



## Singapore Shipping Association

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**FOR IMMEDIATE RELEASE**

### PRESS RELEASE

#### **SSA Reaffirms Support for Bunker Levy Scheme to reduce GHG emissions from international shipping**

Climate change has been high on the agenda of many international fora over the years, culminating in the 15<sup>th</sup> Conference of Parties<sup>1</sup> (COP 15) under the aegis of the United Nations Framework Convention on Climate Change (UNFCCC) currently being held in Copenhagen, Denmark.

The shipping industry, although a very small contributor to the total volume of Greenhouse Gas (GHG) emissions as compared with other form of transports and land based industries, is very strongly committed to further reduction of GHG emissions from ships. As such, the shipping industry has very proactively and decisively initiated technical and operational measures and improvements to protect the atmospheric environment of our planet, including the marine environment of the seas and oceans that sustains our business.

With regard to the adoption of Market - Based Instruments (MBIs) aimed at further reducing GHG emission from ships, the Singapore Shipping Association (SSA) strongly believes that **the adoption of a Bunker Levy Scheme (BLS) is the best and preferred option** to mitigate GHG emission from international shipping because such a scheme is transparent, predictable and simple and equitable in application.

#### **1) Transparency**

The SSA strongly believes that the International Maritime Organisation (IMO), as the lead legislative and technical body for the maritime sector, is the forum that will provide sufficient oversight to guarantee transparency when the BLS is applied for the shipping industry.

Whilst there may be concerns with regard to the collection, administration and disbursement of funds raised by the BLS, this is an issue which the SSA considers will be common to **all** market-based instruments.

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<sup>1</sup> COP 15 website - <http://en.cop15.dk/>

## 2) Predictability

A BLS will not be subject to the fluctuations and vagaries like in a cap and trade system. Historically, carbon trading on the climate exchanges such as the Chicago Climate Exchange (CCX)<sup>2</sup> or the European Climate Exchange (ECX)<sup>3</sup> had shown variations of up to 600%.

The SSA President Mr. S. S. Teo said “Shipping is a very capital intensive industry where the value of a ship is determined over the entirety of its 25-year lifespan. Fluctuations in the carbon price, as in an Emission Trading Scheme<sup>4</sup> (ETS), can create serious economic and financial disruptions and thus make it extremely difficult for the shipowners to monitor and justify returns on heavy capital investments such as new, energy-efficient ships.”

He added, “There are already enough variables in the shipping industry. The introduction of a system where carbon is just another volatile market commodity used by speculators is unacceptable to the SSA.”

Mr Teo also said, “The SSA is confident that an incentivised BLS will provide the shipowner some certainty of cost projections, creating a stable platform that will reward capital investment in newer, more efficient ships, thus encourages shipowners to renew their fleets.”

## 3) Simple and Equitable in application

The BLS will be administered by the IMO. In this respect, the SSA is very much assured that the IMO shall apply the BLS to all ships irrespective of flag.

As the amount paid will depend on the size of the fleet, smaller shipowning companies will not be placed at an unfair disadvantage, unlike with other MBIs which may be subject to manipulation by larger shipowning companies that have easy and faster access to greater financial resources.

The SSA stresses, however, that its support for the bunker levy is based on the assumption that the BLS, if adopted at the IMO, will have universal application to all States simultaneously so as to ensure a level playing field. This will be consistent with the IMO’s principle of “*no more favourable treatment*”.

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<sup>2</sup> Chicago Climate Exchange - <http://www.chicagoclimatex.com/>

<sup>3</sup> European Climate Exchange - <http://www.ecx.eu/>

<sup>4</sup> The ETS is already known to have created a derivatives market of the kind that brought the global financial system close to collapse, introducing investment uncertainty and requiring the establishment of a trading administration, as well as agreement on an effective monitoring, verification and enforcement system.