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Agenda item 7

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REDUCTION OF GHG EMISSIONS FROM SHIPS

Comments on document MEPC 76/7/6

Submitted by IACS

SUMMARY

Executive summary: This document comments on the report of the Correspondence Group on the Development of Technical Guidelines on Carbon Intensity Reduction (TOR 3 and TOR 4), with particular reference to SEEMP verification and plans for corrective actions

Strategic direction, if applicable: 3

Output: 3.2

Action to be taken: Paragraph 19

Related documents: MEPC 76/3 and MEPC 76/7/6

Introduction

1 This document is submitted in accordance with the provisions of paragraph 6.12.5 of the document on *Organization and method of work of the Maritime Safety Committee and the Marine Environment Protection Committee and their subsidiary bodies* (MSC-MEPC.1/Circ.5/Rev.2) and comments on document MEPC 76/7/6 (China et al.), paragraphs 60.3, 60.5 and 60.6.

2 IACS participated in the Correspondence Group and would like to thank the coordinators and all participants for their significant contribution to the reported outcome. References to draft new regulations of MARPOL Annex VI appearing in this document are the ones contained in annex 1 to document MEPC 76/3 (Secretariat).

Discussion

A new structure for the SEEMP Guidelines and the SEEMP

3 IACS recommends that the proposal for a new Part III in both the SEEMP Guidelines and the SEEMP (for ships to which draft new regulation 28 applies) is considered favourably by the Committee. This approach makes application of revised SEEMP requirements straightforward.

Role of the SEEMP

4 IACS recommends that for ships, to which draft new regulation 28 applies, the Committee decides whether the SEEMP should be:

- .1 a ship specific management plan, but revised to comply with draft new regulation 26.3 and describing how the ship will comply with draft new regulation 28; or
- .2 an auditable company management system for energy efficiency, which addresses how the company will operate its ships to ensure that each complies with the requirements of draft new regulation 28 and manage the risks of underperformance.

5 Should the Committee consider that the SEEMP should serve the purpose described in paragraph 4.2 above, the guidance to companies contained in the proposed SEEMP Part III should evolve to ensure that the SEEMP becomes an auditable management system. This could be achieved by recommending that the SEEMP be updated to apply the provisions of sections 2, 3, 4, 5, 6, 7, 9, 11 and 12 of the ISM Code or the equivalent provisions of another relevant recognized standard (e.g. ISO 50001:2018 – Energy management systems – Requirements with guidance for use).

6 A consequence of this approach is that the SEEMP would also need to become a Company document associated with the Company and ship specific certification (similar to the certification provisions of the ISM Code). However, the draft amendments to MARPOL Annex VI do not provide for such certification. It should be noted that this limitation also applies to proposals for Company/fleet level compliance.

7 Should the Committee consequently consider that the SEEMP should remain as described in paragraph 4.1 above (i.e. a ship specific management plan), then the concrete proposals considered by the Correspondence Group would imply that the verification of the SEEMP would be:

- .1 the means of verifying data submitted to the IMO DCS and the ship's carbon intensity rating;
- .2 the means of verifying performance of the ship between annual verifications of the data submitted to the Administration in accordance with draft new regulations 27 and 28; and
- .3 the means confirming that corrective actions are being implemented (draft new regulation 28.9).

Purpose of verifications

8 Based on the discussion in the Correspondence Group, IACS understands that the periodic verification audits applicable to all ships, regardless of rating, could serve the following purposes:

- .1 identify a SEEMP for which a confirmation of compliance has previously been issued, however which no longer complies with draft new regulation 26.3, and require remedial action (a *non-conformity*);

- .2 identify objective evidence of misreporting of the data required to be reported to the Administration in accordance with draft new regulation 27 and 28.1, and require remedial action to ensure that the attained annual operational CII is recalculated and reverified and a revised Statement of Compliance is issued (a *major non-conformity*); and
- .3 identify objective evidence that the ship is not being operated in accordance with SEEMP Part III, regardless of its rating. It should be noted that there is no requirement to operate the ship in accordance with the SEEMP required by draft new regulation 26, unless that ship becomes subject to draft new regulations 28.7 to 28.9 (plan for corrective actions). This means that it would constitute an *observation* rather than a non-conformity.

9 IACS understands that additional verification audits applicable to ships rated D for three consecutive years or E in any year could identify objective evidence of non-compliance with draft new regulation 28.9 (a major non-conformity). This could be used as a basis for the Administration requiring additional remedial actions and instigating further additional verifications.

10 However, the current draft amendments to MARPOL Annex VI do not make the issuance of Statement of Compliance related to fuel oil consumption and operational carbon intensity rating subject to the verification of the SEEMP. The issuance of Statement of Compliance is subject to verification of the data submitted by the Company to the Administration in accordance with draft new regulations 27 and 28 only. As such, the verification required by draft new regulation 26.5 (verification of the SEEMP) and the verification of data described in draft new regulation 6.6 have different impacts on ship certification.

11 Making issuance of the Statement of Compliance (or indeed the validity of the IEEC) subject to SEEMP verification, as well as the verification of data submitted to the Administration in accordance with draft new regulations 27, 28 and 6.6, would require modifications to the draft amendments to MARPOL Annex VI.

Conduct of SEEMP verification

12 The Committee is recommended to clarify its intent with respect to the conduct of the verification of the SEEMP required by draft new regulation 26.5. IACS considers that in order to align with the intent to minimize the administrative burden of the verification of the SEEMP:

- .1 an initial verification for the issue of a confirmation of compliance should be a documentary review of the SEEMP to determine compliance with draft new regulation 26.3 and conformity with associated guidelines;
- .2 subsequent verifications of the SEEMP incorporating a plan for corrective actions should be a documentary review, focusing on the credibility of the corrective action plan and conformity with associated guidelines; and
- .3 an annual and additional verifications of the SEEMP should be verifications by attendance at the Company premises, with associated guidance on sampling being necessary for large fleets.

13 The procedure for the verification audits could be based on the *Revised guidelines on the implementation of the International Safety Management (ISM) Code by Administrations* (resolution A.1118(30)), adapted for the purpose of verification of the ship-specific SEEMP or guidance associated with an equivalent International Standard for Environmental Management.

Plan of corrective actions

14 Draft new regulation 26.4 of MARPOL Annex VI states:

"For ships rated as D for 3 consecutive years or rated as E, in accordance with regulation 28 of this Annex, the SEEMP shall be reviewed in accordance with regulation 28.8 of this Annex to include a plan of corrective actions to achieve the required annual operational CII."

15 IACS' understanding of the intent is that a plan of corrective actions should result in the ship achieving an attained annual operational CII at least equivalent to the mid-point of rating band C by the next annual verification required by draft new regulation 6.6.

16 A plan of corrective actions should be accepted by the Administration or a duly authorized recognized organization (RO) if the plan, as written, appears to be an appropriate response to the under-performance. This is the same principle that applies in the context of the ISM Code.

17 For ships which would be required to develop a plan of corrective action, IACS recommends that the Committee considers how to encourage technical adaptations, which may take one or more years to deliver, but would however offer longer term carbon intensity improvements for the ship (over and above any delivered by EEXI) and emissions reductions.

18 IACS considers that the guidance to Administrations or duly authorized ROs on verification of a revised SEEMP and additional verifications should be clear on:

- .1 the required level of improvement, consistent with the Committee's intent with regard to draft new regulation 28.4;
- .2 the timelines for delivery of improvement. This should recognize that improvements may be delivered either by:
 - .1 immediate operational adaptations which may be able to be delivered in year; or
 - .2 follow-up actions, including technical adaptation of a ship which may not be able to be delivered in year, but which may contribute to the overall carbon intensity reduction performance over the period 2023 to 2030; or
 - .3 a combination of the two actions above; and
- .3 the scope, frequency and conduct of additional verification audits to assess conformity of the ship and the Company actions with the plan of corrective actions, and compliance with draft new regulation 28.9.

Action requested of the Committee

19 The Committee is invited to consider the foregoing in respect of paragraphs 60.3, 60.5 and 60.6 of document MEPC 76/7/6, and take action, as appropriate.
