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#### INFORMATION NOTE

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From: General Secretariat of the Council

To: Council

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Subject: **Any other business**

Results of the 39th Assembly of the International Civil Aviation Organisation (ICAO) and of the International Maritime Organisation/ Marine Environment Protection Committee (MEPC 70)

– Information from the Commission

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Delegations will find attached an Information Note from the Commission on the above-mentioned subjects for consideration under "Any other business" at the meeting of the Council (Transport, Telecommunications and Energy) on 1 December 2016.

**Transport Council, 1 December 2016**

**Information note on the results of the 39<sup>th</sup> Assembly of the International Civil Aviation Organisation (ICAO) and of the International Maritime Organisation/ Marine Environment Protection Committee (MEPC 70)**

**1. The results of the ICAO Assembly (Montreal, 27 September - 6 October 2016)**

The 39<sup>th</sup> session of the Assembly of the International Civil Aviation Organisation (ICAO) brought together aviation authorities of the world<sup>1</sup> and set the work programme for the international aviation community for the period 2017-2020. Commissioner Violeta Bulc led the EU's Delegation in Montreal.

The main achievement was the agreement to establish a global scheme (Global Market-Based Measure) to stabilise CO<sub>2</sub> emissions from international aviation from 2021. The political agreement was embodied in an Assembly Resolution that will subsequently be given effect by relevant "Standards and Recommended Practices" (SARPs). The EU played a key role in brokering this deal which can be seen as a first opportunity to gradually include international transport in the global efforts to reduce emissions. This is a good signal from the sector coming two days after the ratification of the Paris Agreement by the EU and its entry into force on the 4<sup>th</sup> of November.

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<sup>1</sup> ICAO has 191 Member States, including the 44 States of the European Civil Aviation Conference (ECAC), of which all 28 EU Member States are members.

The **Global Market-Based Measure** will require airlines to offset the growth of their CO<sub>2</sub> emissions after 2021. To this end, airlines will buy "emission units" generated by projects reducing CO<sub>2</sub> emissions in other sectors of the economy (e.g. renewable energies). So far, 66 countries have committed to participate in its first phase (2021-2026), which is voluntary. This includes the 44 European countries of the European Civil Aviation Conference (ECAC) including the EU<sup>2</sup>. Participating countries include 18 out of the top 20 countries with the largest international aviation activity (without India and Russia). In its second phase (post-2027), participation is mandatory, except for those which qualify for exemptions (i.e. Least Developed Countries, or those with small aviation activities). This should prevent a distortion of competition, and ensure the equal treatment of all operators.

With the current levels of participation, it is expected that about 80% of emissions above 2020 levels will be offset by the scheme over the period 2021 to 2035. Following pressure in particular from the EU, the scheme contains a **review clause**, allowing for future improvements, including its environmental ambition. The EU will offer financial and technical assistance to facilitate capacity building in the least developed countries so that no country is left behind. All States will have monitoring and reporting obligations from 2019.

Over the next two years, ICAO will develop and agree on key implementing rules of the scheme, notably as regards transparency/ accounting rules and the quality of units to be used, which will be crucial to ensure that the scheme delivers on its climate objectives.

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<sup>2</sup> <https://www.ecac-ceac.org/documents/10202/74122/2016-BRATISLAVA+DECLARATION.pdf>

At the **ICAO Assembly**, the **EU also achieved further objectives** as regards safety, security, Air Traffic Management (ATM) and economic matters:

- On drones, the Assembly agreed to work towards a better harmonisation of rules at global level.
- On conflict zones an agreement was found to further prioritise the implementation of actions addressing the risks from operating nearby or over conflict zones.
- On the issue of cyber risks, the Assembly supported the need to act together particularly in aircraft and ATM design as well as on responding to attacks.
- In the area of security, decision was taken to further focus efforts on improving implementation of security rules, including through capacity building and assistance.

More generally on the topic of regionalisation, the Assembly supported the need to better integrate regional aviation systems, such as the EU, in an ICAO context. Finally, the Assembly adopted global plans in the areas of safety, security and air navigation. Those plans allow for international and European priorities to remain aligned for the coming years.

### **Next steps**

As foreseen by EU law (Regulation (EU) N° 421/2014), the Commission will report to the European Parliament and the Council on the outcome of the Assembly. In light of this outcome, the Commission will also review the scope of the EU Emissions Trading System and make an appropriate proposal. The proposal is expected early in 2017.

## **2. MEPC 70** (London, 24 - 28 October 2016)

The 70th meeting of the Marine Environment Protection Committee (MEPC)<sup>3</sup> of the International Maritime Organization (IMO) made steps forward in addressing international shipping emissions notably by:

- Formally adopting a mandatory data collection system for fuel consumption of ships;
- Agreeing that an IMO strategy on reduction of GHG emissions from ships should be adopted in 2018. It may also consider the levels of ambition of the shipping sector's contribution to the international efforts to curb greenhouse gas emissions.
- Confirming the 1<sup>st</sup> of January 2020 as entry-into-force date of the 0.5% sulphur in marine fuel global cap.

MEPC also closed the review of the 2020 requirements of the **Energy Efficiency Design Index (EEDI)**. Despite evidence that for a number of ship types those requirements have already been fulfilled or even significantly over-fulfilled by ships built in 2013/2014, the requirements have been maintained. As consequence, the EEDI may not be able to incentivise the uptake of existing technologies to improve ship efficiency or the development of new technologies. MEPC decided to advance the next discussions on the review to the next Committee meeting.

The adoption of a **mandatory data collection scheme** is a milestone in IMO's efforts to address greenhouse gas emissions from international shipping. As from January 2019, ships over a certain threshold capacity<sup>4</sup> will be required to collect consumption data for each type of fuel used as well as data relevant to energy efficiency of ships (such as distance travelled and hours underway).

The aggregated annual data will be reported to the flag state which would issue a statement of compliance to the ship if reporting requirements have been observed. Flag states will be required to subsequently transfer this data to a dedicated IMO database which will lead to IMO producing an annual report to the MEPC. Data will be anonymized so individual ship data will not be recognized.

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<sup>3</sup> <http://www.imo.org/en/MediaCentre/IMOMediaAccreditation/Pages/MEPC-70.aspx>

<sup>4</sup> 5,000 gross tonnage and above

The MEPC also agreed on a **roadmap towards the development of a comprehensive strategy on reduction of GHG emissions from ships**. 2018 was set as a milestone for defining an initial strategy, including an inventory of possible near-, mid- and long-term measures. This initial strategy will subsequently be adjusted based on the analysis of available data, with the adoption of a revised strategy envisaged for spring 2023. A preliminary input from international shipping in 2018 would allow the sector to bring its contribution to the first stock-taking under the Paris Agreement pledge scheme. However, the roadmap lacks an explicit reference to an emissions reduction target/ "fair share" as part of the strategy.

Furthermore, IMO's decision to lower the **global sulphur limit** in marine fuels to 0.5% by 2020 will significantly reduce the adverse impacts of ship emissions on human health. It represents a substantial contribution by the maritime sector to improve air quality worldwide and is expected to also promote the use of alternative, low GHG emission fuels.

The decision means that the global sulphur cap will be fully in line with the mandatory 0.5% sulphur cap for all EU-waters (outside the North Sea and Baltic Sea which are designated as Sulphur Emission Control Areas and where the limit is 0,1%) following the revision of the Directive relating to a reduction in the sulphur content of certain liquid fuels<sup>5</sup>. Especially for shared sea basins like the Mediterranean and the Black Seas this will also ensure an equal level-playing-field for ship operators.

### **Next steps**

The IMO now needs to develop guidelines regarding the implementation of the mandatory data collection scheme. These are expected to be approved at the next meeting of the Marine Environment Protection Committee in May 2017. More progress is needed, i.e. to ensure that robust verification requirements are specified in these Guidelines.

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<sup>5</sup> The 'Sulphur Directive' - 2016/802/EU

In line with the provision of Regulation (EU) 2015/757 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, the Commission will review the EU data collection scheme against the international one. This review will take place once the legal framework for the global system is fully established, including the required IMO guidelines. The review will be followed by an impact assessment and, as appropriate, by a proposal of the Commission to amend Regulation (EU) 2015/757.

The development of the IMO strategy to reduce GHG emissions from ships will require joint efforts to introduce concrete proposals for emissions reduction targets and measures to be included in the strategy. This will include outreach to 3<sup>rd</sup> countries and industry.

On sulphur, IMO will now concentrate on further work that will facilitate a safe and effective implementation of the 0.5% requirement. Proper enforcement of the low sulphur in fuel requirement worldwide will be crucial to ensure compliance by all ship owners and fuel suppliers. The extensive experience of the EU Member States with enforcing the 0.1% sulphur requirement for ships sailings in the Baltic and North Seas that came into effect in 2015 can serve as an important input to this work ahead.