

IMO Inches Closer to Adopting Legally Binding Measures to Phase out Shipping Emissions Through an Equitable Transition



Pacific delegations and technical advisors at IMO Headquarters in London

[London, England, March 16, 2024] – In July 2023, the International Maritime Organization (IMO) adopted a new climate strategy to phase out greenhouse gas emissions by 2050. Now member states need to agree on legally binding measures to turn that ambition into a realistic and predictable pathway that can ensure the investment in long-term solutions will happen as soon as possible.

Finding agreement on these measures is what was the key point of discussion Sixteenth Meeting of the Intersessional Working Group on Reduction of GHG Emissions from Ships (ISWG-GHG 16). While there is only one year left before these measures should be adopted, not all states agree on what the best way forward is.



College of the Marshall Islands,
Majuro, Marshall Islands



mcst.rmusp@gmail.com



mcst-rmusp.org



Three possible combinations emerged at ISWG-GHG16. With a clear majority supporting a levy in some form, the next round of negotiations will begin to clarify the details of each approach:

- Fourteen countries favored a flexible fuel standard with a credit trading mechanism or Emission Trading System (ETS).
- Eighteen countries advocated for a simplified fuel standard alongside a universal GHG price, such as a levy.
- Sixteen countries supported a flexible fuel standard with a universal GHG pricing mechanism, including a levy.

All three options include putting a price on shipping emissions. But only the levy of \$150 per tonne of GHG emissions will provide a strong economic incentive to speed up the transition, while generating revenue to fund an equitable transition as a by-product.

The pressure on all stakeholders, particularly the growing 6PAC+ coalition of Pacific Island countries, now joined by a growing coalition of Caribbean States, is immense as Dr. Tristan Smith, Director of University Maritime Advisory Services, highlighted the interconnected themes of climate action, energy transition, and equitable development as crucial for the shipping sector's sustainability. He commended the leadership demonstrated by diverse countries in proposing specific solutions.

The pressure on stakeholders, particularly the Pacific-Caribbean 6PAC+ coalition, comprising of Belize, Fiji, Kiribati, Marshall Islands, Nauru, Solomon Islands, Tonga, Tuvalu, and Vanuatu, is immense. They advocate for a combination of measures including a GHG Fuel Standard (GFS) and a universal GHG levy, emphasizing equitable revenue distribution and prioritizing the needs of developing countries and Small Island Developing States (SIDS).

Ahead of the ISWG GHG16, the 6PAC+ had submitted a formal proposal for a combination of measures comprising a GFS and a universal GHG levy, along with proposals on revenue distribution. The working group saw the significant development in the establishment of greenhouse gas intensity limits within the GFS, which will require increasingly stringent emissions reductions of fuels over time, in order to deliver on GHG reduction targets.



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mcst.rmusp@gmail.com



mcst-rmusp.org



They continue to defend the combination of a GFS and universal GHG levy as the only one of the three proposals on the table that can actually deliver on a truly equitable global transition that leaves no state behind. Several additional countries have come out in support for these proposals during negotiations.

The 6PAC+ also emphasized the need to apply the "polluter pays" principle to the IMO's revenue distribution, directing funds towards both pollution mitigation at source and reparations for environmental impact.

Despite broad agreement on adopting both a GHG Fuel Standard and a carbon pricing mechanism, member states still hold highly divergent views on the detail of the measures and now face an increasing challenge in converting the ambitions of the IMO's overall climate strategy to legally binding rules for ships and their users within a tight timeframe. Given the considerable sums involved in this 'trillions transition' now committed to, the stakes are high for all participants.

Dr Smith advises "It is hard to overstate the significance of what might be agreed in Spring 2025. The specifics of these policy measures will determine the 'shape' of international shipping, capital flows in the maritime value chains and have major implications for the economies of many countries and global trade".

While ISWG-GHG 16 saw increased support for a price on global shipping emissions, this week the focus shifts to the Marine Environment Protect Committee (MEPC81). With only two more Committee meetings available before the IMO must confirm the full design of the measures in 2025, we can expect a long hard week of negotiations.

As the IMO continues navigating this intricate policy landscape, the growing Pacific-Caribbean 6PAC+ coalition remains steadfast in its commitment to steering the maritime industry towards a sustainable and equitable future for all States.

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mcst.rmusp@gmail.com



mcst-rmusp.org

