



# **An overview of the discussions from IMO MEPC 80 and Frequently Asked Questions**

**Read out from UMAS**

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## Preface

This report has been written by a team of experts from UMAS. The views expressed are those of the authors.

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## Executive Summary

Today (07.07.2023) marks a historic day for the international shipping sector as the International Maritime Organization (IMO) adopts its 2023 IMO GHG Strategy, a much stronger revision of their 2018 Initial Strategy to reduce GHG emissions from international shipping.

The 2023 Strategy now envisions a Just and Equitable transition, an entirely absent concept in the Initial Strategy. In terms of a reduction pathway the strategy sets expectations on the sector, and indeed on the development of future policy measures, to strive for 30% GHG reductions by 2030, 80% GHG reductions by 2040, on 2008 levels, and an overall level of ambition of reaching net-zero emissions as close to 2050 as possible. This is a significant strengthening in comparison to the initial strategy and indeed, it amounts to a strong set of signals to the sector.

The 2023 Strategy also has a new level of ambition, that originates from work originally done by UMAS and the High Level Climate Champions and Global Maritime Forum - namely that uptake of zero or near-zero GHG emissions technologies, fuels and/or energy sources to represent at least 5%, striving for 10% of the energy used by shipping by 2030. This is a key enabler of early investment into the long-run solutions that can ensure this decade will see emergence and increasing use of zero emissions technologies and supply chains, ready for their rapid scaling from 2030.

The strategy overall, with the exception of the carbon intensity ambition, left untouched from the initial strategy, now talks in terms of GHG emissions and includes a well-to-wake (full lifecycle of the fuel) scope for its ambitions. Additionally, the strategy also includes a much clearer signal on forthcoming global measures identifying a basket comprised of both, a goal-based marine fuel GHG intensity standard and a maritime GHG pricing mechanism to be adopted in 2025. Where the strategy falls short is that the levels of reduction contained in the 2030 and 2040 indicative checkpoints, are not aligning the sector to a pathway that limits global warming to 1.5 degrees or below, and so further work on GHG reduction pathway will likely be needed when this strategy is revised in 2028.

Thus, the strategy represents a multilateral compromise which unifies Member States around a much stronger set of reduction signals that need to be operationalised by both the sector and the policy makers themselves.

This readout is presented as a series of questions that provide an overview and interpretation of the outcomes of agenda item 7 of the 80<sup>th</sup> session of the Marine Environment Protection Committee

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## 1 Q - Does this new strategy align with limiting temperature rise to 1.5°C?

**A - No it does not.** The GHG reduction pathway described by the indicative checkpoints of the strategy (20% and 70% GHG reductions, on 2008 levels), whilst only achieved through major changes for the global fleet and its energy supply, are not in line with the IPCC's guidance on what is needed to meet the Paris Agreement temperature goal. However, the Revised Strategy also commits IMO to strive for higher GHG reductions - 30% and 80% (2030, 2040 respectively, on 2008 levels). Even though these targets are not unambiguously aligned with IPCC's guidance, they are closer. This means that with a combination of further IMO action, and wider national, regional and industry action, a 1.5-aligned GHG reduction pathway is more clearly in reach than before.

## 2 Q - Will these numbers (the levels of ambition and checkpoints) change again?

**A - Most likely - the strategy is due for further revision in 2028, and every 5 years thereafter.** Many countries supported the SBTi targets derived from IPCC's science, which are equivalent to a 37% reduction in 2030 and a 96% reduction in 2040. As long as the climate science does not change, the pressure will remain for these or potentially stronger targets to compensate if GHG reductions fall short in 2030. In 2028, just as in 2023, there will be more understanding and experience of the technologies and fuels shipping needs in the transition, and sadly there will also likely be more climate impacts and therefore political pressure to act. It is therefore plausible that there will be a further upwards revision. If the 30% 'striving for' target is secured as a new floor, then applying the IPCC's current guidance (which may have changed by 2028), the sector may be faced with needing to achieve ~100% GHG reduction by 2040.

## 3 Q - Are offsets on or off the table?

**A - Neither.** In the debate during ISWG-GHG 15 focused on the 2050 target, the majority of countries that spoke preferred the term 'zero', or if using 'net zero' wanted to have additional language clarifying that this would not include offsetting. However, the majority of countries in the room could support the term net-zero, and some spoke in favour of a limited role for offsetting - for example should reducing the last small % of emissions prove impossible. In efforts to bridge the divide, the chair suggested that, as in the initial strategy, the language should exclude mention of offsetting e.g. using the classic political solution of constructive ambiguity it is neither explicitly included nor excluded.

This issue will therefore likely come up again in the debate on mid-term measures (and there is a policy measure proposal which can include offsetting as a contributor to GHG reduction). In considering the likely outcome of that debate, the majority opposition to offsetting is relevant. As is also the detail of what has been agreed in the strategy - the checkpoints are specified as 'total annual GHG emissions from international shipping', e.g. there is no mention of the word 'net'. So the GHG reduction pathway at least to the 2040 70-80% GHG reduction is not ambiguous. If offsets are considered at all, it is more likely to be in the context of the final stages of the fuel transition, not as a reason to delay any start of fuel transition. Analysis of offsetting shows that they can be expected to be more expensive over time, given the need for any meaningful offsetting to be an emission reduction opportunity that a sector forfeits from its own efforts to reach its GHG reduction obligations. By the 2040's, if there is any supply of meaningful offsets, it is unlikely that these will be attractive in price relative to in-sector reductions. Additionally, offsetting would likely only play a minor role in shipping's transition due to the need to stimulate a fuels/energy transition away from fossil fuels, future measures will likely be developed along these lines.

## 4 Q - Does the strategy stimulate a transition to new fuels?

**A - Yes.** Shipping has some near-term options (efficiencies, drop-in fuels e.g. biofuels) that reduce emissions, and some longer-term options that are needed to reach zero (renewable energy derived fuels such as green ammonia). One of the challenges to the transition is how to ensure early stimulus of the more expensive long-run solutions, including in the many global south locations which have significant opportunity for low costs of production. This is a challenge because it will require some coordination between the changes to machinery on ships and investment into the land-side production and supply chains (sometimes referred to as a ‘chicken and egg’ problem). Early use of the long-run solutions, in parallel with the nearer-term options is important, so that lessons can be learnt that reduce their costs, develop infrastructure, training, safety standards etc. This is the reason why many, including in industry, championed a 2030 goal to achieve a minimum (e.g. 5%) volume of zero emission fuel, which has been taken up:

“...Uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources to represent at least 5%, striving for 10%, of the energy used by international shipping by 2030. International shipping currently uses...”

The conversion of this into the detail of a policy measure, and a finer definition of ‘zero or near-zero GHG emission’ technologies, will need to wait until the adoption of mid-term measures (expected in 2025). But in the debate on this wording there was an emphatic response from most member states not to include ‘low GHG’ as had been proposed by some, given ‘low’ implies more support for many biofuels, and ‘zero or near-zero’ is more indicative of the hydrogen-derived fuels that most analysis expects will be the key to reaching deep GHG reductions (e.g. the 2040 checkpoint). The use of the term ‘energy’ alongside ‘fuel’ makes this term inclusive of wind-assistance technologies.

## 5 Q - Are the reductions tank-to-wake or well-to-wake, on CO<sub>2</sub> or GHG?

**A - Well-to-wake, all GHG.** In the debates, there was a clear majority of member states in favour of the ambitions and targets being set to well-to-wake and GHG reductions. Compared to the initial strategy there is now a much clearer framing around GHG reductions, inclusive of methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) emissions. The only legacy of a CO<sub>2</sub> focus is the carbon intensity target for 2030 which was left untouched largely in its relation to the review of the short term measure (the CII) due in 2026.

The key language that frames the scope of how fuels will be accounted is:

“The levels of ambition and indicative checkpoints should take into account the well-to-wake GHG emissions of marine fuels as addressed in the Guidelines on lifecycle GHG intensity of marine fuels (LCA guidelines) developed by the Organization with the overall objective of reducing GHG emissions within the boundaries of the energy system of international shipping and preventing a shift of emissions to other sectors”

This means that issues of methane slip, associated with LNG’s production and use as a marine fuel, both in its upstream and operational uses, will need to be accounted for, including in setting policy to achieve the 2030 checkpoint. The Revised Strategy also makes a much clearer case that hydrogen derived fuels will be accounted for on a lifecycle GHG emissions basis. This is important because these fuels could be produced with large upstream emissions (e.g. if derived from fossil fuel, and without carbon capture in the production process).

This meeting also adopted LCA guidelines, which lay out the accountancy framework in much greater detail and include default WTW GHG emission values for most of the key fuel/machinery combinations that are currently expected to be important in shipping’s decarbonisation. However, there remains further work to achieve a more complete set of default values and resolutions on issues around

certification of alternative values (e.g. if a fuel producer can achieve a better GHG reduction than that quantified in the default value). And until the mid-term policy measures are defined, exactly how WTW GHG reductions will be incentivised and regulated will remain uncertain.

## 6 Q - What will be needed to meet the 2030 target mean in practice?

**A - Meeting the 2030 target will require either a maximisation of efficiency options, or a combination of significant efficiency and some use of alternatives to fossil fuels.** The optimal solution will vary depending on the ship type and area of operation, but using UNCTAD's current forecasts of trade growth, we can estimate the nature of the average improvements/changes needed that would be compatible with both the 20% and 30% 2030 targets. Building from an earlier analysis<sup>1</sup> of what it would take to achieve 37% and 96% reductions, we can look at 2030 through four potential scenarios for the overall fuel mix in 2030, each with varying levels of biofuel, LNG, hydrogen-derived fuels and conventional LSFO/MDO fuels. These scenarios are consistent with the strategy's language relating to the 2030 near-zero and zero GHG emission technologies, fuels and/or energy sources: three have 5% hydrogen-derived fuels, whereas one considers a stretch case of 15% hydrogen-derived fuel:

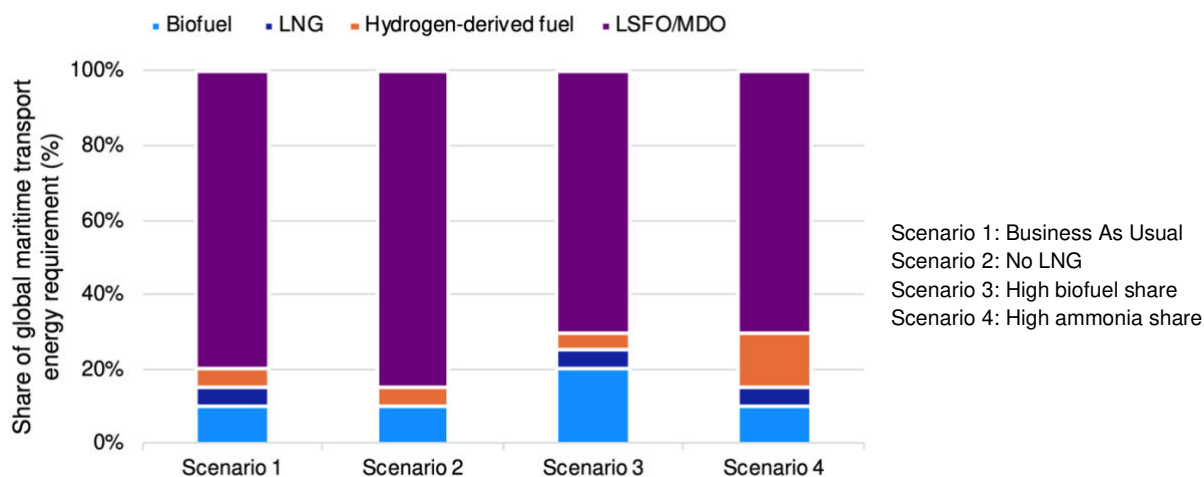


Figure 1: scenarios for the fuel mix in 2030<sup>1</sup>

Given these fuel mixes and some conservative assumptions about the likely WTW GHG intensity of these different fuels in 2030, it's possible to calculate the CO<sub>2</sub> intensity, efficiency and GHG intensity improvements that are then needed as 'average' values across the fleet for both the 20% and strived for 30% reduction targets, as shown in Table 1.

The current GHG intensity reduction in 2023 is unknown, but the estimate for progress already made in 2018 relative to 2008 is reported in the 4th IMO GHG Study as ~32% (CO<sub>2</sub> intensity reduction on TTW basis, as calculated for the Energy Efficiency Operational Indicator (EEOI)). There will now be a focus on the actual level of efficiency and GHG intensity reduction, so the remainder of the effort required to achieve these objectives can be more accurately calculated.

<sup>1</sup> <https://www.u-mas.co.uk/unlocking-much-greater-efficiency-improvement-is-key-to-aligning-shipping-to-1-5oc-by-2030/>

Table 1: The energy efficiency and GHG intensity reductions associated with the 2030 indicative checkpoint, relative to 2008.

	Absolute GHG reduction	
	20%	30%
Energy efficiency improvement	43-48%	50-54%
WTW GHG intensity reduction	54%	60%
TTW GHG intensity reduction	49-53%	55-59%

For the fleet to meet these magnitudes of efficiency and GHG intensity reduction, even when the use of some volume of alternative fuel is considered, will require much higher take-up of currently under-used technologies (wind assistance, air lubrication, onboard energy optimisation, advanced coatings). Attention will also likely turn again to the question of ship operating speeds, and the extent to which optimisation of logistics (especially avoiding ‘hurry up and wait’ practices linked to the archaic chartering (contracting) practices used in the industry and that hold-up ships in anchorages when the same fleet could have sailed slower and with lower GHG emissions and deliver the same amount of cargo.

Biofuels will likely be attractive to many during the years around 2030, given many are drop-in solutions and compatible with existing infrastructure, and increasingly in-use. They can help to create flexibility for the exact mix of fuel, efficiency technologies and operating speed modifications needed to meet the targets. However one potential scenario is that the consequent a surge in demand for what remains a small volume of sustainably supply, both from shipping, and from other sectors under pressure to decarbonise, drives up prices significantly. This scenario then makes efficiency technology and operational improvements, along with early adoption of hydrogen-derived fuels, a more competitive option.

The 54-60% WTW GHG intensity reduction target for 2030 is at the limits of what is possible using LNG and a maximum amount of energy efficiency. Although LNG has lower CO<sub>2</sub> emissions than conventional fuels, it often has higher WTT (Well-To-Tank) GHG emissions and depending on the machinery solution, can also have similar TTW (Tank-To-Wake) GHG emissions to conventional solutions. This means that the dual-fuel LNG as a marine fuel will need to be switching to bio and synthetic fuels or being retrofitted to more competitive synthetic fuels (ammonia, methanol), for operation beyond 2030.

## 7 Q - What will be needed to meet the 2040 target in practice?

**A - A near-complete shift/substitution of fossil fuel, our analysis suggests these will be hydrogen-derived fuels<sup>2</sup>.** The 2040 targets require a 90-95% reduction on the average ship’s GHG intensity (GHG emissions per tonne nm). This is higher than the GHG reduction target because of expectations of continued growth in trade. That GHG intensity reduction on the average ship cannot be achieved with fossil fuels and efficiency improvements. There will need to have been a sustained growth in renewable electricity, green hydrogen production, and the synthesis of hydrogen into suitable marine fuels. Innovation will likely continue at rapid pace, given the scale of market opportunity, but the most attractive and competitive option(s) will hopefully clarify through the 2030s (stimulated by the strategy’s

<sup>2</sup> IMO MEPC 79 INF.29



2030 5% target), both through currently ongoing pilots and trials, and through increased deployment including on green corridors.

## 8 Q - What about CII and EEXI, what will happen to these?

**A - These will need to be revised upwards and an increased stringency set for the period to 2030.**

The revision process is already scheduled to be completed in 2026 at the latest, it may be that this is now brought forwards to help provide certainty on their future role sooner. Other issues that will need to be addressed in that revision include whether these should be converted into energy efficiency regulations (instead of carbon intensity), the metric used (e.g. whether to align CII with the actual cargo mass, not the deadweight of the ship), and the way CII is enforced.

## 9 Q - Has a levy disappeared? What policies can we expect to drive the transition?

**A - No the levy has not disappeared, it has just been renamed.** A fair expectation is that shipping's transition will be driven by the combination of a fuel standard (e.g. a requirement for a maximum GHG fuel intensity that reduces over time) and a GHG price that increases the cost of fossil fuels and raises and distributes revenues as a byproduct. The specifics of these measures has not been defined, but there are a number of proposals/design options that will now be taken forwards and decided upon at MEPC 81.

The MEPC 80 meeting was only a milestone in the development of mid-term measures, which now move onto detailed development and finalisation. Because of this, there was no need for the meeting to reach a final agreement on the specification of measures that would enable the GHG reductions and negotiating time instead was focused on the ambitions. However, there is one section of the Revised Strategy that provides important guidance to the further work that will now be undertaken, and the best indication of what to expect when measures are adopted (2025):

*"4.5 In accordance with the timelines set out in this Strategy and the Work Plan, a basket of candidate measure(s), delivering on the reduction targets, should be developed and finalized comprised of both:*

- .1 a technical element, namely a goal-based marine fuel standard regulating the phased reduction of the marine fuel's GHG intensity; and*
- .2 an economic element, on the basis of a maritime GHG emissions pricing mechanism.*

*The candidate economic elements will be assessed observing specific criteria to be considered in the comprehensive impact assessment, with a view to facilitating the finalization of the basket of measures.*

*The mid-term GHG reduction measures should effectively promote the energy transition of shipping and provide the world fleet a needed incentive while contributing to a level playing field and a just and equitable transition."*

The meeting agreed to launch a key piece of further analysis: "Comprehensive Impact Assessment", with (e.g. proposals from China, EU, Japan, ICS, Marshall Islands and Solomon Islands), the results of which will guide a further debate at MEPC 81 (in spring 2024), from which a clearer specification for these measures should emerge. The Norwegian proposal for an emission trading scheme (ETS) that would set a dynamic price on GHG emissions was not taken forwards, although there are GHG credit trading concepts (also known as 'flexibility mechanisms'), and feebate mechanisms, that have some similarities to ETS and that will be considered further. For now the best guidance on the Member States' preferences for different measures comes from the debate last week at ISWG-GHG 15<sup>3</sup>.

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<sup>3</sup> <https://www.u-mas.co.uk/imo-makes-little-headway-on-the-building-blocks-towards-an-equitable-and-climate-aligned-ghg-strategy/>

During the mid-term measures discussion, which took place on day 3 of IWSG-GHG 15, 36 Member States favoured a Levy or per tonne pricing mechanism to go forward in the basket of measures for development, while 18 Member States preferred to exclude a Levy from the finalisation of the basket. As with previous meetings there was widespread support for goal-based technical measures that were technology neutral and were based on the GHG intensity of the fuel. EU countries' GFS proposal was noted as the most mature with the highest level of support. A significant number of Member States pointed out that combining the GFS with a levy or per tonne pricing system would constitute a basket of mutually reinforcing elements and, many pointed out, one that could be capable of supporting a just, fair and equitable transition.

This is a key issue for the respective roles of GHG pricing (which current analysis<sup>4</sup> suggests should be more focused on the early emergence phase of the fuel transition, as well as contributing to a just and equitable transition) and fuel standards (which the same analysis suggests should be more focused on providing the clear and strong incentive for the mass market fuel transition).

## 10 Q - When can we expect measures that will implement these targets?

**A - Expect clarity on measures by the end of 2025, with earliest entry into force 2027.** The measures are scheduled for adoption (the point at which their language and detail becomes 'fixed', and therefore enables clearest commercial decisions) in 2025. Important signals on what the details of measures will likely look like will be available throughout 2024. There are two drivers of the schedule. One is the timescale to finalise their detail. This finalisation will be dependent on the results from the Comprehensive Impact Assessment and important future discussions between states on how to ensure that the impacts on states (e.g. any disproportionate impacts on a country's imports/exports/trade) are addressed, and the broader objectives of promoting a just and equitable energy transition. And the other is the minimum periods required between the key steps in IMO's process (approval, adoption and entry into force). These minimum periods in its processes (6 months between approval and adoption, 16 months between adoption and entry into force) have been committed to in the strategy, showing efforts to make sure the industry has policy measures as quickly as possible.

Many may be frustrated that the timescales are not shorter, given the urgency and desire for clarity/certainty in investment decision making, however it is hard to see how the IMO process could have moved this much faster. One uncertainty that remains in the timetable is whether actual entry into force occurs in 2027 or 2028. The earliest possible date, given adoption in Autumn 2025, is somewhere between March and May 2027. However, both the fuel standard and a GHG pricing mechanism are reliant on the IMO's DCS which collects annual fuel consumption data in the period January to December. Providing it is clear in the MARPOL amendment that a policy measure is effective from the beginning of the calendar year it enters into force, then the first year that there may be a GHG price on emissions or obligation to meet a GHG intensity reduction (GFS) would be 2027. However, there will remain uncertainty on this until the adoption of measures in 2025. Below is the table of follow up actions with the adoption and entry into force shown.

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<sup>4</sup> [https://www.u-mas.co.uk/wp-content/uploads/2022/01/Closing-the-Gap\\_Getting-to-Zero-Coalition-report.pdf](https://www.u-mas.co.uk/wp-content/uploads/2022/01/Closing-the-Gap_Getting-to-Zero-Coalition-report.pdf)

**PROPOSED TIMELINE FOR THE DEVELOPMENT OF CANDIDATE MID-TERM MEASURES AND ASSOCIATED COMPREHENSIVE IMPACT ASSESSMENT**

	<b>Comprehensive impact assessment (CIA)</b>	<b>Mid-term measures development</b>
<b>MEPC 80 (Summer 2023)</b>	Initiation of CIA	Initiate Phase III of the Work Plan
<b>MEPC 81 (Spring 2024)</b>	Interim report	Finalization of basket of measures
<b>MEPC 82 (Autumn 2024)</b>	Finalized report	
<b>MEPC 83 (Spring 2025)</b>		Approval of measures
<b>Extraordinary 1 or 2 day MEPC (six months after MEPC 83 - Autumn 2025)</b>		Adoption of measures
<b>MEPC 84 (Spring 2026)</b>		
<b>MEPC 85 (Autumn 2026)</b>		
<b>16 months after adoption</b>		Earliest date of entry into force

## 11 Q - What are the implications for shipping-related investments?

**A - The Revised Strategy raises major implications for both renewable energy and fossil fuel investments.** The set of expectations for GHG emissions reduction targets from the strategy, combined with its new level of ambition for uptake of zero or near-zero GHG emission technology, fuels and energy sources combine to signal a need for immediate investment in near-zero and zero GHG emission fuel and machinery solutions, as well as a consideration of wider risks and opportunities for existing and planned investments.

Many investors will prefer higher certainty that only comes when the strategy is converted into a policy (e.g. in 2025, according to the timetable just adopted). In the intervening period, the sources of uncertainty are both around how ambiguities in the strategy are converted into MARPOL amendment detail, and how compliance and enforcement will be applied. However, waiting until there is that level of certainty may add its own risks (of leaving inadequate time to revise a portfolio), or create missed opportunities. National governments and industrial strategy, as well as regional policy measures and industry action (e.g. ESG), are likely to be important to help to make strategy-aligned investment lower risk and therefore lower cost during the period before 2025.

## 12 Q - Will IMO policy stimulate use of revenues across countries “evenly”?

**A - It is too early to tell, but there are signs that opportunities in the global south will be assisted.** This is a question of two parts - part of the IMO policy is laid down by the adoption of the strategy and the other part of the answer is dependent on the development, adoption and entry into force of the basket of measures.

The 2023 strategy envisions a just and equitable transition, concepts that were entirely absent from the initial strategy. Within the context of candidate measures (section 4 of the revised strategy) and barriers and supportive measures (section 5 of the revised strategy) there is a clear link between the development of measures and the aim of a just and equitable transition that leaves no country behind. This, combined with other language in the strategy, suggests a commitment to particularly facilitate the role of developing countries, SIDS and LDCs in the transition and assist with the impacts of measures. In that sense, it creates a signal that deployment of revenues from GHG pricing should not

necessarily be 'even' between all countries in the transition, something that is backed up by numerous studies suggesting that many developing countries could become providers of future fuels for shipping due to extensive low cost renewable energy potential.

Thus, the aim would appear to be equity through a more strategic mobilisation of finance, not only in terms of investment to facilitate access to new opportunities and benefits of the transition. However, the strategy can only go so far and it will be in the design of the measures that we will see more signals that may indicate potential investment patterns. Additionally, the answer also very much depends on the response from the sector itself and on a myriad of other elements of international investment, risk profiles and climate finance. It is also worth noting that while a just and equitable transition should facilitate access to benefits and opportunities in the transition, it also requires minimising direct climate impacts and disproportionately negative impacts of mitigation measures.

### **13 Q - What are the implications for trade, and how might remote developing countries be affected?**

**A - It is currently unclear, but answers will soon emerge.** The impacts on trade will mainly depend mainly on:

- The development of the basket of measures at IMO, namely a fuel intensity GHG standard with an GHG emissions pricing mechanism and specifically how these are designed
- The outcome of the IMO's Comprehensive Impact Assessment on combinations of possible measures and how this is then addressed by the IMO before the adoption of measures
- How members of the shipping sector and its stakeholders respond to both the strategy and upcoming measures

What is already known is that remote developing countries, heavily dependent on imports for basic necessities, such as Pacific SIDS, already experience high shipping costs and that export driven developing countries trading either low value bulk goods or far from target markets (or both) have concerns on the impact of global (and regional) measures on trade patterns as well as import costs. The Comprehensive Impact Assessment with an interim report to MEPC 81 and a final report to MEPC 82, will give significantly more detail on impacts of measures and should allow for disproportionately negative impacts to be assessed and addressed by the IMO.

### **14 Q - What do the dynamics of this meeting imply about the nature of IMO's further work on GHG?**

**A - The dynamics were in the end very positive, and set a positive momentum for further work.** Unlike in 2018, when US, Brazil and Saudi Arabia reserved their position on the Initial Strategy, at the conclusion of the working group drafting the strategy and again at the adoption of the 2023 strategy, all Member States were onboard and supporting the output. However, this easily may not have been the case, there were multiple points in the lead up to the close of the working group where the consensus of the group was in jeopardy. The unity that the Member States were able to find in this strategy, which represents a multilateral compromise, is not only important but also valuable as the IMO heads into the final development of measures. There is much evidence to suggest that an IMO-led transition for the industry would be more effective, less costly and more equitable than an alternative patchwork of regional action. Ultimately, there is no other forum capable of regulating this sector at a truly global level. While member states will once again approach the development of the basket of measures with different needs, perspectives and red lines, a unified result is in the interest of all Members and the value of a global basket of environmentally stringent measures cannot be understated.

## 15 Q - What does this mean about shipping's inclusion in EU ETS?

**A - This remains unclear.** From January 2024, the EU ETS will apply to the shipping sector. It will cover all internal EU voyages as well as 50% of CO2 emissions from ships entering or leaving the EU. The scheme extends to cover GHG emissions from 2026. While the IMO measures will not be adopted until 2025 and enter into force until 2027, there is the possibility that upon the adoption of a global market-based measure at the IMO, the EU will [review](#) its inclusion of shipping and decide on a different course of action. However there is no obligation or commitment for the EU to do anything beyond 'review'.

In the event that the IMO does not adopt a global market-based measure by 2028, to reduce greenhouse gas emissions from maritime transport in line with the objectives of the Paris Agreement and at least to a level comparable to that resulting from the Union measures taken under this Directive, the Commission shall submit a report to the European Parliament and to the Council in which it shall examine the need to apply the allocation of allowances and surrender requirements in respect of more than fifty percent (50%) of the emissions from ships performing voyages between a port of call under the jurisdiction of a Member State and a port of call outside the jurisdiction of a Member State, in light of the objectives of the Paris Agreement.