval to refresh the mandate to negotiate on climate change issues at the IMO
  - (d) **advise** of any changes you may wish to be made to the draft Cabinet paper
  - (e) **consider** engaging with the Ministers of Foreign Affairs, Finance, Climate Change Issues, Agriculture, Forestry, Fisheries, Trade and Tourism on the draft Cabinet paper
  - (f) **note**, in the near future, we will provide you with a draft Cabinet paper that will seek ENV's approval for public consultation on potential accession to Annex VI: Prevention of Air Pollution from Ships of The International Convention for the Prevention of Pollution from Ships 1973, as modified by the Protocol of 1978.

Tom Forster  
Manager, International Connections

**MINISTER'S SIGNATURE:**

**DATE:**

Chair  
Cabinet Economic Development Committee

## **INTERNATIONAL MARITIME ORGANIZATION: CLIMATE CHANGE NEGOTIATION MANDATE**

### **Proposal**

1. This paper seeks agreement to refresh the negotiating mandate for New Zealand's participation in negotiating the development of a new strategy to reduce greenhouse gas (GHG) emissions from international shipping (the Strategy). These negotiations will take place at the next meeting of the International Maritime Organization (IMO) in London, from 3 – 13 of April 2018.
2. The paper proposes to retain the guiding principles for New Zealand's engagement in climate change negotiations at the IMO, as agreed by Cabinet in mid-2016 (EGI-16-Min-0232 refers).
3. It notifies Cabinet of key issues relevant to New Zealand's interests that will be discussed in the development of this Strategy. This includes:
  - 3.1. avoiding differentiation between developed and developing states;
  - 3.2. slow steaming (ship speed reduction);
  - 3.3. shared interests with Pacific Island states; and
  - 3.4. Strategy costs.
4. It seeks agreement to the approach that New Zealand officials will take in negotiating the Strategy.

### **Executive summary**

#### *A new IMO Strategy*

5. The IMO is the United Nations agency with primary responsibility for regulating international shipping.
6. The IMO is developing the Strategy to reduce GHG emissions from international shipping. This is expected to be adopted by Member States at the seventy-second session of the IMO's Marine Environmental Protection Committee in London in April 2018.
7. Adoption of the Strategy will commit the IMO to develop short (2018- 2023), medium (2023-2030) and long-term (from 2030 onwards) measures to reduce GHG emissions from international shipping.

8. The measures contained in the Strategy will be implemented by existing IMO regulations and additional regulations yet to be developed. New Zealand will engage in this subsequent work and will be able to advise Ministers on it.
9. The Strategy, if adopted in April, will not impose any additional costs on New Zealand or international shipping. It is the regulations that will impose costs. These future measures (regulations) to reduce GHG emissions from the international shipping sector may impose both costs and benefits on New Zealand.
10. It is likely that MARPOL Annex VI: Prevention of Air Pollution from Ships<sup>1</sup> (Annex VI) will be the vehicle used to implement the Strategy. New Zealand is not yet a party to this treaty. I will shortly be bringing to Cabinet a paper to seek agreement to consult on whether or not New Zealand should become party to Annex VI.
11. I will also seek the agreement of Cabinet Environment, Energy and Climate Committee before taking part in further negotiations regarding the development and implementation of new measures.

*The need to refresh and update the climate change negotiating mandate*

12. I propose to retain the general principles for New Zealand's engagement in climate change negotiations at the IMO as agreed by the previous government in 2016 (EGI-16-Min-0232 refers). These principles are outlined in recommendation 9 to this paper.
13. I propose that New Zealand adopt a more ambitious approach to engaging in the negotiations of the Strategy, as outlined in paragraphs 34 to 40. The current principles provide sufficient scope for officials to negotiate in line with this government's more ambitious stance on climate change.

**Background**

14. The IMO comprises Member States. Industry and non-government organisation (NGOs), including environmental NGOs, have consultative / observer status. National maritime authorities administer IMO regulations, which are provided for in IMO treaties and instruments to which individual Member States are party or commit themselves.
15. Beyond IMO regulations, ships are subject to the national laws of the State to which they are registered. This has led to the widespread use of 'flags of convenience', where ship owners register their vessels to jurisdictions with the most favourable legislative settings.
16. It is common for ships to be owned and registered in different jurisdictions; often the owner will be domiciled in a developed country and the ship flagged to a

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<sup>1</sup> Full title: The International Convention for the Prevention of Pollution from Ships 1973, as modified by the Protocol of 1978.

developing country or a small state that has established a register for revenue purposes.

17. International shipping has achieved significant reductions in GHG emissions through current IMO regulations to improve the energy efficiency of ships and improvements in industry practice based on commercial imperatives. Shipping is the most efficient transport mode, based on freight volume per kilometre. It is therefore important that measures to reduce GHG emissions from international shipping do not result in substitution to other less efficient transport modes. New Zealand has maintained that the IMO's objective should be to decouple growth in emissions from growth in shipping.
18. The IMO has made slow progress on progressing the Strategy to the point where it can be adopted in April 2018. A possibility, which New Zealand will push back on, is for the substantive decisions on Strategy targets and measures to be deferred until its revision in 2023, and for the initial Strategy to be primarily aspirational.
19. Annex VI, a primary vehicle to implement the Strategy by way of its regulations, deals with two main issues with respect to shipping emissions:
  - 19.1. GHG emissions, and
  - 19.2. human health and local environments (including limits of sulphur oxide and nitrogen oxide emissions).
20. New Zealand is not a Party to Annex VI, largely because, until recently, there has not been compelling evidence of air quality problems in our major ports due to emissions from ships.
21. Although New Zealand is not a Party to Annex VI, this does not affect our ability to negotiate on the Strategy, because discussions have not yet moved to the development of regulations required to implement the measures that will form part of the Strategy.
22. Notwithstanding, the Strategy, once adopted, will address existing Annex VI regulations and potentially be a catalyst for new regulations. It is therefore important we resolve our Annex VI status in the near future.
23. I will shortly bring a paper before Cabinet seeking approval to undertake a public consultation process on whether New Zealand should accede to Annex VI as well as asking stakeholders about their views on the costs and benefits of accession.

#### **Framework for negotiating mandates**

24. I propose the general principles for New Zealand's engagement in IMO and International Civil Aviation Organization (ICAO) climate change negotiations agreed by Cabinet in September 2016, (EGI-16-MIN-0232) should be retained for New Zealand's engagement at the IMO.



25. New Zealand should therefore seek to ensure measures agreed by the IMO are:
- 25.1. Environmentally effective – consistent with the goal of transitioning to a low-emissions global economy so as to keep the increase in the global average temperature to below 2 degrees Celsius above pre-industrial levels and striving to keep that increase below 1.5 degrees.
  - 25.2. Environmentally credible – designed to ensure double issuance, double counting and double claiming of emission reductions is avoided.
  - 25.3. Consistent – with New Zealand’s UNFCCC negotiation objectives, as relevant.
  - 25.4. Durable – capable of attracting agreement, responding dynamically to evolving circumstances in the sector, and improved scientific understanding of the global emissions challenge.
  - 25.5. Transparent – actions taken must be recorded, verified and reported.
  - 25.6. Applicable to all – measures must apply to vessels from all countries on the same legal footing.
  - 25.7. Fair – vessels should face similar relative costs from their actions to manage emissions.
  - 25.8. Cost-effective – measures must facilitate cost-effective action to deliver global benefits at least cost.
  - 25.9. Flexible – allow emitters to determine for themselves how they achieve the obligations.

#### **Paris Agreement on climate change**

26. Pressure from IMO Member States for the Organization to take stronger action on GHG emissions has grown subsequent to the Paris Agreement on climate change. The Strategy must address the need for international shipping’s GHG emissions to decline quickly and towards zero in the second half of this century.
27. During the Twenty-third Conference of Parties (COP 23) to the UNFCCC, in November 2017, the Minister for Climate Change Issues emphasised:
- 27.1. the need for the IMO to increase its pace of work in developing the Strategy and how ambitious the Organization should be in pursuing sector decarbonisation
  - 27.2. that New Zealand’s commitment, consistent with our membership of the High Ambition Coalition on climate change<sup>2</sup>, is for the IMO to adopt binding

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<sup>2</sup> New Zealand belongs to the High Ambition Coalition on climate change, pushing the IMO to adopt binding targets and measures in order to address the 1.5 degree Celsius temperature goal. We remain flexible and realistic about the means to achieve this.

targets and measures in order to address the 1.5 degree Celsius temperature goal of the Paris Agreement.

28. New Zealand is one of 38 IMO Member States that signed the Tony de Brum Declaration (Appendix 1 refers), agreed at the 'One Planet Summit' in December 2017. It urges the shipping industry to meet the Paris Agreement's climate goals.

### **Strategy Negotiations**

29. The Strategy represents the IMO's commitment to further reducing GHG emissions from international shipping. It is likely to address the following: vision, ambition, guiding principles, possible short-, medium- and long-term measures, impacts on States, review of targets and measures, and implementation (Appendix 2 refers).
30. The Strategy will commit IMO Member States to addressing its vision (once agreed), its levels of ambition and the subsequent development of regulations to implement its measures.
31. Once the Strategy is adopted, its measures will be implemented by existing regulations under Chapter 4 of Annex VI and new regulations yet to be developed. The Strategy itself does not impose any additional requirements on international shipping or those utilising shipping services.
32. The most notable of the existing measures are the Energy Efficiency Design Index and the Ship Energy Efficiency Management Plan (SEEMP). This suite of measures addresses ship types responsible for approximately 85 percent of CO<sub>2</sub> emissions from international shipping and represents the first-ever, mandatory global regime for CO<sub>2</sub> emission reduction in an entire industry sector.
33. Additional Strategy measures may include speed optimisation to reduce CO<sub>2</sub> emissions. The door remains open for approaches that put a price on carbon emissions, such as a market-based measure or a fuel levy, although final agreement on these is unlikely to occur before the revision of the Strategy in 2023.

### **Strategy engagement**

34. I am proposing a more ambitious approach to engaging in negotiations of the Strategy.
35. I propose that New Zealand's engagement on the Strategy is driven by three overarching interests:
  - 35.1. Our aspiration to be a world leader in addressing climate change
  - 35.2. The need to ensure we, as an export-driven economy, geographically distant from some key markets, are not disproportionately affected by any measures taken under the Strategy; and

- 35.3. Our desire for solidarity with Pacific Island countries and territories that have particular vulnerabilities with respect to the application of global measures.
36. This means we will wish to see:
- 36.1. an ambitious strategy, applicable to all ships, accompanied by a concrete schedule of pragmatic steps to ensure appropriate action is not deferred
  - 36.2. an outcome that ensures any acknowledgement of the principle of Common but Differentiated Responsibilities and Respective Capabilities by the IMO does not result in bifurcation of Member State responsibilities; and
  - 36.3. recognition and protection of the interests of Pacific Island countries and territories.
37. Our objectives for engaging on the Strategy will be to:
- 37.1. Ensure that New Zealand's trade sectors are not materially disadvantaged by any measures agreed.
  - 37.2. Ensure that measures do not place a disproportionate burden on New Zealand, including its maritime and energy sectors.
  - 37.3. Support the global effort to meet the goals of the Paris Agreement, maintain New Zealand's credentials as a responsible and ambitious contributor to the global effort, and protect New Zealand's interests.
  - 37.4. Support the integrity of the IMO as the authority for international shipping and the multilateral approach to global trade and environmental issues.
  - 37.5. Ensure the Strategy is unequivocal as to the desired level and pace of GHG emission reductions from international shipping.
  - 37.6. Monitor proposals and outcomes with regard to any impacts on New Zealand's regulatory framework or to New Zealand's maritime and trade sectors; and convey any New Zealand positions on these issues.
  - 37.7. Develop relationships with key stakeholders, including likeminded IMO Member States and industry organisations, to further our objectives for the Strategy and New Zealand's climate change objectives generally.
  - 37.8. Promote supportive measures, capacity building and technical cooperation to address impacts of measures on states, particularly Pacific Island states, while addressing the IMO principles of non-discrimination and no more favourable treatment (NMFT) for ships.
  - 37.9. Ensure that associated research and development complements the levels of ambition New Zealand seeks, and is not used as a means to delay quantifiable targets or measures.
  - 37.10. Ensure active consideration of developments external to the IMO that drive the need to respond to climate change, particularly scientific updates provided by the Intergovernmental Panel on Climate Change and related responses by the UNFCCC.

- 37.11. Ensure the Strategy remains evidenced-based, taking account of developments in climate science and emissions data and scenarios for international shipping, while taking due account of the Precautionary Principle.
38. As a Party to the Paris Agreement, and a global citizen impacted by emissions, New Zealand must maintain a credible voice on international climate change issues. Consistent with this, we adopt positions consistent with a Strategy outcome that aligns international shipping with the broader global effort on climate change.
39. As a trading nation, distant from markets and reliant on foreign ships to carry our goods, we are impacted by changes in international conditions, including regulatory settings for international shipping. Discussions to date with the domestic maritime sector underscore the importance of maintaining: a level playing field with international competitors; regulatory certainty; and sufficient lead-time to address new requirements.
40. In negotiations, we are also mindful of international shipping regulations which may have indirect impacts on our domestic maritime sector, such as when our coastal ships visit states party to Annex VI for survey or repair.

#### **Key issues for New Zealand in the Strategy**

41. There are a number of key issues that will be of focus for New Zealand negotiators at the upcoming IMO meeting. These are outlined below.

#### *Avoiding differentiation*

42. New Zealand will resist the application of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC), since its implementation would be at odds with business models employed in international shipping. In addition, inclusion of CBDR-RC could fundamentally undermine the effectiveness of the Strategy and enable calls for compensation by developing states.
43. Flags of convenience render impractical the application of CBDR-RC to international shipping. Nevertheless some states, including developing states that account for a large proportion of global ship construction and have large shipping registries, are pushing for the IMO to operationalise the principle of CBDR-RC. This would go beyond the IMO's current position of "being cognizant" of the CBDR-RC principle. If CBDR-RC was implemented, some developing countries, such as Brazil and Argentina, would gain a competitive advantage over New Zealand in the area of primary exports.
44. Some countries remain firm that issues of differentiation must stay true to the 'spirit of Paris', where countries' national circumstances are the arbiter of the effort they are required to commit. New Zealand shares this position, as do likeminded states <sup>s 6(b)</sup> and support the Strategy referencing the IMO's current positions with respect to the principles of non-discrimination, NMFT and CBDR-RC.

45. New Zealand has co-sponsored a paper to the upcoming IMO meeting that addresses the need for GHG reductions from international shipping to be compatible with achieving the temperature goals of the Paris Agreement. That paper, with reference to the Tony de Brum Declaration, recalls that the Strategy must not compromise the achievement of climate objectives by creating distortions of competition and that its provisions should apply equally to all ships regardless of their flag.
46. New Zealand recognises some measures could, in certain instances, have disproportionate impacts on some states. However, these impacts can be addressed without resorting to differentiation.
47. The need to maintain commonly applied regulations is important for countries like New Zealand that trade with multiple markets. Misalignment between rules in different jurisdictions adds significantly to the cost of doing business. Failure to reach agreement at the IMO on meaningful Strategy targets and measures runs the risk that major jurisdictions, such as the European Union, will apply their own regime and impose them on visiting ships, thereby creating either de facto global regulations or a fragmented and incompatible global regulatory system.

#### *Pacific Islands*

48. New Zealand shares a dependence on shipping with Pacific Island countries and territories. We are committed to standing with them to respond to climate change. We need to be aware of their interests and expectations at the IMO. Not all attend IMO meetings, and those that do have differing priorities. We note that the Marshall Islands, Kiribati and the Solomon Islands have signed the Tony de Brum Declaration, s 6(a)  
[REDACTED]
49. In the Pacific, an additional issue exists where the administration of a ship registry is outsourced, typically to a private concern in Singapore. When this happens, commercial considerations can override political and environmental ones. Pacific Island representatives at the IMO can be observed advocating for seemingly contradictory positions, as they attempt to reconcile the priorities of state and registry.

#### *Slow steaming*

50. Most new measures for inclusion in the Strategy are likely to be implemented after its review in 2023. A new measure that could be implemented before then is slow steaming (ship speed reduction). New Zealand recognises that slow steaming, by reducing fuel consumption, is an effective means to reduce CO<sub>2</sub> emissions.
51. We need to ensure the application of slow steaming does not have disproportionate trade or operational impacts, given our distance from markets. New Zealand therefore supports speed optimisation, where CO<sub>2</sub> emissions are not only reduced by speed reduction, but are also addressed by other factors such as sea state, weather and routing considerations, and taking into account commercial imperatives. Speed optimisation is already provided for, but not

mandated, under the SEEMP regulations in Annex VI, which is a performance-based tool that provides for a range of approaches to cut CO<sub>2</sub> emissions.

52. On average, a speed reduction of 10 percent reduces the power required for propulsion by 27 percent. This reduction is somewhat offset because the ship requires a longer journey time to cover the same distance, which contributes to an average net energy saving of 19 percent per unit of distance. The reduction in fuel use can be less where additional energy-intensive systems, such as refrigeration to maintain perishable goods, need to run continuously.
53. An October 2017 study<sup>3</sup>, estimated that a 30 percent reduction in the speed of chilled beef shipped in refrigerated containers from Argentina to the Netherlands would reduce the return to exporters by up to 0.89 percent. The same study projected that, on the same route, the same reduction in shipping speed applied to exports of oilcake from soya-beans would reduce export value by 0.31 percent. The study concluded, for these products, substitution to aviation would be unlikely. Most of the fall in volume traded would be accounted for by substitution of supplier.
54. Given similarities between New Zealand and Argentina in terms of distance from markets, it is reasonable to surmise that, for exporters of primary products or bulk products derived from them, the impact of a 30 percent reduction in shipping speeds would reduce the export income of the industry concerned by less than one percent. This modest impact is consistent with the aforementioned analysis by the University College London (UCL) Energy Institute, which estimated that, because the cost of shipping accounts for an average of six percent of the price of food we export, the impact of applying a GHG-related cost to international shipping would only have a small impact on the price of our exports.
55. Despite modest industry-wide impacts, firm-level impacts could vary appreciably. Exports of a highly seasonal nature, where a difference of days in arrival time has a big impact in terms of acceptance or price paid, could be affected.

#### Strategy cost

56. Measures that would be in the Strategy are yet to be determined. Most, beyond those already provided for in Annex VI, are unlikely to be in place before revision of the Strategy in 2023. The costs between now and then would likely be moderate, and could possibly involve strengthened SEEMP requirements if we accede to Annex VI before 2023. Another potential cost impact (increase or decrease) could occur if international shippers are required to employ slow steaming practices beyond that already carried out for commercial reasons.
57. In November 2017, the Ministry of Foreign Affairs and Trade and the Ministry of Transport commissioned the UCL Energy Institute to research what potential

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<sup>3</sup> Faber, Huigen and Nelissen (2017): *Regulating speed: a short-term measure to reduce maritime GHG emissions*. Available online: [www.cleanshipping.org/download/Slow-steaming-CE-Delft-final.pdf](http://www.cleanshipping.org/download/Slow-steaming-CE-Delft-final.pdf).



GHG reduction measures could cost New Zealand<sup>4</sup>. The report concluded that steps to reduce GHG emissions from international shipping could increase the cost of international shipping services and this in turn could have an impact on global trade, and New Zealand's competitiveness and gross domestic product. However, the estimated overall impacts of GHG mitigation related increases in costs of international shipping on the New Zealand economy are small, and appear to be similar to the world average impact, in spite of New Zealand's comparative remoteness.

58. Real and nominal international shipping costs have fallen over several decades, and this trend is likely to continue. Therefore, Strategy measures, particularly in the medium and long term, might offset this trend, but not reverse it.
59. Industry recognises the need to address climate change outcomes, but emphasise the need for certainty of regulation, sufficient lead-time for implementation, and a level playing field internationally.
60. If international shipping is to fully contribute to the global 1.5 degree Celsius temperature goal then absolute GHG emissions from the sector must peak soon and rapidly decline. New technologies, particularly in maritime fuels, will be needed in the long-term (beyond 2030). New Zealand would need to address how it would access such technologies, with associated costs.

### **Consultation**

61. The Ministry of Transport has consulted with the Ministries of Foreign Affairs and Trade, Primary Industries, Environment, and Business, Innovation and Employment (Tourism), Maritime New Zealand, and the Treasury. The Department of Prime Minister and Cabinet has been informed.
62. The Ministry of Transport and the Ministry of Foreign Affairs and Trade have had preliminary discussions with maritime interests and exporters. The Strategy for adoption in April 2018 could indirectly impose additional costs on New Zealand traders, but these would require amendments to IMO Regulations that New Zealand would negotiate on. The main cost impacts of the Strategy measures are likely to occur after revision of the Strategy in 2023, prior to which comprehensive engagement with affected parties will occur.

### **Human rights, gender implications and disability perspective**

63. There are no inconsistencies with the Human Rights Act 1993 or the New Zealand Bill of Rights Act 1990. There are no gender or disability implications.

### **Legislative implications**

64. There are no legislative implications for this paper.

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<sup>4</sup> UCL Energy Institute (November 2017): Impact assessment of IMO Greenhouse Gas Reduction Strategies on New Zealand's economy.



## Regulatory Impact Analysis

65. A Regulatory Impact Analysis is not required, since the IMO negotiations have not progressed to the point of finalising Strategy targets and measures. Implementation of these measures would require the subsequent development of Regulations.

## Publicity

66. The Ministry of Transport, Ministry of Foreign Affairs and Trade and the Ministry for Primary Industries will engage further with stakeholders once the initial Strategy is adopted.

## Recommendations

67. The Associate Minister of Transport recommends that the Cabinet Economic Development Committee:
1. **note** that the International Maritime Organization (IMO) is the forum responsible for regulating the greenhouse gas (GHG) emissions from international shipping
  2. **note** that New Zealand is participating in IMO discussions to develop a comprehensive strategy (the Strategy) to reduce GHG emissions from international shipping, to be adopted in April 2018 and revised in 2023
  3. **note** that the Strategy will frame international shipping's response to climate change for the foreseeable future
  4. **note** that in light of momentum from the Paris Agreement, it is critical that the IMO make progress in managing emissions to maintain its authority to regulate the maritime sector
  5. **note** that the Strategy could potentially involve binding obligations, particularly for IMO Member States party to MARPOL Annex VI: Prevention of Air Pollution from Ships (Annex VI)
  6. **note** that I will provide the Cabinet Environment, Energy and Climate Committee with a separate paper seeking approval to publicly consult on whether New Zealand should accede to Annex VI
  7. **agree** that New Zealand should continue to support the IMO as the lead United Nations agency for deciding and implementing emissions reduction measures, and for determining any emissions reduction target for the maritime sector

### ***New Zealand's engagement approach at IMO negotiations***

8. **agree** New Zealand's engagement approach on the Strategy is to ensure:
- i. Our aspiration to be a world leader in addressing climate change

- ii. The need to ensure we, as an export-driven economy, geographically distant from some key markets, are not disproportionately affected by any measures taken under the Strategy; and
- iii. Our desire for solidarity with Pacific Island countries and territories that have particular vulnerabilities with respect to the application of global measures

***General principles for IMO engagement in climate change negotiations***

9. **agree** to retain the general principles for New Zealand's engagement in climate change negotiations agreed by Cabinet in 2016, (EGI-16-MIN-0232 refers) as set out below, to guide New Zealand's engagement on climate change negotiations at the IMO. New Zealand should seek to ensure measures agreed by these bodies are:
  - i. Environmentally effective – a level of ambition consistent with the goal of transitioning to a low-emissions global economy so as to keep the global average temperature increase to below 2 degrees Celsius above pre-industrial levels and striving to keep that increase below 1.5 degrees
  - ii. Durable – capable of attracting agreement, responding dynamically to evolving circumstances in the sector, and improved scientific understanding of the global emissions challenge
  - iii. Transparent – actions taken must be recorded, verified and reported
  - iv. Applicable to all – measures must apply to vessels from all countries on the same legal footing
  - v. Fair – vessels should face similar relative costs from their actions to manage emissions
  - vi. Cost-effective – measures must facilitate cost-effective action so as to deliver global benefits at least cost
  - vii. Environmentally credible – designed to ensure double issuance, double counting and double claiming of emission reductions is avoided
  - viii. Flexible – allow emitters to determine how they achieve the obligations
  - ix. Consistent – with future updates in New Zealand's UNFCCC negotiation mandate as relevant
10. **agree** that New Zealand's negotiation and engagement on matters relating to climate change will be consistent with New Zealand's overall negotiating mandate on climate change issues and related financial measures
11. **agree** that New Zealand should support the adoption of the Strategy by the seventy-second session of the IMO's Marine Environmental Protection Committee, subject to:
  - i. the Strategy's vision, ambition, and timeframe for implementation aligning with the temperature goals of the Paris Agreement

- ii. the principle of Common But Differentiated Responsibilities and Respective Capabilities not being operationalised to arbitrarily differentiate responsibilities of developed and developing IMO Member States; and
  - iii. agreement being reached the implementation of any IMO measures initiated under the Strategy will appropriately take into account any unfair or unreasonably adverse impacts on Small Island Developing States
12. **authorise** the Associate Minister of Transport to provide direction to officials as necessary on New Zealand's position if a Strategy emerges that meets some but not all of the provisions above
13. **note** that once work under the IMO has progressed to the stage where New Zealand will need to consider binding decisions, the Associate Minister of Transport expects to bring a further paper to Cabinet
14. **agree** the delegation at IMO meeting(s) will seek to encourage the IMO to take steps to ensure the maritime sector supports, and does not undermine, the goals of the Paris Agreement. However, the delegation will be flexible, and realistic, about the form that support might take.

Hon Julie Anne Genter  
**Associate Minister of Transport**

Dated: \_\_\_\_\_

## **Appendix 1**

### **Tony de Brum Declaration**

The Tony de Brum Declaration, agreed in December 2017 at the Paris 'One Planet Summit':

1. reaffirms commitment to contribute to achieving objectives of the Paris Agreement, and to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century
2. confirms that international shipping, like all other sectors of human activity, must take urgent action in consideration of these vital objectives for the future of the planet and of humanity
3. recalls the leading role of the International Maritime Organization (IMO) in defining this action and welcome, inter alia, the process undertaken by the IMO to adopt, by 2018, an initial Strategy for reducing greenhouse gas emissions from ships, and a revised Strategy in 2023
4. stresses that the Strategy to be adopted in 2018 must set a level of ambition for international shipping that is compatible with that of the Paris Agreement
5. commits to support the design and implementation by the IMO of policy measures that can have an immediate effect to achieve emission reductions, and to promote the development of important mid-to-longer term measures
6. recalls that the strategy must not compromise the achievement of climate objectives by creating distortions of competition, and apply to all ships regardless of flag
7. addresses the impacts and specific needs of measures on states, particularly Less Developed States and Small Island Developing States. These impacts and needs have to be studied in advance and disproportionate impacts on specific States addressed; and
8. makes clear, time is running out for the IMO and the shipping industry to deliver a fair contribution to tackling the climate crisis. A 2018 deal in line with limiting warming to below 1.5 degree Celsius requires a strong long term decarbonisation goal and short-term measures, like speed reduction, that will result in immediate emissions reductions.

## Appendix 2

### **Key attributes New Zealand is seeking in the new International Maritime Organization strategy to reduce greenhouse gas emissions from international shipping:**

#### ***Vision, ambition, guiding principles and potential measures***

##### *Vision*

1. A vision statement for the new International Maritime Organization strategy to reduce greenhouse gas (GHG) emissions from international shipping (the Strategy) should provide a focal point, referencing decarbonisation of the sector in the second half of the century (consistent with the temperature goals of the Paris Agreement).
2. Any vision statement that refers to decarbonisation should not preclude the introduction of market-based measures.
3. Agreement on an emissions pathway is key and will guide discussions on an overall level of ambition for the sector.

##### *Levels of ambition*

4. Ambition should align with the Paris Agreement and include quantifiable targets and measures. Unquantified aspiration to reduce emissions is not credible.
5. Discussions on ambition for the sector must take into consideration the importance of international shipping to world trade and global growth.
6. The Strategy should seek to decouple levels of shipping activity and levels of emissions. This will be facilitated by the development and uptake of alternative fuels.
7. Agreement on an emissions pathway is key and would guide discussions on an overall level of ambition for the sector.

##### *Guiding principles*

8. The application to the Strategy of the IMO principles of non-discrimination and no more favourable treatment will:
  - 8.1. ensure the Strategy does not arbitrarily disadvantage any Members; and
  - 8.2. address the IMO goal of encouraging the removal of discriminatory action and promoting commerce without discrimination.
9. We do not support inclusion of Common but Differentiated Responsibilities and Respective Capabilities in the initial Strategy. Any effort to do so risks trade distortion and encouraging ship owners to evade obligations.
10. Different capacities can be recognized and addressed without importing principles from the United Nations Framework Convention on Climate Change into the IMO.
11. We are open to efficiency-based targets in the set of short-term measures, provided an ambitious quantified target is set for the second half of the century.
12. Intermediate and long-term goals to facilitate a quantified course to decarbonisation.
13. The guiding principles should inform selection, implementation and periodic assessment of the measures to support the Strategy.

## Potential Measures

Category	Potential measure
<i>Ship propulsion and design</i>	Measures to stimulate continued innovation and technical development of all the components influencing the fuel efficiency of a ship from its design phase.
<i>Reporting measures for new and existing ships</i>	Wider application of monitoring, reporting and verification requirements for new and existing ships, with respect to full consumption and emissions performance.
<i>Speed reduction</i>	Speed reduction - a proven GHG emission reduction measure, taking into account safety issues, distance travelled and potential market distortions. We need to ensure such measures do not disproportionately impact states distant from markets or where capacity on shipping routes is limited.
<i>Research and development</i>	Greater industry investment – ensuring this is not duplicated or displaced by any research commissioned or funded by the IMO or Member States.
<i>Existing Fleet Improvement Programme</i>	Facilitating energy efficiency and emissions improvements in existing vessels.
<i>Information sharing</i>	Technical cooperation and capacity-building. Mechanisms to enable lessons learned on implementation of measures are collated and shared through information exchange on best practice.
<i>Alternative fuels</i>	Development and uptake of alternative fuels (such as hydrogen fuel) necessary for the decarbonisation of shipping.
<i>Financial Instruments</i>	Explore market-based measures to incentivise emissions reductions. Be open to the use of fuel levies and carbon taxes to achieve similar aims.
<i>National action plans</i>	IMO Member States to implement and report on energy efficiency GHG emissions reduction activities.
<i>Port infrastructure</i>	Explore approaches for port facilities to facilitate GHG emissions reductions through supplying infrastructure for alternative fuels/energy supply and optimising logistics and operations.
<i>Capacity building and technical cooperation</i>	Address the specific needs of developing countries and small island developing states.
<i>Review and assessment</i>	Support the periodic review of the Strategy, including its targets and objectives, to ensure it remains up-to-date, able to accommodate technological and operational developments and relevant as a driver for addressing the temperature goals of the Paris Agreement.