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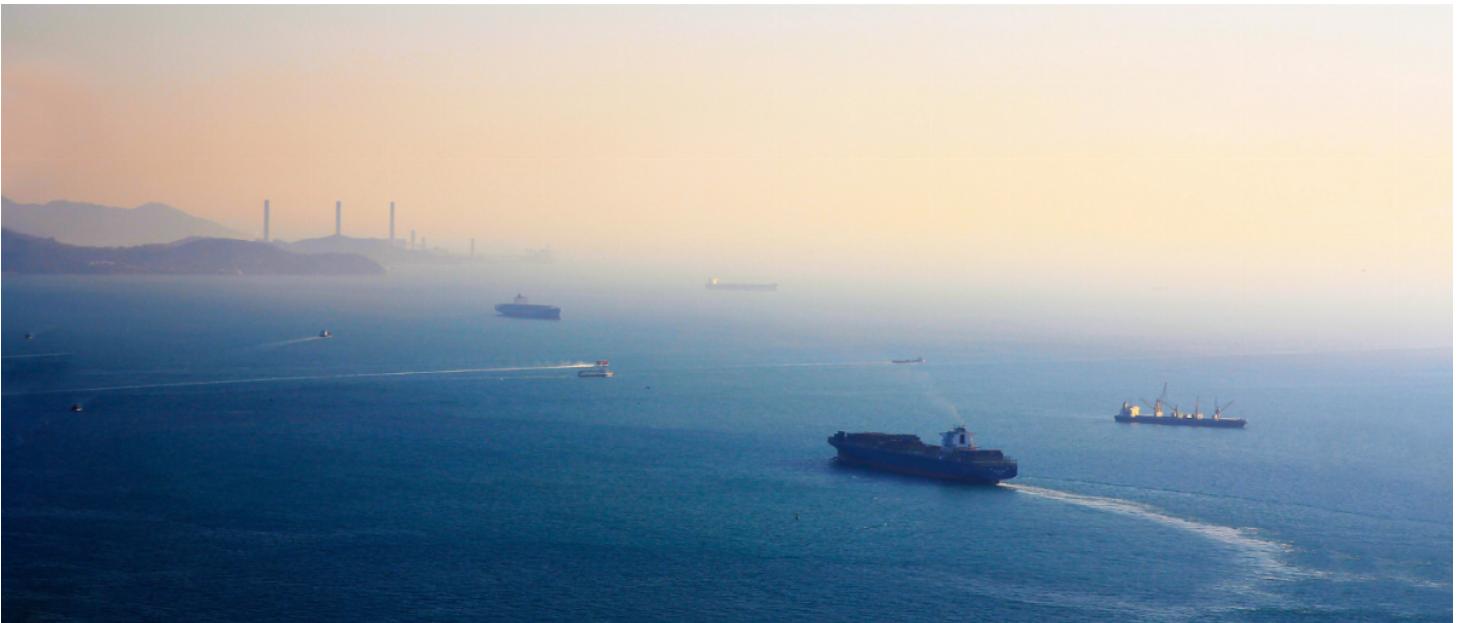
Shipping in transition: IMO's timely negotiations for a net-zero Future

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After two weeks of negotiations (23 September-4 October 2024), the International Maritime Organization (IMO) has made significant progress to deliver a package of potentially ambitious measures to reduce international shipping emissions by 70-80% by 2040, including a pricing of shipping GHG emissions. The question of the architecture of the measures, e.g. a trading between ships over/under-performing a fuel standard or a universal levy, and the question of the redistribution of revenues generated by those measures, were central to the discussions and resonates with broader climate finance discussions.

Shipping's strategies to mitigate its environmental impact

Addressing decarbonization and climate change often leads to focus on the role of the COP (Conference of the Parties) under the United Nations Framework Convention on Climate Change (UNFCCC) in driving progress. However, in most instances, operational processes and regulatory authority lie outside the COP's scope, often being managed at the national level or by specific international organizations for particular sectors, such as aviation or shipping. In the case of international shipping, the industry is regulated by the IMO, a specialized agency of the United Nations. Shipping's environmental impact is primarily governed by the [MARPOL Convention](#) (International Convention for the Prevention of Pollution from Ships), which outlines a suite of policies aimed at reducing pollution from ships.

International shipping accounts for [2-3% of global GHG emissions today](#), and these emissions have climbed for three decades as global trade volumes exploded. The ambition to seriously curb these emissions has been minimal until 2018, when the IMO adopted its first ["Greenhouse gases Reduction Strategy"](#), which set a target of at least a 50% reduction in emissions by 2050 on 2008 levels. Three years later, the IMO implemented energy efficiency measures focused on operational and technical improvements, known as "short-term measures". In 2023, the IMO introduced a more [ambitious strategy](#) aimed at reaching net-zero GHG emissions by or around, i.e. close to, 2050. This heightened ambition was driven by evolving evidence from the Intergovernmental Panel on Climate Change (IPCC), particularly regarding the risks associated with temperature increases above 1.5°C, which became evident after the IMO's initial strategy was adopted. Additionally, technological advances in hydrogen-derived fuels now provided a clearer pathway toward zero emission—which was previously seen as a major stumbling block. The revised strategy includes indicative checkpoints: a 30% reduction in emissions by 2030 (with a minimum of 20% compared to 2008), and an 80% reduction by 2040 (with a minimum of 70%).

Negotiations on short- and mid-term measures

Having set a collective long-term pathway, the IMO now has to adopt a new set of legally binding, globally enforceable policies (referred to as "mid-term measures") to meet the 2030 and 2040 GHG reduction targets. The design of these mid-term measures, to be formally adopted before the end of 2025, was at the top of the agenda of these two weeks of negotiations. This design is framed by the 2023 Revised IMO Strategy which commits to:

- Adopting a combination of policy tools, such as GHG pricing and a fuel standard.
- Ensuring these policy tools are guided by principles such as contributing to a "just and equitable transition." While the IMO has not formally defined this concept, some countries have emphasized the importance of considering the challenges faced by climate-vulnerable countries and countries vulnerable to an increase in transport cost, particularly Least Developed Countries (LDCs) and Small Island Developing States (SIDS). [IDDRI](#) has worked on outlining what an equitable transition in shipping could look like, focusing on how revenues from these measures could be distributed.
- Undertaking a Comprehensive Impact Assessment (CIA), whose reports have been published over the summer^{[1](#)}. These reports evaluate the impact of the proposed measures on the fleet and on the various States.

Also on the agenda is the revision of the short-term measures and the Terms of Reference for the IMO's 5th GHG Study, on which [IDDRI](#) and others have been advocating to better integrate the potential future variations of global maritime trade flows and production patterns. The review of the short-term measures is expected to be completed by 1 January, 2026, at the latest.

These two weeks of negotiations were the last planned before the approval of the mid-term measures in April 2025, so the pressure was high to find compromise while keeping the options countries feel strongly about—for example the

levy—on the table, as countries are working towards a consolidated draft amendment of MARPOL. Countries naturally have different views on what those “mid-term measures” should look like. Negotiations closely matched the content of countries’ submissions, which could be broadly grouped in [four distinct proposals](#).

Fuel standard and GHG pricing: a growing momentum, persistent divergences and concerns

All countries recognize the need for a fuel standard which will set specific limits on the carbon intensity of marine fuels, and a majority call for some form of a “flexibility mechanism”, either through provisions for trading emissions credits between ships that outperform the standard, or through allowing owners to pool ships for compliance (instead of at ship-level approach). Though GHG pricing is still contentious, particularly for large emerging economies, a now broader coalition of countries supports the establishment of a universal levy on all GHG emissions. This issue brings many questions on which countries broadly supporting a levy still differ. Should the tonne of CO₂ be given a rather low price (submission to the IMO by The Bahamas *et al.*) or a high one (submissions by the EU and Japan and by Belize *et al.*)? Should the revenues generated by such a levy only be distributed to support the sector's decarbonization (submission by Angola *et al.*) or should it also support broader decarbonization and resilience objectives beyond shipping (submission by Belize *et al.*)? The progress of these discussions will illustrate how political deals for decarbonization can be made at the sectoral level.

Overall, during these two weeks the support for a GHG pricing or tax [has increased](#), with a clear majority of those who took the floor emphasizing the importance of the IMO adopting such a policy. New support and openness to further discuss came from several African countries, including from new LDCs, while strong backing continued from many SIDS, certain LDCs, and developed nations

Key concerns remain about the economic effects on countries, such as impacts on GDP due to these measures, as well as ensuring a just and equitable transition. Many also raised concerns about the vulnerability of certain regions to climate change and the importance of protecting food security. The latter issue gained prominence at this meeting, as numerous countries expressed concerns that rising import prices of essential food commodities, resulting from mid-term measures, could exacerbate existing food insecurity. Further work will be conducted on this matter, with a report to be presented at MEPC 83 (April 2025).

Shipping issues within the climate finance landscape

An increasing minority of Member States emphasized the need for using revenue beyond the maritime sector, in addition to other possible uses. Many in this group argued—as well as [this paper](#) co-written by IDDRI researchers—that they would face significant negative economic impacts from the regulation but would not benefit if the funds were restricted to use within the shipping industry. A striking example came from the intervention of a landlocked least developed country, which, without a maritime industry or the potential for investment in ports or related infrastructure, faces serious risks of negative impacts due to its heavy reliance on agricultural imports.

In parallel, [pressure](#) is also mounting outside the maritime sector as climate finance discussions highlight huge country needs and limited fiscal space (both in developed and developing countries’ balance sheets) to address these needs. New initiatives such as the [Global Solidarity Levies Taskforce](#) or the [Bridgetown-Initiative-3-0](#) both refer to the maritime sector as a credible source of new revenues, building on the ‘polluter pays principle’. Time is of the essence for countries to land an agreement by April 2025, and ensure a “just and equitable” transition for the maritime sector.

1 The documents can be downloaded on IMO documentation services: <https://docs.imo.org/>

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