INTERNATIONAL MARITIME ORGANIZATION

MARINE ENVIRONMENT PROTECTION COMMITTEE
2nd extraordinary session
Agenda item 2

MEPC/ES.2/2/3
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CONSIDERATION AND ADOPTION OF AMENDMENTS TO MANDATORY INSTRUMENTS

Support for adoption of IMO Net Zero Framework

Submitted by ICS

SUMMARY

Executive summary:	ICS urges the Committee to adopt the draft Revised MARPOL Annex VI 2025, as set out in the annex to document MEPC/ES.2/2 (Secretariat), including the new draft Chapter 5 Regulations on the IMO Net-Zero Framework (NZF), so that these amendments can enter into force in March 2027. ICS also has comments, especially with respect to the vital importance of rewards to ships to incentivize the uptake of ZNZs, as provided for by the NZF, and unhelpful unilateral GHG measures applicable to international shipping, which should be replaced by the IMO NZF once adopted.
Strategic direction, if applicable:	3
Output:	3.2
Action to be taken:	Paragraph 12
Related documents:	MEPC/ES.2/2/2; MEPC/ES.2/2; MEPC 83/17; MEPC 83/WP.11; MEPC83/7/5; MEPC 83/7/6; MEPC 83/7/7; MEPC 83/7/8; MEPC 82/7/4/Add.2; ISWG-GHG 16/2/2

INTRODUCTION

1 ICS is committed to pursuing net-zero GHG emissions by or close to 2050 as required by the 2023 IMO GHG Strategy and urges all Parties to MARPOL Annex VI to adopt the draft Revised MARPOL Annex VI 2025, as set out in the annex to document MEPC/ES.2/2 (Secretariat), including the new draft Chapter 5 and the IMO Net-Zero Framework, so that these amendments can enter into force in March 2027 and the necessary and critical implementation guidelines can be finalised.

2 Very positively, adoption by the Committee of the IMO Net-Zero Framework (NZF) will establish, inter alia – as advocated for by the shipping industry – a maritime GHG emissions

pricing mechanism for international shipping which will be uniform and global in application. This GHG emissions pricing mechanism will be the first of its kind to be adopted globally for an entire industrial sector.

3 In addition, and also very much welcomed by ICS, the NZF sets out the provision of monetary rewards to ships to incentivize the accelerated uptake of zero/near-zero GHG fuels and technologies (ZNZs) which, it is very much hoped, will help to de-risk critical investment decisions and support international shipping to achieve net zero GHG emissions as soon as practicable.

4 ICS emphasizes that the NZF is the only global regulatory framework on the table for reducing shipping's GHG emissions to net zero by or close to 2050. Shipping is a global industry requiring global regulation, and the alternative to adoption of the NZF would be a conflicting patchwork of unilateral GHG charges being applied to ships worldwide, also creating additional and duplicative administrative burden which would undermine the efficiency of maritime trade and the authority of IMO as the industry's global regulator. To reiterate, ICS and its member national shipowners' associations therefore urge all Parties to MARPOL Annex VI to adopt the draft regulations as circulated in document MEPC/ES.2/2.[1]

5 Whilst ICS strongly urges the Committee to adopt the NZF at this session, ICS notes that the NZF is a political compromise and that the current draft framework is currently incomplete, especially with respect to how rewards to ships that use ZNZs will actually be calculated and disbursed by the IMO Net-Zero Fund. Rewards to ships for use of ZNZs is a critical and essential component of the NZF which, if the net zero goal is to remain plausible, is an issue which needs to be resolved by the Committee as soon as possible. This is so that the industry will have the high degree of clarity and confidence which is required to take those urgent investment decisions which will be necessary to accelerate the production and uptake of ZNZs.

6 Noting the high cost of penalties to ships which continue to use conventional fuels, but without the necessary clarity on the extent to which rewards will help to reduce the considerable price gap with conventional fuels, shipowners remain very concerned that energy producers may not make sufficient supplies of alternative marine fuels available globally. This is why rewards to ships for the use of ZNZs, to help create a market for them, are considered by ICS to be so important if the transition to net zero is to succeed. ZNZ fuels will also be in increasing demand from all other sectors of the global economy (as per UNFCCC commitments) in addition to international shipping.

7 As mentioned above, the NZF, whilst a positive development, is currently an incomplete framework. In the absence of detailed implementation guidelines, the industry does still not yet have the clarity and certainty it urgently needs to make critical investment decisions with respect to future marine fuels and also for ordering new ships. Many shipowners globally are currently delaying investments in new tonnage due to this continuing uncertainty which is already having an impact on the age profile of the fleet.

8 To help provide the industry with the certainty it needs, ICS also highlights the critical need for the Committee to agree WTW GHG conversion factors for those many types of fuels for which default WTW CO_2eq conversion factors have still not been agreed within the LCA Guidelines, with continuing delays in the GESAMP process becoming a major concern to the industry; as well as finalisation by IMO of Sustainable Fuels Certification Schemes.

[1] Noting the amendment to draft regulation 39.2 of MARPOL Annex VI, as suggested by ICS in document MEPC/ES.2/2/2.

9 Whilst ICS fully supports adoption of the ZNF, many of the world's shipowners and operators that have not been directly involved in the IMO GHG negotiations, including small and medium sized shipping companies which own and/or operate the great majority of the world's commercial ships, most without fixed or scheduled ports of call, understandably have legitimate concerns about the complexity of some of the draft IMO regulations in the NZF and the higher than anticipated costs of compliance. Shipowners are therefore very concerned about the possibility of even greater costs and complexity arising from actions by some Member States, groups of States, or regions within States, which have already introduced unilateral GHG charging regimes applicable to international shipping, or which may be planning to introduce them.

10 Following the adoption of the IMO ZNF, which, to be absolutely clear, ICS fully supports, such unilateral measures could lead to double-regulation and double-charging/payment for the same CO_2eq emissions, or multiple charges if such regimes apply to GHG emissions in international waters. Additional negative impacts could further arise as unilateral regimes may be at variance to what will be adopted by IMO, leading to additional penalties. Combined, the potential extra costs of unilateral GHG measures will have significant economic impacts on national economies and the efficiency of maritime trade. Furthermore, these continuing or additional GHG regimes that apply to international shipping will add to the administrative burden, a concern that is also shared by many Member States. ICS therefore expects such unilateral GHG regulations to be replaced by the new MARPOL Annex VI regulations which are about to be adopted by IMO.

11 ICS recognises there is a very large amount of work to be done by the Committee before entry into force in March 2027. ICS nevertheless emphasizes that it is of the utmost importance to the global shipping industry that the IMO Net-Zero Framework is adopted at this session, so that work on developing the critical implementation guidelines needed to complete this ambitious framework can proceed as soon as possible.

ACTION REQUESTED OF THE COMMITTEE

12 The Committee is urged to adopt the draft Revised MARPOL Annex VI 2025, including the new draft Chapter 5 and the IMO Net-Zero Framework.

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