Designing a greenhouse gases (GHG) levy supporting an equitable low-carbon and resilient transition of international shipping under the IMO

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This Note provides contextual information on the development of mid- and long-term GHG measures under the International Maritime Organisation towards international shipping decarbonization, and focuses on equity issues in carbon pricing and revenues recycling of a potential GHG levy.

**KEY MESSAGES**

A GHG levy is feasible through an amendment to the International Convention for the Prevention of Pollution from Ships (MARPOL) under the IMO, and could be paid at the same time as the ship’s fuel, without passing through countries’ budgets.

Several countries and the shipping industry submitted technical proposals for a levy, suggesting its revenues could be partly used for the decarbonization of the shipping sector, and partly to support developing countries’ climate action. Designing who pays and who receives the proceeds of a potential levy has important equity implications, as some countries particularly depend on the maritime sector for trade or livelihoods.

The levy could have both a uniform application to all ships, and a differentiated redistribution of proceeds according to objective evidence, in line with the IMO’s principles of ‘no more favorable treatment’ (NMFT) and the need to avoid ‘disproportionately negative impacts’ (DNI). Least Developed Countries and Small Island Developing States are most vulnerable both to the economic impacts of decarbonization and to the physical impacts of climate change.

**NOTE**

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INTRODUCTION

In support of both the Sharm el-Sheikh Plan of Implementation calling for a reform of the international financial architecture and the Bridgetown Agenda aiming at a new approach to provide finance to developing countries in a climate crisis, French President Macron and Barbados Prime Minister Mottley have proposed a Summit on a new “Global Financing Pact” to be held in Paris on June 22-23, 2023. Four working groups (WG) have been set up to prepare the summit. Co-chaired by France and Barbados, WG4, “Developing the innovative solutions to provide additional resources in support of countries vulnerable to climate change”, focuses on how to unlock new sources of finance at the benefit of those countries most exposed to climate change, while promoting the principles of the Bridgetown initiative.

The purpose of this Note is to inform WG4 deliberations about current developments for revising the GHG Strategy of the International Maritime Organization (IMO) towards decarbonization (1). Among possible mid-term measures towards decarbonization, the IMO is currently considering a universal mandatory GHG levy proposed by the Marshall and Solomon Islands5 in June 2021. Such a levy could raise significant revenues that could be used to decarbonize the shipping sector and provide for a new source of climate finance to meet the needs of the most vulnerable countries. Carbon pricing in the international shipping sector is analyzed by an abundant literature. This Note emphasizes the equity imperative in carbon pricing (2) and in revenue recycling and distribution (3) that such a levy should respect for supporting a just and equitable transition of international shipping.

1. MID- AND LONG-TERM GHG MEASURES UNDER THE IMO TOWARDS INTERNATIONAL SHIPPING DECARBONIZATION

Accounting for around 3% of global anthropogenic GHG emissions (more than 1 Gt of CO₂eq.), shipping GHG emissions could increase up to 130% by 20501 according long-term economic and energy scenarios as compared to 2008 emissions without any additional measures, and despite some progress achieved in the shipping sector to improve its carbon intensity since 2008.

As the United Nations (UN) specialized agency responsible for the prevention of marine and atmospheric pollution by ships, the IMO has been considering actions to address GHG emissions from ships since 1997,2 when the Kyoto Protocol to the UN Framework Convention on Climate Change (UNFCCC) called upon developed countries listed in Annex I to the UNFCCC to pursue mitigation action from marine bunker fuels through the IMO.3 A first important milestone was set in 2011, when the IMO adopted for the first time legally binding technical and operational measures to reduce GHG emissions from ships through amendments to the International Convention for the Prevention of Pollution from Ships (known as “MARPOL 73/78”),4 notably by requiring for new ships of 400 gross tonnage and above to meet minimum energy efficiency level, known as Energy Efficiency Design Index (EEDI), which is based on ship type and size, and the obligation to establish and maintain on board a Ship Energy Efficiency Monitoring Plan (SEEMP) in order to demonstrate compliance with the technical measures. Later, in 2016, the IMO adopted the MARPOL amendment to impose the mandatory fuel consumption data collection and reporting system (DCS) for international shipping. Within the IMO institutional framework, discussions on climate action take place in the Marine Environment Protection Committee (MEPC), which is a permanent subsidiary organ of the IMO Assembly that was created in 1973. MEPC is responsible for functions related to the adoption and amendment of regulations, including MARPOL Annexes, and for facilitating the enforcement of international marine environment conventions, notably the UN Convention on the Law of the Sea (UNCLOS). MEPC is assisted by its Intersessional Working Group on Reduction of Greenhouse Gas Emissions from Ships (ISWG-GHG).

In 2018 at MEPC 72, the IMO adopted its first climate strategy, called the “Initial IMO Strategy on reduction of GHG emissions form ships”, which sets the ambition to reduce carbon intensity (emissions per transport work) of international shipping by at least 40% by 2030 as compared to 2008, pursuing efforts towards 70% by 2050, and to reduce total annual GHG emissions from international shipping by at least 50% by 2050 as compared to 2008.5 However, when looking at projections of GHG emissions from shipping, this level of ambition is not sufficient to achieve emissions reductions that are consistent with the temperature goal of the Paris Agreement.

The Initial IMO GHG Strategy suggests the formulation of short-, mid- and long-term measures in order to drive the decarbonization of the shipping sector, the impact of which should be subject to prior assessment of their impacts, notably on States.

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1 Fourth IMO GHG Study 2020 (Faber et al., 2021).
3 Article 2.2 of the Kyoto Protocol to the UNFCCC.
4 With the addition of a new Chapter 4 entitled “Regulations on energy efficiency for ships” to the Annex VI of MARPOL Convention (MARPOL Amendments).
5 Resolution MEPC.304 (72). See reproduced text in annex to the IMO submission to the Talanoa Dialogue under the UNFCCC, COP24.
Short-term measures relate to energy efficiency improvement (to facilitate the application of EEXI and SEEMP), and the achievement of an annual Carbon Intensity Indicator (CII) and reporting.

Discussions on possible mid- and long-term measures (integrating and eventually combining both technical and carbon pricing elements) were framed in a work plan adopted by MEPC 76 (in June 2021), which consists of three phases: a first phase for the collation and initial consideration of proposals, a second phase to assess and select measures for their further elaboration, and a third phase to finalize and adopt the proposed measures within agreed target date(s) during a third and final phase.

It is expected that MEPC 80 will adopt in July 2023 a revised IMO GHG Strategy, including short-, mid- and long-term measures towards a strengthened level of ambition for climate action in the shipping sector, that can align IMO climate action with the Paris Agreement.

As noted above, the Initial Strategy requires that impacts on States of any proposed measure is to be assessed and considered as appropriate before adoption of the measure, with a particular attention to the needs of developing countries, especially Small Island Developing States (SIDS) and least developed countries (LDCs). MEPC 74 (May 2019) approved a procedure for assessing impacts on States of candidate measures, and a comprehensive impact assessment of the short-term measures has been carried out, notably with the contribution of UNCTAD and approved by MEPC 76 (June 2021). Notably, the Initial Strategy requested that “disproportionately negative impacts” (DNI) on States were to be assessed and, as appropriate, addressed, although without saying how to characterize disproportionality and how to address disproportional impacts. Based on this experience, the procedure for assessing impacts on States of candidate measures has been recently reviewed and approved by MEPC 79 (December 2022).

It is worth noting that the Initial IMO Strategy comes along other existing instruments, including UNCLOS and the UNFCCC and its related legal instruments, including the Paris Agreement. This supports the view that the ambition of the revised IMO Strategy should align with the Paris Agreement objectives, notably the efforts to be pursued in order to limit global warming to 1.5°C as compared to pre-industrial levels. And the guiding principles of the Initial IMO Strategy include the need to be cognizant of the principles enshrined in other international instruments, notably the principle of non-discrimination and the principle of no more favorable treatment (“NMFT”), enshrined in MARPOL and other IMO conventions, as well as the principle of common but differentiated responsibilities and respective capabilities (“CBD&R&RC”), in the light of different national circumstances, enshrined in the UNFCCC, its Kyoto Protocol and the Paris Agreement. Because the CBDR&RC principle is not recognized by neither the IMO Convention of 1948 nor any other legal instruments under the responsibility of the IMO, “cognizant” should be understood as requiring from IMO Member States to be mindful of the the particular vulnerability of some States with respect to the socio-economic impacts of candidate GHG measures and/or from the negative impacts of climate change that the revised IMO Strategy aims at fighting. This is specified in another guiding principle of the Initial IMO Strategy emphasizing the need to consider the impacts of measures on States, including developing countries, in particular, on LDCs and SIDS, and their specific emerging needs.

Therefore, as rightly pointed out by the “Closing the Gap Report”, “the Initial IMO Strategy is as much about equity as it is about reducing emissions”, while keeping in mind the traditional view within the IMO that uniformity of standards is necessary to ensure an effective management of international shipping. From that viewpoint, the “DNI” approach must be further elaborated. Therefore, a kind of differentiation must be introduced in order to support a just transition; this is a crucial prerequisite condition for reaching an agreement at MEPC 80 on the Revised IMO GHG Strategy.

2. EQUITY IN CARBON PRICING

Reductions in GHG emission in the shipping sector will mainly come from the use of low-carbon alternative fuels, energy-saving technologies, traffic and related port infrastructures’ management and speed reduction of ships. However, it is widely recognized that, in a shipping sector that is highly competitive, the reduction of carbon intensity can be further incentivized through economic instruments, including Market Based Measures (MBM) that put a price on GHG’s shipping emissions.

Carbon pricing captures the external costs of reducing GHG emissions and ties them to their sources through a price that provides an economic signal to emitters, who can decide to either invest to lower their emissions or continue emitting but paying for them. It can set the level of carbon price at a level either to cover the Social Cost of Carbon (SCC) with a price equivalent to the corresponding potential cost caused through future climate change, or be calibrated to achieve an emissions target by a given date. The latter is particularly relevant to ensure an effective mitigation contribution to the achievement of the Paris Agreement’s global goals.

Combined with revenue recycling, carbon pricing can support a just transition in a fair and inclusive manner, whereby no one if left behind. Carbon pricing also reflects upon the polluter pays principle, according to which the polluter should bear the costs of preventing pollution but also for the damage it causes. And this also relevant when considering the use of revenues obtained from carbon pricing.

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6 Guidelines supporting the uniform implementation of EEXI, SEEMP, Carbon Intensity Indicator (CII) rating
7 Adoption of amendments to MARPOL Annex VI requiring additional reporting by flag States to the IMO Ship Fuel Oil Consumption Database (DCS) on the ship’s carbon intensity performance values (EEXI and CII) at MEPC 79 in December 2022.
In May 2022, the 12th meeting Intersessional Working Group on GHG (ISWG-GHG12) found a consensus according to which the IMO should put a price on carbon as part of the basket of mid-term measures supporting the longer-term decarbonization of the international shipping sector. ISWG-GHG12 also noted that MBM and technical measures could be combined to support the transition away from the use of fossil fuels.

Although there is a common view that carbon pricing should incentivize international shipping decarbonization, there are very divergent views on how to apply it, and what would be the required carbon price level to ensure that it would effectively deliver in terms of mitigation. As a result, there has been a range of carbon pricing proposals put on the table during the second phase of the Work Plan to revise the Initial IMO Strategy, including by 1) Marshall & Solomon Islands, 2) Japan, 3) Norway, 4) the International Chamber of Shipping & Intercargo, and 5) Argentina, Brazil, China, South Africa, United Arab Emirates.

a) How would the proposed GHG levy work?

The GHG levy proposed by the Marshall and Solomon Islands in June 2021 was discussed thereafter within the ISWG-GHG in preparation of MEPC meetings. At MEPC77, the Marshall and Solomon Islands proposed draft amendments to MARPOL Annex VI outlining the management and collection of the levy. It is expected that the Marshall and Solomon Islands would refine and further improve their proposal in the run-up to the MEPC80 meeting where the Revised IMO GHG Strategy is to be adopted.

The primary aim of the proposed levy is to provide an incentive to reduce emissions by addressing the price differential between conventional fossil fuels and low- and zero-GHG fuels and technologies, by initially increase the cost of conventional fossil fuels from 2025 by $100 per ton of CO₂ for HFO (or approximately $300 per ton of fuel). At each 5-year period the levy rate should be reviewed and increased as necessary to further reduce or eliminate the price gap between conventional fossil fuels and low- and zero-GHG technologies and fuels. Such a levy could be combined with a global fuel standard (GFS), and the Marshall and Solomon Islands support the view that this would even simplify the GFS design and implementation, allowing for their combined application as from 2030.

By 2025, each fuel and machinery combination should be assigned to a Well-to-Wake (WtW) CO₂ equivalence. WtW GHG emissions would be calculated based on data collected in IMO Ship Fuel Oil Consumption Data Collection System (IMO DCS). The levy contribution should be calculated by multiplying the WtW GHG emissions by the carbon. It would be collected from the entities responsible for the emissions at point of bunker, where each ship would be required to pay it into a dedicated international GHG account (GHGA) assigned to each ship’s IMO number. Payment is made simultaneously with payment for the fuel, and the payment receipt should be kept on board to make it available for State port authorities.

As opposed to a tax, a levy is paid in direct return for a specific service rendered to the payer. For the Marshall and Solomon Islands, the price signal should be combined with different approaches for recycling revenue that further incentivizes the use of low- and zero-GHG fuels as well as investments in more energy efficient and low-carbon technologies as well as to support adaptation action in countries vulnerable to the adverse impacts of climate change. Indeed, recent studies show that the IMO GHG levy could raise significant revenues. In a scenario of full decarbonization by 2050, revenues from a 100$/tCO₂ could amount to between 1 and 2 trillion$ until then and cover the decarbonization investment required by then (Bareisic et al., 2022), amounting to over 60 billion$ per year according to the World Bank (2022) and 80 billion $ per year according to the Pacific States supporting the levy. The issue of equity in distribution of revenues from the collected levy is discussed in the next section of this Note.

b) Who would be affected by a GHG levy?

Obviously, the expected impact of carbon pricing is to increase shipping related costs (i.e. logistic, transport and time) in order to send the price signal that creates the incentive to decarbonize. But impacts will be different, firstly for ship owners who are expected to pass such costs on to their clients, secondly for and among countries depending on their level of development on the one hand and on their core shipping activities (port, flag, oil of convenience States) on the other hand. And beyond, some remote countries, including SIDS, will be negatively and disproportionately affected by the levy, first of all because their economies and living conditions fundamentally depend on international shipping.

As required by the Initial 2018 IMO Strategy, the socio-economic impacts of any measure on States should be assessed, with a particular attention to SIDS and LDCs. UNCTAD was tasked to carry out the impact assessment ("Task 3") taking account the following parameters in order to determine whether the proposed measure would have “disproportionately negative impacts” (DNI) on States: geographic remoteness of and connectivity to main markets, cargo value and type, transport dependency, transport costs, food security, disaster response, cost effectiveness and socio-economic progress and development.

UNCTAD has conducted this impact assessment in 2021, with support from the IMO GHG multi-donors’ Trust Fund, under the supervision of a Steering Committee composed of 18 volunteer IMO Member States. It is important to note that the

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11 MEPC 76/7/12; MEPC 77/7/4 and ISWG-GHG 12/3/3 and 13/4/11.
12 See ISWG-GHG 14/4/11, October 68, 2022, pages 4 and 5 on the specifics of the implementation of a GHG levy and a complementary GFS, notably with respect to the requirement to pay a non-compliance contribution.
13 In accordance with the draft guidelines on lifecycle GHG intensity of marine fuels (LCA guidelines).
14 Bareisic et al. (2022) Closing the Gap An Overview of the Policy Options to Close the Competitiveness Gap and Enable an Equitable Zero-Emission Fuel Transition in Shipping, page 38
15 World Bank (2022) Carbon Revenues From International Shipping: Enabling an Effective and Equitable Energy Transition
impact assessment examined the short-term measures (EEXI and CII) only, not the GHG levy proposed by the Marshall and Solomon Islands.

UNCTAD’s research\(^ 16\) shows that “SIDS pay double the global average for the transportation of their trade, in part due to their remoteness and lower maritime transport connectivity. These factors enhance their vulnerability to disruptions and increased trading costs”,\(^ 17\) having in mind that most of their trade depends almost exclusively on maritime transport to access regional and global markets, but also that livelihoods are largely dependent on the imports of essential goods. Still according to UNCTAD, SIDS and LDCs will need technical and financial support to mitigate the costs of adjusting to low-carbon shipping, as they face higher transport and logistic costs with most of their trade due to their remoteness and lower maritime transport connectivity. UNCTAD also underlines that transport costs are particularly higher in the Pacific region. In response to observations made by the MEPC, the IMO Secretariat initiated in 2022 a project\(^ 18\) supported by the IMO GHG Trust Fund to improve availability of maritime transport costs data in the Pacific Region in the context of shipping decarbonization.

Economists would argue that a carbon price needs to be uniform in order to achieve the level playing field. Having a uniform carbon price for all ships would ensure that the GHG levy is cognizant with the principles of non-discrimination and of no more favorable treatment (“NMFT”), enshrined in MARPOL and other IMO conventions, as requested by the Initial IMO Strategy. According to these principles, all IMO instruments including MBM should apply to all ships irrespective of the flag they are flying. With the NMFT principle, the port country should apply standards the same way to all ships, which is relevant for applying the GHG levy in ports at the point of bunker. And with the NMFT, IMO requirements can be applied if necessary to ships holding a flag of countries that are not Parties to the IMO. Uniformity of standards is also supported by UNCLOS. Its article 211 list six requirements for States to reduce pollution from ships, and UNCLOS direct States to operate accordingly through the “competent international organization”. Even though it is not explicitly mentioned by UNCLOS, the IMO is obviously the competent organization as its main role is to regulate the shipping sector.

But the Initial IMO Strategy also requested that any measure should be cognizant with the CBDR&RC principle enshrined by the UNFCCC, which shall also guide the Paris Agreement though in the light of national circumstances. However, contrary to the non-discrimination and NMFT principles, the CBDR&RC is not formally recognized by any IMO treaty instruments.

For more than a decade, a contentious debate\(^ 19\) between developed and developing countries took place within the IMO on whether the CBDR&RC principle should apply to IMO instruments, and this obviously delayed the discussion on MBM under the IMO. Reopening this debate would simply reignite this disagreement regarding the articulation of NMFT and CBDR principles.

It must be noted that the Initial IMO Strategy has been adopted in 2018 after the adoption of the Paris Agreement, which calls for a nuanced interpretation of the CBDR&RC principle by taking account of national circumstances, that each and every country can highlight in its Nationally Determined Contribution to justify the extent to which it is ambitious and equitable. And the Initial IMO Strategy was also adopted two years after the ICAO established the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), a harmonized MBM targeting airlines to reduce emissions from international aviation while minimizing market distortion, mindful of the special circumstances and respective capabilities of ICAO Member States but with no reference to the CBDR&RC principle.

To conclude on this section, it would be cognizant to the non-discrimination and NMFT principles to have a uniform application of the GHG levy for its collection. If combined with the GSF, it may be possible to consider the possibility for some more efficient ships holding the flag of some countries (SIDS and LDCs) to be exempted from the levy, but this would require criteria to identify the eligible ships and distinguish among some developing countries. In addition, this also carries the risk to create some carbon leakage with ship owners looking for flags of exempted port countries.

For those reasons, it seems preferable to have no exemptions for the levy collection. However, in order to address “disproportionately negative impacts” (DNI) while being cognizant with the CBDR&RC principle applied in the light of national circumstances, it is necessary to recognize some sort of differentiation among States. In other words, it is only if DNI can effectively and objectively be addressed that the Initial IMO Strategy’s requirement to be cognizant with the CBDR&RC principle can be satisfied, for example by channeling a portion of the revenues collected from the levy in priority to those countries that are particularly vulnerable because of their socio-economic situation and the fact that they would face higher shipping costs than other countries, but also because they are the more vulnerable countries to the adverse impacts of climate change, that the GHG levy should help fight against.

That would be the trade-off for all countries to accept a GHG levy supporting a just and equitable transition of international shipping under the IMO auspices.

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16 Synthesis of UNCTAD findings on Task 3 for the assessment of short-term measures can be found in the UNCTAD Communiqué Assessing possible impacts on States of future shipping decarbonization published on June 20, 2022.
17 UNCTAD Press communiqué Vulnerable countries need help to adjust to carbon cuts in maritime transport, July 5, 2021.
3. **EQUITY IN REVENUE RECYCLING AND DISTRIBUTION**

There are a number of options for using revenues from the IMO GHG levy, both “in sector” and “out of the sector”. These options have been analyzed and discussed in detail in a comprehensive technical World Bank paper. As opposed to the shipping industry which prefers all revenues to be recycled in sector, it seems that a majority of IMO countries can accept that a portion of revenues can be distributed outside the sector, for other purposes. But it is premature to discuss what size of the “out of the sector” portion should be recycled, as the IMO should adopt first its Revised GHG Strategy, including the principle of a GHG levy as a mid-term measure.

Still, as pointed out by the World Bank, “carbon revenues from international shipping are not easily attributable to any specific country”.

A kind of differentiation must be introduced in order to support a just transition, this is a crucial prerequisite condition for reaching a consensus within the IMO. As discussed above, some countries will have to bear more shipping costs than others because of their remoteness and low maritime connectivity, with most of their trade depending on maritime transport and livelihoods on the imports of essential goods.

If differentiation can be problematic for the collection of the levy from shipping companies as discussed above, it may prove easier for revenue recycling and distribution to countries, which should be the primary recipients, having in mind that shipping companies will have the possibility to pass on the decarbonization costs to their clients.

It is also logical to target countries if the distribution of revenues should bring climate benefits or support the achievement of positive outcomes in the fight against climate change, as countries are responsible to develop and implement an adaptation pathway towards resilience. With a GHG levy collected from shipping companies, designating countries as recipients can be also justified in the light of the polluter pays principle, with a priority that could be given for revenue distribution to those that are particularly vulnerable to the adverse impacts of climate change.

The “DNI” approach allows for a factual (but not legal) differentiation of the countries’ situation on the basis of an objective assessment using the same evaluation criteria for all. In addition, the Revised Assessment Procedure confirms the need to include both an assessment of impacts on States based on a global modelling and complementary stakeholders’ analysis, in particular when the assessed State is a small-scale economy with a low-connectivity index, in order to take into account import of essential goods, food security and/or disaster response, but also when the global modelling has identified high impacts compared to other States or regions, providing for a limited number of routes and commodities complementary modelling. This will help assess DNI more precisely, and to identify “DNI countries” accordingly beyond those who are formally recognized as SIDS and LDCs, for instance to support remote developing countries.

It may be politically challenging to adopt additional criteria to prioritize countries which are more impacted and vulnerable as recipients for revenue distribution. But, depending on how it is governed within the IMO and/or in partnership with other international financial institutions, some processes could be envisaged to facilitate access to the revenues, whether for decarbonizing infrastructures or for adaptation purposes. In that respect, it would be useful to take into account the capacity of “DNI countries” to finance shipping decarbonization and access to low-carbon technologies. In response to the Initial IMO Strategy, a particular attention should be paid to the needs of developing countries, especially of SIDS and LDCs.

Despite the non-discrimination and NMFT principles, linking the IMO to UNCLOS can help justify that some priority should be given to SIDS and LDCs. Article 203 of UNCLOS recognizes a preferential treatment for developing States to be granted by international organizations when it comes to the allocation of appropriate funds and technical assistance for the purposes of prevention, reduction and control of pollution of the marine environment or minimization of its effects. The IMO is not a Party to UNCLOS, and it is not mentioned in any UNCLOS provisions. However, UNCLOS also requires from the “competent” international organizations to cooperate on the development and transfer of marine technology in a way that promotes the social and economic development of developing states (article 278 UNCLOS). Not only is the IMO the only competent authority to address atmospheric pollution from ships, including from GHG emissions, but the IMO Convention and MARPOL also give a technology transfer and technical assistance mandate. And a number of legal studies support the view that UNCLOS has a binding force on the IMO.

Based on such interpretation of legal obligations for the IMO to implement these UNCLOS provisions to give preference to developing countries for the “allocation of funds”, this provides a legal basis to differentiate among countries for the distribution of revenues collected from the GHG levy and to give priority to DNI countries, including SIDS and LDCs to get access to climate finance.

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20 And there are a number of proposals to govern the distribution of revenues, primarily to States as first recipients, through an existing or a new fund, under the IMO auspices and/or in collaboration with other financial institutions.


22 Ibid 19, page 47.

23 Ibid 8.

24 Art. 38(c) of IMO Convention, and Art. 17 of MARPOL.

CONCLUSION

The design and implementation of a GHG levy under the IMO ought to respect the equity imperative, in particular for the allocation of revenues to highly impacted and vulnerable countries, both in and out of the shipping sector, to ensure a just and equitable transition of international shipping towards decarbonization. This is prerequisite condition to reach an agreement in July 2023 at MEPC, that can be also supported by the shipping industry. Whether through support for decarbonization or climate finance for adaptation or other climate benefits, it is crucial that increased shipping costs for SIDS and LDCs can be balanced with the assurance to get access to revenues as prioritized recipients.

Considering the high and growing interest for a GHG levy under the IMO, the June Summit provides an opportunity to raise awareness about the feasibility and equity considerations surrounding a GHG levy. The Summit for a New Global Financing Pact’s outcomes in the form of statement(s) would be well placed to bring a broader coalition of countries together in support for an ambitious and equitable levy.