

## Written evidence submitted by the International Chamber of Shipping

As I mentioned in my evidence the international shipping industry, through our national shipowner associations around the world, has thought long and hard about what is going to be needed, particularly given the unique nature of our industry, which is not constrained by national borders. You will have seen the proposals that ICS has put before the IMO for a market based measure with an architecture that will be equitable and should address many of the concerns highlighted by members of the committee. This architecture can be put in place relatively quickly once political agreement has been reached. As others giving evidence to the committee said any proposal needs to be simple to ensure that it is not gamed and this is why our members have recommended a levy approach to ensure equity.

In respect to the points made about the urgent need for research and development. Whilst it is true that some international engine manufacturers are selling the idea that they have the solutions and therefore we do not need R&D, which could undermine their competitive advantage, when you look into this in detail we find that the rhetoric in the marketing materials and the reality for shipowners are not always aligned. Indeed the latest figures from the [International Energy Agency](#) on private sector R&D in maritime reveals R&D spending has fallen from 2.7 billion USD in 2017 to 1.6 billion USD in 2019. We believe that this is as a direct result of the high levels of political risk associated with investment paths. This is why in 2019 industry came forward with the proposal to the IMO for a \$5 billion R&D Fund, which would not require taxpayer funding, to help address this challenge and catalyse the transformative technologies that are going to be needed. To provide additional evidence as to why such a fund was so urgently needed we commissioned the international engineering consultancy Ricardo to set out *A Zero Emission Blueprint for Shipping*. This report outlines the urgent steps that will be required to completely transform shipping's current dominant propulsion technology and fuels landscape in less than three decades. This is the report I committed to provide the committee with as I felt it may be helpful.

Ricardo has identified a list of more than 260 example R&D projects needed to overcome key technical and systemic challenges and accelerate the transition to zero-carbon emissions in shipping. An estimated cost of \$4.4bn would be needed to fund these projects. Of the hundreds of projects, 20 example projects in hydrogen, ammonia and battery power have been presented in greater detail, serving as a potential blueprint for R&D projects to be commissioned. The example projects were picked on the basis that they are 'high priority' and give the broadest coverage of zero carbon fuel and technology options available to the sector. Many of the projects identified will take between 1-6 years to reach commercialisation so as I said in my evidence there is no time to waste. Many of these projects could all be undertaken by UK companies and research institutions.

This is where the UK government have an opportunity to provide significant leadership. Whilst the UK government are supporting the proposal for this International Maritime Research Fund (IMRF) at the IMO, via the Maritime and Coastguard Agency representative, they have not provided significant levels of diplomatic support to advance the proposal with other member states. This is where the UK government could really make a difference. Indeed ahead of previous MEPC meetings we tried to encourage the Department of Transport to see this as an opportunity to garner support for this initiative so that as hosts of COP26 the UK could announce that a \$5 billion fund has been created to advance the decarbonisation of shipping. Given that this proposal was put forward in 2019 there was time to obtain the political support at the IMO if the UK government had prioritised this proposal. However, it is disappointing that despite many attempts, including directly with ministers, the Department of Transport decided not to provide the diplomatic fire power to deliver this through the IMO in time for COP26. This to me was a missed opportunity which meant that the

proposal has been put back for further consideration at MEPC 78 in June 2022. Approval of this proposal would send a significant signal to industry that governments are serious about the transition and turning the words in the maritime strategy into action. Given that this would not require tax payer funding we see this as a win win opportunity and there is still time to show leadership.

In respect of the discussion around the Clydebank Declaration, whilst we welcome the initiative, it is worth acknowledging that outside the few players who have specific routes and some advocates the proposal could be construed as a little naïve. In reality the majority of the international fleet do not just run between a number of hubs and as a floating asset ships are able to bunker wherever it is most cost effective to do so. Therefore any further development of the Clydebank Declaration will need to consider the reality of on the ground operation as opposed to the reality of a press release. Given that the proposal is for these green corridors to run in parallel with other shipping you could find that for a highly cost optimised industry ships will bunker elsewhere and then operate between the green corridor ports as normal without the need to take advantage of the infrastructure that is provided. This could create “white elephant” investments for those ports and countries who invest in the infrastructure without ensuring that a global carbon levy is in place to provide the market incentive and any punitive action could just impact competitiveness.

I hope that this is helpful additional evidence and that the Ricardo report in the link, with the real world understanding of the urgent need for R&D, helps the committee provide concrete recommendations.

Should you need any additional clarification or information please do not hesitate to contact me and of course I am always happy to come before the committee to give evidence in the future should this be of assistance to the committee.

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