

MARINE ENVIRONMENT PROTECTION
COMMITTEE
83rd session
Agenda item 7

MEPC 83/7/6
31 January 2025
Original: ENGLISH
Pre-session public release: ☑

REDUCTION OF GHG EMISSIONS FROM SHIPS

Decisions requested of the Committee with respect to draft Guidelines for the administration of the maritime GHG emissions pricing mechanism by the IMO GHG Strategy Implementation Fund, and for determining the annual GHG levy/contribution and rewards for the use of eligible ZNZ fuels, energy sources and technologies

Bahamas, Liberia and ICS

SUMMARY

Executive summary: As referred to in document MEPC 83/7/5 (Bahamas et al.), the annex to which sets out draft Guidelines for the administration of the maritime GHG emissions pricing mechanism by the IMO GHG Strategy Implementation Fund, and for determining the annual GHG levy/contribution and rewards for the use of eligible ZNZ fuels, energy sources and technologies, the Committee is requested to make some important decisions with respect to the way forward and the content of the draft guidelines. This is so that when the MARPOL amendments are approved for circulation, Parties to Annex VI have a broad understanding of the final shape of the entire package to help expedite adoption at MEPC/ES.2.

Strategic direction, if applicable: 3

Output: 3.2

Action to be taken: Paragraph 5

Related documents: MEPC 82/17, MEPC 82/WP.9; MEPC 83/7/5, MEPC 83/7/7, MEPC 83/7/8; ISWG-GHG 16/2/2; ISWG-GHG 17/2/2, ISWG-GHG 17/2/5, ISWG-GHG 17/2/13; ISWG-GHG 18/2/5 and ISWG-GHG 18/2/7

Introduction

1 In document ISWG-GHG 18/2/5 (Austria et al.), the co-sponsors of that document (which include Bahamas, Liberia and ICS) set out a consolidated proposal, inter alia, for a maritime GHG emissions pricing mechanism, with the annex to the document containing draft MARPOL Annex VI amendments requiring an annual GHG levy/contribution to be made by ships per tonne of CO_{2e} emitted via an IMO GHG Strategy Implementation Fund.

2 To support uniform and effective implementation of the proposed IMO GHG Strategy Implementation Fund, the annex to document MEPC 83/7/5, co-sponsored by Bahamas, Liberia and ICS, sets out suggested draft Guidelines for the administration of the maritime GHG emissions pricing mechanism by the IMO GHG Strategy Implementation Fund, and for determining the annual GHG levy/contribution and rewards for the use of eligible ZNZ fuels, energy sources and technologies. It is suggested that these guidelines would be adopted via an MEPC resolution at MEPC/ES.2 concurrently with the amendments to MARPOL Annex VI.

3 The co-sponsors suggest, given the short amount of time available, that the Committee should focus on finalizing the text of draft amendments to MARPOL Annex VI for approval. The guidelines, such as those suggested in the annex to document MEPC 83/7/5, do not need to be finalized until MEPC/ES.2.

4 Nevertheless, as set out below, the co-sponsors request the Committee to make a number of important decisions with respect to the way forward and the content of the implementing guidelines. This is intended to support the approval of the MARPOL amendments at MEPC 83 and the finalization of the guidelines at MEPC/ES.2, and to help ensure, when the MARPOL amendments are approved for circulation, that Parties to MARPOL Annex VI have a broad understanding of the final shape of the entire package to help expedite adoption at MEPC/ES.2.

Proposal

5 Further to the above, the co-sponsors propose that the Committee :

- .1 considers the following with respect to the proposed draft Guidelines for the administration of the maritime GHG emissions pricing mechanism by the IMO GHG Strategy Implementation Fund, and for determining the annual GHG levy/contribution and rewards for the use of eligible ZNZ fuels, energy sources and technologies, as set out in the annex to document MEPC 83/7/5, with a view to adoption at MEPC/ES.2 in October 2025;
- .2 considers the detailed comments and information provided by the co-sponsors in documents MEPC 83/7/7 (Bahamas et al.) and MEPC 83/7/8 (Bahamas et al.) with respect to the way forward and the content of the draft guidelines; and
- .3 decides that:
 - .1 the draft guidelines should set out the equivalent rates for the annual GHG levy/contribution per of tonne of fuel oil consumed;
 - .2 finalization of these draft guidelines should be deferred until MEPC/ES.2, i.e. following approval of the MARPOL Annex VI amendments at MEPC 83, including the question of how life cycle emissions should be accounted for when calculating annual GHG levy/contribution rates and rewards rates, to allow time for the Committee to consider the implications of the CO₂e conversion factors to be determined by the LCA Guidelines on 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";

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- .3 the draft guidelines should set out rewards for "ZNZs", to be defined as "zero/near-zero fuels, technologies and energy sources", rather than rewards only being applicable to ZNZ fuels, whilst recognizing that consideration of how rewards should apply to on-board carbon capture and other ZNZ technologies, and, as appropriate, the development of methodologies for calculating rewards for ZNZ technologies, should be deferred until after the MARPOL amendments have been adopted;
 - .4 a decision on the annual GHG levy/contribution rate per tonne of CO₂e emitted and the equivalent rate per tonne of fuel consumed for different fuel types, and on the minimum reward rate for use of eligible ZNZs per tonne of CO₂e prevented and the equivalent rate per tonne of eligible ZNZ fuel consumed, should be deferred until MEPC/ES.2;
 - .5 annual rewards to ships for the use of eligible ZNZ fuels should be calculated on a well-to-wake (WtW) basis of CO₂e emissions prevented compared to using diesel/gas oil, i.e. a fuel with a CO₂e conversion factor of 4.0, subject to confirmation of this conversion factor by the LCA Guidelines;
 - .6 annual rewards to a ship for the consumption of eligible ZNZs should be calculated, notified and disbursed by the proposed IMO GHG Strategy Implementation Fund at the same time as the annual GHG levy/contribution is calculated, notified and collected, using the same mechanism, and that for dual fuel ships, if the annual reward is less than the annual GHG levy/contribution due, the reward should be deducted from the required annual GHG levy/contribution, and presented on both the notification to the ship of the annual GHG levy/contribution due and the annual Electronic Account Statement (when the contribution has been received) as a "net GHG levy/contribution";
 - .7 as it is considered as imperative, the draft guidelines for implementing the proposed IMO GHG Strategy Implementation Fund should include a reference to establishing an individual account for each ship linked to the ship's unique IMO number; and
 - .8 where applicable, the certified sustainable biogenic component of a biofuel blend should be treated as an eligible ZNZ fuel for the purpose of calculating the annual GHG levy/contribution, and should be eligible for a reward for the CO₂e emissions prevented by its use.

Action requested of the Committee

6 The Committee is invited to consider the information contained in this document, and in particular the proposals set out in paragraph 5, and to take action as appropriate.