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The IMO's mid-term measures: progress, challenges, and next steps

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The International Maritime Organization (IMO) is moving forward with its mid-term measures to reduce greenhouse gas (GHG) emissions from international shipping. The recent discussions at the Intersessional Working Group on Greenhouse Gases (ISWG-GHG 18; 17-21 February) have shown that the levy option is now supported by a broad coalition, but key uncertainties remain on the overall architecture, and on the use of revenues raised. This blog post examines the progress made, the ongoing debate about a just and equitable transition, and the critical next steps in the process.

IMO's strategy to reduce its emissions and the short-term measures

The IMO regulates international shipping through the MARPOL Convention,^{[1](#)} which governs pollution reduction. Shipping contributes 2-3% of global GHG emissions, which have risen for decades. In 2023, the IMO introduced an ambitious net-zero goal by around 2050, and milestones: a 20-30% reduction by 2030 and a 70-80% reduction by 2040. In order to deliver on this commitment, the IMO is currently negotiating a package of legally binding measures,

called the mid-term measures ([IDDRI, 2024](#)), including a fuel standard capping the carbon intensity of the marine fuel used, and an economic element, which could take the form of a pricing mechanism on all shipping emissions (levy in the following) and/or a carbon trading mechanism, where ships overperforming the fuel standard can trade credits with underperforming ships.

Progress on the draft amendment and majority support for the levy

The draft of the legal text implementing the mid-term measures continues to take shape, with many key elements now stabilized. Notably, discussions focused on the architecture of the economic measure, which will take the form of either a universal levy, a credit trading mechanism, or a combination of both.

The levy remains the most supported option, enjoying backing from 70% of MARPOL Annex VI signatories. The levy architecture now enjoys majority support across the African participants, Small Islands and Developing States (SIDS) and Least Developed countries (LDCs), and developed economies active in the debate. Many of these countries view the levy as the most effective and transparent way to incentivize the reduction of shipping emissions, and generate funds that can be used to support the transition to zero-emission fuels and mitigate disproportionate negative impacts on vulnerable economies. However, opposition persists from certain middle-income and low-income countries, who fear the impact on their trade competitiveness.

The meeting also clarified that any economic measure would require an IMO-managed fund to handle revenue collection and disbursement but whilst the architecture debate remains unresolved, the expected revenue raised for the fund is uncertain. While there is a broad support that funds should be used to reward early adoption of zero and near-zero GHG fuels and finance research, development, and deployment (RD&D), the precise allocation remains a contested issue.

Just and equitable transition: exemptions or revenues?

A central theme of IMO discussions was how to ensure a just and equitable transition for all countries, particularly those most vulnerable to rising shipping costs. The debate largely revolved around two distinct approaches: targeted exemptions or revenue distribution.

Some Member States advocate for exemptions, which would modify emissions intensity targets for ships servicing ports in vulnerable countries. This would reduce compliance costs for trade routes that disproportionately impact low-income nations. However, others argue that exemptions undermine the environmental integrity of the IMO's strategy and could create market distortions. A submission by the [Clean Shipping Coalition](#) highlighted the significant risk that broad exemptions could weaken the emissions reduction trajectory and delay the adoption of alternative fuels.

The alternative approach—prioritizing revenue distribution—has broader support, including from SIDS and LDCs. Under this model, some of the funds collected from a GHG levy or compliance mechanism would be allocated to mitigate the impacts on vulnerable economies. However, the scale of revenues generated will depend on whether the final economic measure includes a levy or only a credit-trading mechanism, with the latter expected to generate far less revenue. Furthermore, the room is divided on what the revenue should be used for. Most countries agree that a portion of the revenue should support the shipping energy transition, including fuel incentives, research and development, workforce training, and port infrastructure (referred to as "in-sector" in Figure 2, noting however that this is an interpretation of the authors rather than an official definition at the IMO). Many nations are silent on the use of funds for purposes beyond the shipping sector ("out of sector" in Figure 2), while fewer explicitly endorse such uses. Some countries even oppose allocating revenue to out-of-sector initiatives, particularly towards climate finance

(Figure 2).

However, during discussions on food security, about half of the countries that participated suggested that revenue distribution could help address these concerns. It remains unclear how these countries believe the funds should be allocated—whether toward port infrastructure, RD&D, or shipping capacity building for nations vulnerable to rising transport costs, or through out-of-sector investments such as enhancing food production systems and the food value chain.

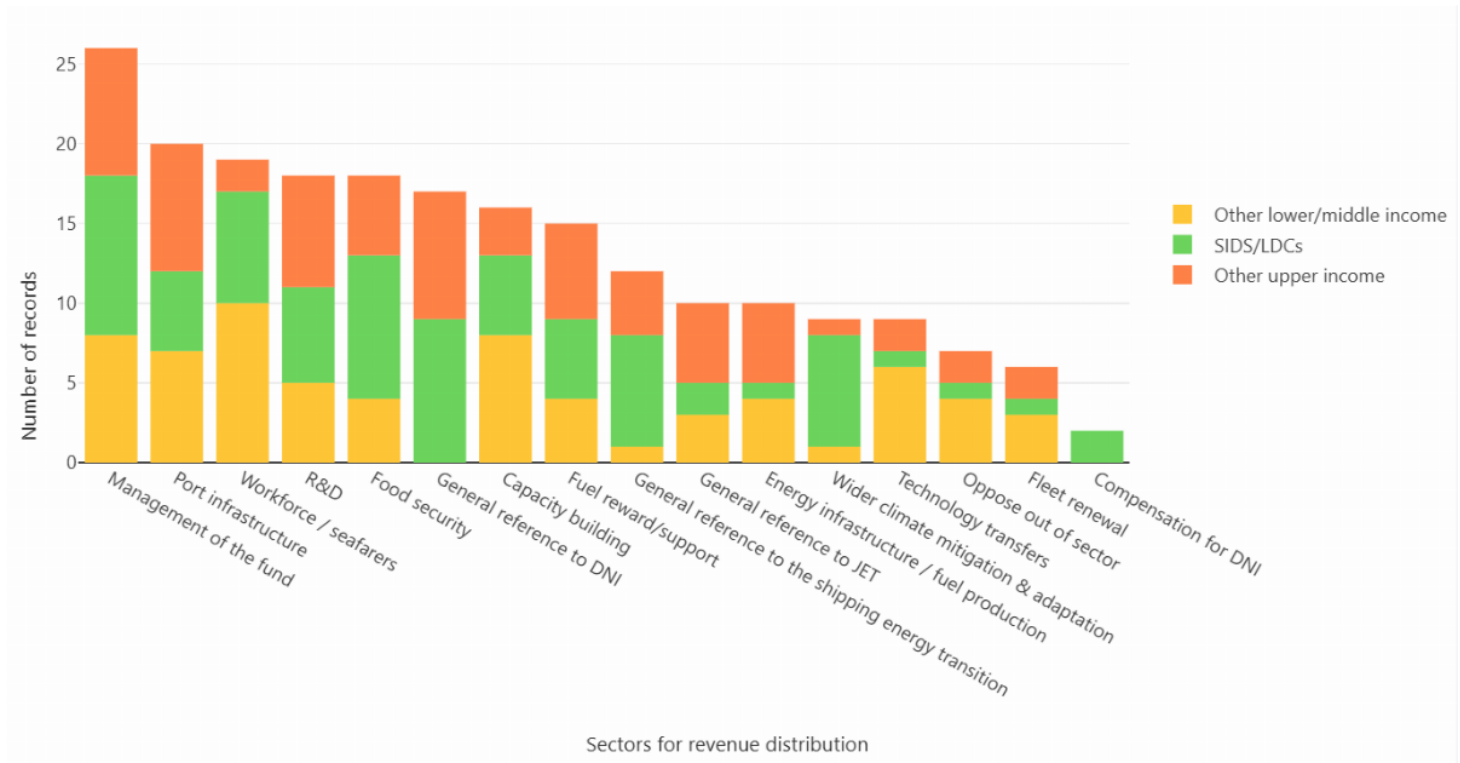


Figure 1: Overall counts of member states positions expressed during ISWG-18 relating to the sectors for revenue distribution. From [2](#)

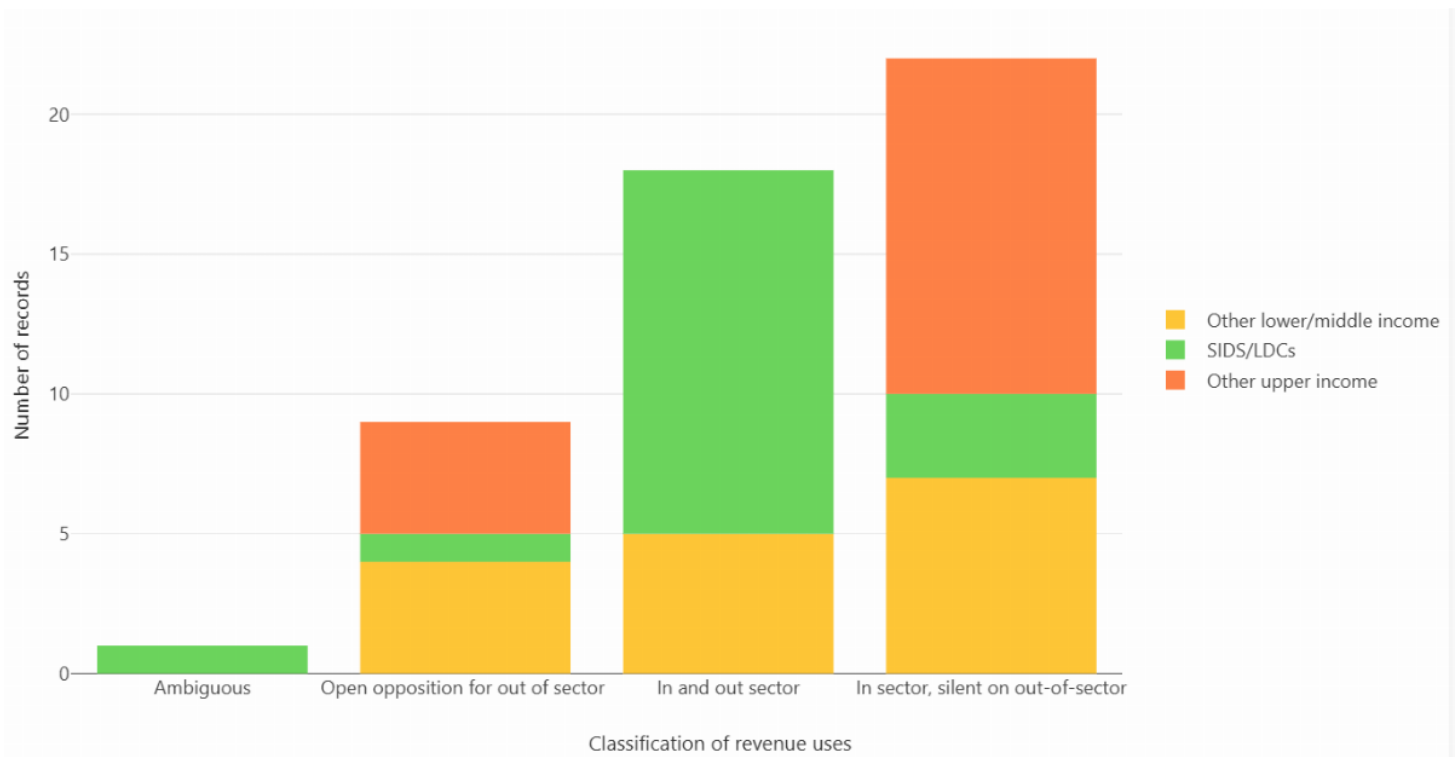


Figure 2: Overall counts of Member States positions expressed during the ISWG-18 relating to the classification of revenue use. From [3](#)

A compromise option: what potential impacts on a just and equitable transition

In an effort to bridge the divide between supporters of a levy and those favouring credit trading, a compromise option was introduced at ISWG-GHG 18. It consists in a credit trading mechanism using a tiered approach in which ships with varying emissions intensities would face different levels of compliance obligations; with ships using fuels above a certain carbon intensity facing larger carbon price per tonne of CO₂-e than ships in the intermediate tier, and ships in the lowest tier facing no carbon price at all (see details in [4](#)).

However, an assessment of this approach [5](#) found that it was unlikely to effectively promote an energy transition or ensure a just and equitable transition, for two main reasons:

- Modelling showed that the proposed approach could create investment uncertainty, as the effectiveness of the system in bridging the gap between alternative fuels and conventional fuels would depend on unpredictable levels of revenue raised.
- Furthermore, it would not generate stable revenues to support a just and equitable transition, raising concerns about its ability to address disproportionate negative impacts. It is estimated that the mid-term measures would need to raise around \$800 billion to both support the energy transition to net zero and guarantee a just and equitable transition. While a levy could generate this level of revenue, the compromise option currently discussed is unable to do so.

As a result, the proposal did not gain significant traction during the week of negotiation and remains an annexed option rather than a core element of the draft amendment.

Next steps are crucial

The coming months will be decisive for finalizing the architecture of the IMO's mid-term measures. The timeline for adoption and implementation is as follows:

- Spring and Autumn 2025: The general architecture of the economic and technical measures will be finalized and adopted during MEPC 83 and subsequent meetings.
- 2027: Implementation of the measures, marking the beginning of compliance obligations for the shipping industry.

Between the adoption of the mid-term measures and 2027, further design aspects of the mid-term measures will be developed in supporting guidelines, particularly those related to Life Cycle Analysis (LCA) for fuel emissions accounting. The LCA guidelines will be critical in defining what constitutes zero and near-zero GHG fuels and ensuring that emissions are measured consistently across different fuel production pathways. Additionally, guidelines on revenue distribution and fund governance will be necessary to ensure that financial mechanisms effectively support vulnerable countries and facilitate an equitable transition. If the broad decision on the IMO levy is likely to be taken by the time of COP30, the larger discussion on in-sector vs out-of-sector revenue distribution is therefore not likely to be decided before 1 or 2 years.

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[https://www.imo.org/en/about/Conventions/Pages/International-Convention-for-the-Prevention-of-Pollution-from-Ships-\(MARPOL\).aspx](https://www.imo.org/en/about/Conventions/Pages/International-Convention-for-the-Prevention-of-Pollution-from-Ships-(MARPOL).aspx)

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Fricaudet, A., Majidova, P., M., Frosch, Smith, T., Rehmatulla, N., Prakash, V. Stewart, J., Oluteye, D., Baresic D., Chin-Yee, S., Almula, N. (2024) An overview of the discussions from IMO's Intersessional Working Group on GHGs 18th session, London, UK

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Smith, T. & Fricaudet, M. (2025) Effectively promoting the energy transition, contributing to just and equitable transition, <https://www.shippingandoceans.com/post/effectively-promoting-the-energy-transition-and-contributing-to-a-just-and-equitable-transition>

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