Regulations under siege?

On many fronts, yes. But no need for panic, assures Dr. Tristan Smith, Reader in Energy and Shipping at University College of London, and an acknowledged authority on environmental regulations in shipping.

While political developments such as Brexit and the Trump presidency have led many to speculate that the face of maritime regulations may be subject to dramatic change in the near future, Smith foresees a steady course for the most significant elements of maritime environmental policy.

“Political developments will always be important for shipping, as it derives its demand from trade, which is in turn sensitive to politics,” he acknowledges. Brexit could potentially impact UK shipping, he notes, and Donald Trump’s election in the US could affect decision making in the UNFCCC and IMO, at least in the short term.

“But in the long run, I doubt whether either of these, or similar ‘waves’ in the political sphere, will have a significant impact on the direction or development of environmental regulations,” he states. “The reason is that the underlying driver in environmental regulation is civil society’s pressure on industries to cover the environmental and eco-system costs of the industry. That driver is relatively disconnected from the short term fluctuations of agendas set by individual administrations.”

Parallel agendas

Not only individual administrations have been pressuring maritime regulations in the past year. Regional interests have also come into play, with the US reaffirming the standing of the Jones Act, the USCG and the EU both drawing up their own ballast water treatment requirements, and several regions around the world enacting special emission control measures. Are increasingly stronger regional regulations detrimental to international shipping, and where is this trend headed in the near future?

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“This is not to trivialise the fact that the greater the complexity in the regulatory regime, and the less interchangeable ships are with different routes, ports and areas of operation, the greater the burden on many in the industry, and the less efficient the deployment and operation of ships,” he acknowledges.

“So often opportunities are missed that could ultimately lead to better global regulations and lower costs in the mid-term, as well as preventing the loss of precious negotiating time.”

The impact of the environment

The overarching themes colouring the current regulations debate would seem to be the environment and climate change. Does Tristan Smith believe that the industry truly understands the ramifications of ever-widening environmental regulations?
Increasingly, yes, the industry does understand. Especially in the last year there has been a notable increase in prominence of the GHG topic at events and conferences, and there have been some very pragmatic and progressive forums of industry stakeholders trying to come up with solutions.

But there’s a lot to take in, he points out, making it understandable that companies would prioritise the most manageable regulations. “IMO has not necessarily helped the industry, either, by tackling each environmental impact in turn and within its own ‘silo’, when in practice the solutions needed and the associated technology may be highly overlapping.”

How might intensified marine environmental regulations impact society, apart from hopefully cleaner air and water? Will consumer prices or availability of goods be affected, or could there be other ‘hidden’ consequences of cleaning up shipping’s act?

Smith cites a number of trends driving trade patterns: “Counter-intuitively, distance from markets, a commonly used proxy for transport cost, is rarely detectable as a dominant influence.” For that reason, he believes that increases in transport cost resulting from higher capital and operating costs, would not necessarily result in significant changes in trade.

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"The politics of protectionism, trade agreements, changes in differentials of labour cost between regions, and developments in manufacturing automation may all prove more significant over the coming decades," he says. “With increasing transparency of supply chains, and the growing prominence of sustainability concerns and climate risk, leadership on these topics may actually help to grow rather than shrink demand and market share in some cases.”

Keep calm

If Tristan Smith were to paint a picture of the regulatory seascape in 2030, what would be the motif: stormy night, or rosy dawn?

“I believe it is self-defeating to be anything but optimistic. I think we can be aware of the risks of bad regulation, and we have more than enough data and knowledge in the sector, which if harnessed properly, can help ensure constructive and cost-effective development of regulations. So I would paint a picture of a rosy dawn – which also gives us something to aim for!”

One of the key risks, he warns, is an industry forced to accept interim ‘stop gap’ solutions as an easy way out of political deadlocks, but doing little to help the industry look and plan ahead.

“For example, if we set targets for GHG reduction that are too low, and therefore need revision and increased stringency over time, this will both prompt the development of regulations not fit for purpose, and provide the wrong signal for investment decisions and selection of technology.”

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Smith sees two options that could aid in plotting a positive regulatory course for shipping:

“One is consensus on realistic and scientifically robust, long-term objectives. For example, is reduction to 0.5 per cent sulphur in fuels sufficient, or will this ultimately require incremental reduction over time? What is the long-term objective for the sector’s GHG emissions? Will ballast water stringency need to be incrementally increased, or will we simply reach practical limits?”

Another is an approach that integrates co-benefits and objectives across different types of environmental impacts, while simultaneously advancing details important to each issue: “There seems to be room for considering this philosophy in the IMO’s GHG Roadmap, where in fact the impact of wider regulation is an action point. Happily, interest in a more nuanced type of approach is growing.”