2024 Asia-Pacific Dialogue on Sustainable Maritime Connectivity
22-23 July 2024

Two sides of the Coin: 6PAC+ and PBSP
- a 1.5 degree agenda included in the initial Strategy in 2018
- GHG pricing/universal levy inserted in MTM options in 2020
- concept of an equitable transition introduced in 2020
- a just and equitable transition inserted in the 2023 IMO Strategy as one of 3 primary objectives.
- 2023 IMO Strategy targets and interim checkpoints remain 1.5 degree aligned and adopt well-to-wake accountancy
Measures combination proposals

<table>
<thead>
<tr>
<th>Region/Combination</th>
<th>Proposal Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>6PAC+</td>
<td>Universal mandatory levy on all GHG emissions + a simple GFS (no flexibility mechanism). Revenues to mitigation (RD&amp;D + limited feebate) &amp; reparation (DNI compensation and environment, adaptation and CC response) majority of revenues to enable an equitable transition for developing countries, in particular SIDS and LDCs.</td>
</tr>
<tr>
<td>Europe + Japan + Japan</td>
<td>Emissions credit trading scheme (a ‘flexibility mechanism’) + a ‘feebate’ + a universal levy + GFS most revenues going to the credit trading scheme/feebate $1-2b to support an energy transition in SIDS/LDCs</td>
</tr>
<tr>
<td>BRICS + Norway + Norway</td>
<td>Hybrid technical/economic measure complex trading scheme for emissions over the established GFI trading and banking of surplus units through a central exchange ($1-2billion) to support poorer/smaller States.</td>
</tr>
<tr>
<td>ICS, Bahamas, Jamaica</td>
<td>Levy + feebate + simple GFS private poling mechanism – ships/fleets to trade compliance credits. A fund of $2billion would be set aside for SIDS.</td>
</tr>
</tbody>
</table>
A CARBON levy of $150-$300 per tonne on shipping would result in the lowest impact on global economic growth in 2050 if the revenues were disbursed only to states that were most vulnerable to the impacts of climate change, according to an analysis of potential policies for the International Maritime Organization.

Global GDP growth would fall by 0.08% by 2050 if the IMO implemented a carbon levy on shipping at $150-$300 per tonne of CO2 equivalent that considers full lifecycle emissions of bunker fuels (well-to-wake), and the revenue collected was disbursed only to small island developing states and least-developed countries, according to an unpublished draft report by United Nations Trade and Development prepared for the IMO.

In a similar scenario that assumes revenues from a $150-$500 a tonne carbon levy channelled to all economies, global GDP would drop by 0.09% by 2050. The same set of policies would be among the ones that achieve the highest emission reduction by 2050, while raising shipping’s cost intensity by 78% in 2050, according to a preliminary report prepared by class society DNV for the IMO.
lower-valued commodities are likely to experience greater midterm measures impact compared against higher-valued commodities.

Disaster relevant commodities are likely to be substantially impacted, including between 53.0% and 82.4% of total costs paid for a 20-ft container of cement; between 6.2% and 18.3% of total costs paid for a 20-ft container of rice; between 1.7% and 4.2% of total costs paid for a 20-ft container of poultry.

Many of the commodities imported and exported investigated for potential impacts are low value food staples (chicken, rice). The consequence of an overall maritime transport cost increase solely attributable to GHG policy to achieve IMO’s GHG reduction objectives for such goods can be an increase in their total price at port of arrival of 10-20%.

In the worst case, cement, which is one of the lowest cost commodities (so particularly susceptible to inflation due to increases in transport cost), imported over long distances, the increase in 2050 can exceed 50% (Solomon Islands), or 80% (Vanuatu)
Just & Equitable Revenue Disbursement Framework

**GHG EMISSIONS**

- Not GFS Compliant
  - GFS Penalty
  - GHG Levy

- GFS Compliant
  - No GFS Penalty
  - GHG Levy

- GFS Over-Compliant
  - No GFS Penalty
  - GHG Levy

- Zero GHG
  - GFS Over-Compliant

**COMPLIANCE COST**

- GFS Penalty
- GHG Levy

**REVENUE USE**

- Administration
- Active Mitigation - RD&D
- Active Reparation
- Passive Reparation - DNI
- Passive Mitigation

**Limited Reward Subsidy for Eligible (Near-) Zero GHG Energy**
PBSP programming – preparing for GCF
Pacific Blue Shipping Partnership

https://www.mcstrmiusp.org/index.php/hlpu/pacific-blue-shipping-partnership
What sort of new ships do we need?

Proof of Concept

Demonstration vessels at 400, 1200 and 3000 gross tonne are launched or at advanced construction. Flettner rotor conversion for ships 1-10,000 gt well proven
100 and 300 gt tonne to build plan ready
Sufficient proof of concept is available to now move to replicating
A demonstration fleet of low-carbon ships is the logical next step for PBSP

a. Ships + Maintenance + Capacity
❖ Multi-country application
❖ $150 million+
❖ 5-7 year program
❖ Leverage the first ship – Juren Ae
❖ Build a fleet of ships for differing locations + maintenance + capacity.
❖ Accredited Entity and Executing Entities
❖ Partnerships are essential

✓ high emissions saving potential
✓ significant climate impact potential
✓ catalytic – replicable and scalable
✓ potential for transformation
✓ promotes a paradigm shift to low-emission and climate-resilient development
✓ Significant multiplier benefits
✓ Verifiable Carbon credit earning capacity
2024 Asia-Pacific Dialogue on Sustainable Maritime Connectivity
22-23 July 2024

Two sides of the Coin: 6PAC+ and PBSP

Kommol tata!