“Sustainable freight transport in support of the 2030 Agenda for Sustainable Development”

– Carbon Pricing for International Maritime Transport – Fundamentals, Challenges and Opportunities

by

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**Carbon Pricing for International Maritime Transport**

*Fundamentals, Challenges and Opportunities*

**Candidate mid-term measures**

4.8 Measures can be categorized as those the effect of which is to directly reduce GHG emissions from ships and those which support action to reduce GHG emissions from ships. All the following candidate measures represent possible mid-term further action of the Organization on matters related to the reduction of GHG emissions from ships:

(...)

.3 new/innovative emission reduction mechanism(s), possibly including Market-based Measures (MBMs), to incentivize GHG emission reduction;

(...)
1. What are market-based measures?

*Carbon pricing as one form of market-based measures*

Policies which use markets, price or other economic variables to provide incentives for polluters to reduce environmental externalities (=pollution)

- **Carbon pricing**
  - Carbon tax
  - Emissions trading
  - Offset mechanism
  - Results-based carbon finance
  - Internal carbon pricing

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1. What are market-based measures?

*Carbon pricing as a form of market-based measures*

- **Carbon tax**
  - Price known (set by legislator)
  - Emissions unknown (result of market)

- **Emissions trading**
  - Price unknown (result of market)
  - Emissions known (set by legislator)

**Price instrument**

**Quantity instrument**
2. What is the rationale for carbon pricing?
A simple, fair and tested GHG reduction policy

(existing) simple

new source of revenues

high potential for co-benefits

3. What are the global trends in carbon pricing?
Many jurisdictions applying or exploring

45 national and 25 subnational jurisdictions are putting a price on carbon; thereof 51 are implemented or scheduled for implementation

3. What are the global trends in carbon pricing?

**Proliferation of carbon pricing schemes**

With the Chinese ETS, carbon pricing initiatives would cover about 20 percent of global greenhouse gas (GHG) emissions, up from 15% last year.

About half of the emissions are now covered by carbon pricing initiatives priced at over US$10/tCO₂ (compared to one-quarter of emissions covered in 2017).

$50-80/tCO₂ by 2030

$40-80/tCO₂ by 2020

Recommendations by the High-Level Commission on Carbon Prices (2017)

4. How could carbon pricing be applied to shipping?

**Putting a carbon price on shipping fuels**

A carbon price is applied to shipping fuels

- Behavioral change will be induced
- Revenues can be recycled strategically
- R&D can bring zero-emission vessels to life, unwanted impacts on LDCs/SIDS can be mitigated, etc.
- GHG emissions and air pollutants from ships will be reduced/eliminated

**Assumption:** Carbon tax at $75/tCO₂ until 2030, $150/tCO₂ until 2040

5. What is the CPLC’s role in carbon pricing for shipping?

Awareness raising – stakeholder engagement - analysis

Summary

Potential application of carbon pricing in shipping

1. What are market-based measures?
2. What is the rationale for carbon pricing?
3. What are the global trends in carbon pricing?
4. How could carbon pricing be applied to shipping?
5. What is the CPLC’s role in carbon pricing for shipping?
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