UPDATE ON MRV OF CO_2 EMISSIONS IN THE MARITIME SECTOR IN THE EU

The discussion on maritime emissions at the EU level has, to date, mainly focused on Monitoring, Reporting and Verification provisions (MRV) and is still somehow far from the inclusion of the sector into the EU ETS. At present, the EU Commission has proposed to establish a reliable system and clear rules for monitoring, reporting and verification of maritime transport emissions in view of a future inclusion of the sector.

The EU Commission's Proposal

In June 2013, the European Commission set out a [strategy](#) for progressively integrating maritime emissions into the EU's policy for reducing its domestic greenhouse gas (GHG) emissions. This strategy is articulated in three consequential steps:

1. Monitoring, reporting and verification (MRV) of CO_2 emissions from large ships using EU ports;
2. Greenhouse gas reduction targets for the maritime transport sector;
3. Further measures, including Market Based Mechanisms, in the medium to long term.

This was a <u>non-legislative communication</u> that set out the overall direction that the European Commission was considering for the inclusion of maritime emissions into the EU's GHG reduction policies. The integration of maritime emissions into the EU ETS may be the final outcome of the process, but we are not yet at the stage of seeing a legislative proposal from the Commission on how they would like this to evolve. The communication is available [here](#).

Nevertheless, the European Commission started turning its strategy outlined above into action by publishing a legislative [proposal](#) on MRV (monitoring, reporting, and verification). The original proposal of the Commission was to apply these provisions (MRV) only to vessels from **5000GT** (gross tonnage) upwards. This would reduce the administrative burden for operators of small vessels and, according to EC calculations, would allow 90% of the sector's CO_2 emissions to be covered.

The Commission originally proposed to cover **only CO_2 emissions** (these being the easiest to monitor according to their studies) with the stated aim of including other GHGs over time when technology will allow cheaper ways of monitoring. The emissions taken into account would be those from the last port of call outside of the EU jurisdiction to the first EU port, and include all the travel within the EU.

The EU Parliament's ENVI Committee position

The Commission's proposal was then discussed in the European Parliament's Committee on the Environment (ENVI). The rapporteur for this file was MEP Theodoros Skylakakis.

In February 2014, the Committee debated, voted and approved a text on MRV for maritime transport, which took a more stringent approach compared to the Commission's proposal. The ENVI committee adopted amendments aimed at applying the MRV Regulation on ships from **400GT** and including **all GHGs** rather than CO_2 only.

Parliament Vote

On April 16th the **EU Parliament voted in plenary** on the ENVI proposal. The outcome of the vote contradicts to some extent the opinion of the ENVI committee. The Parliament rejected most of the proposed amendments aimed at lowering the threshold for inclusion of ships to 400GT and the inclusion of all GHG, thus realigning the Parliament's text with the Commission's proposal.

With the new European Parliament taking office in July 2014, MEP José Inácio Faria became the new Rapporteur for this file, replacing MEP Theodoros Skylakakis.

The Council and Trilogue Negotiations

The text voted by the European Parliament, and the Council's common position, were then discussed with the European institutions during the trilogue negotiations (attended by the Commission – Parliament – Council). Negotiations resulted in a political agreement between the three institutions (despite some European Member States voting against the deal). This text is available here, and is broadly in line with the Commission's original proposal and with the text approved by the Parliament in its Plenary Session. The regulation is thus intended to cover vessels from **5000GT** upwards and to include **CO_2 emissions only**.

The main messages from the political agreement that was reached are the following:

- Monitoring of GHG emissions should take place on a **per-voyage basis** taking into consideration distances with regards to the following voyages:
  * Intra-EU
  * From the last non-EU port to the first EU port of call (incoming voyages)
  * From an EU port to the next non-EU port of call (outgoing voyages)
- The minimum threshold for inclusion in the system is to be maintained at **5000 GT**
- The monitoring period is based on one calendar year
- Inclusion of **CO_2** emissions and exclusion of nitrogen oxide emissions (**NO_x**)
- The Regulation shall enter into force on **1st July 2015**.
- A system of **penalties** for non-compliance to be presented by Member States to the Commission by **1st July, 2017**
- MRV activities operated by companies shall start from **31st August, 2017** with the submission to the verifiers of a monitoring plan stating the chosen methodology for each ship
- From **1st January, 2018,** actual monitoring shall start based on the monitoring plan

Next Steps

The agreement reached during the trilogue negotiations now needs to be sent back to the Parliament and to Council for approval. European Ambassadors approved the negotiated text recently. Now, the ENVI Committee in the European Parliament has to adopt the outcome of the negotiations and, as a next step, the text will then be voted upon by the European Parliament in its Plenary Session.

The vote in ENVI will take place on 3 December. A Plenary vote, with all MEPs, will also need to take place at a later stage, as well as the approval of European Ministers. If the last part of the process runs smoothly it is expected that the MRV Regulation will enter into force in July 2015.