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A large container ship is shown from a low angle, moving across a body of water. The ship's deck is filled with stacks of colorful shipping containers. The water is calm, and the sky is a soft, hazy orange, suggesting a sunrise or sunset. In the distance, a few small sailboats are visible on the horizon. A solid magenta rectangular block is positioned on the left side of the image, partially overlapping the ship's hull.

An overview of the discussions from IMO's 82nd Marine Environment Protection Committee

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Publication details

Publication date: 04.10.2024

Cite as: Smith, T, Fricaudet, M., Frosch, A., Stewart, J., Oluteye, D., Rehmatulla, N., Chin-Yee, S. & Baresic, D. (2024) An overview of the discussions from IMO's 82nd Marine Environment Protection Committee, London, UK

Acknowledgements

We are grateful for funding support from the United Nations Foundation and ClimateWorks Foundation, which has enabled this report. We would like to thank IMO observer organisations Clean Shipping Coalition (CSC), Zero Emissions Ship Technology Association (ZESTAs) and Environment Defense Fund (EDF) for accrediting many of the team and enabling their attendance to follow the discussions. Lead author Tristan Smith attends IMO as a delegate of the Institute of Marine Engineers Science & Technology <https://www.imarest.org>. He chairs the IMarEST's Working Group on IMO GHG regulation. IMarEST has a dedicated Special Interest Group (SIG) working on "Ship Energy and Environment": <https://www.imarest.org/group/ship-energy-and-environment.html>.

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The UCL Energy Institute hosts a world leading research group which aims to accelerate the transition to an equitable and sustainable energy and trade system within the context of the ocean. The research group's multi-disciplinary work on the shipping and ocean system leverages advanced data analytics, cutting-edge modelling, and rigorous research methods, providing crucial insights for decision-makers in both policy and industry. The group focuses on three core areas: analysing big data to understand drivers of historical emissions and wider environmental impacts, developing models and frameworks to explore energy and trade transition to a zero emissions future, and conducting social science research to examine the policy and commercial structures that enable the decarbonisation of the shipping sector. For more information visit www.shippingandoceans.com

Executive summary

The IMO’s Marine Environment Protection Committee 82nd meeting has concluded with a large amount of work remaining. However, negotiations are still on track for an agreement on a new MARPOL text (Chapter 5 of MARPOL Annex VI) that enshrines new mid-term policy measures capable of driving an energy transition in international shipping. As the pre-cursor meeting to the expected approval meeting in April 2025, this would never be a meeting that concluded the key policy design elements. The nature of negotiation strategy is to hold out and accept compromise only when forced to do so as late towards the final decision as possible. The following summary and report express key outcomes and insights from both [ISWG GHG 17 readout](#), and the MEPC 82 discussions.

One of the key findings from ISWG-GHG 17 was that there was a clear majority and growing number of countries supporting the concept of a levy/universal GHG pricing. Many member states believe such a policy would produce stable and predictable revenues that are important both to incentivise the energy transition and contribute to a just and equitable transition. However, there remain many member states in opposition to such a measure, on the grounds of the higher costs it creates relative to only using a flexibility mechanism to incentivise transition. Within the MARPOL drafted options, all three architectures for incentivising energy transition, and in particular rewarding ‘over-performance’ e.g. ships going beyond the minimum reduction in GHG intensity, remain on the table:

- A flexibility mechanism on its own, no levy/universal price on GHG
- A feebate mechanism (associated with a levy/universal price on GHG)
- A feebate mechanism combined with a flexibility mechanism

Whilst it was not signalled in any way during the meeting as an intent of any member state, it is possible to gain insight into what would happen if a member state called a vote to decide on the outcome. An amendment to MARPOL Annex VI would require a 2/3 majority from member states that had ratified MARPOL. If member states voted as per the positions expressed at ISWG-GHG 17, the data in Figure 1 indicates there would be a 76% majority in favour of a levy (35 member states vs. 11 member states who have ratified MARPOL Annex VI). However, this is only indicative and not conclusive, because member states could yet change position (either way), and because there are still a large number of member states silent on the matter, or ambiguous in their position, so far.

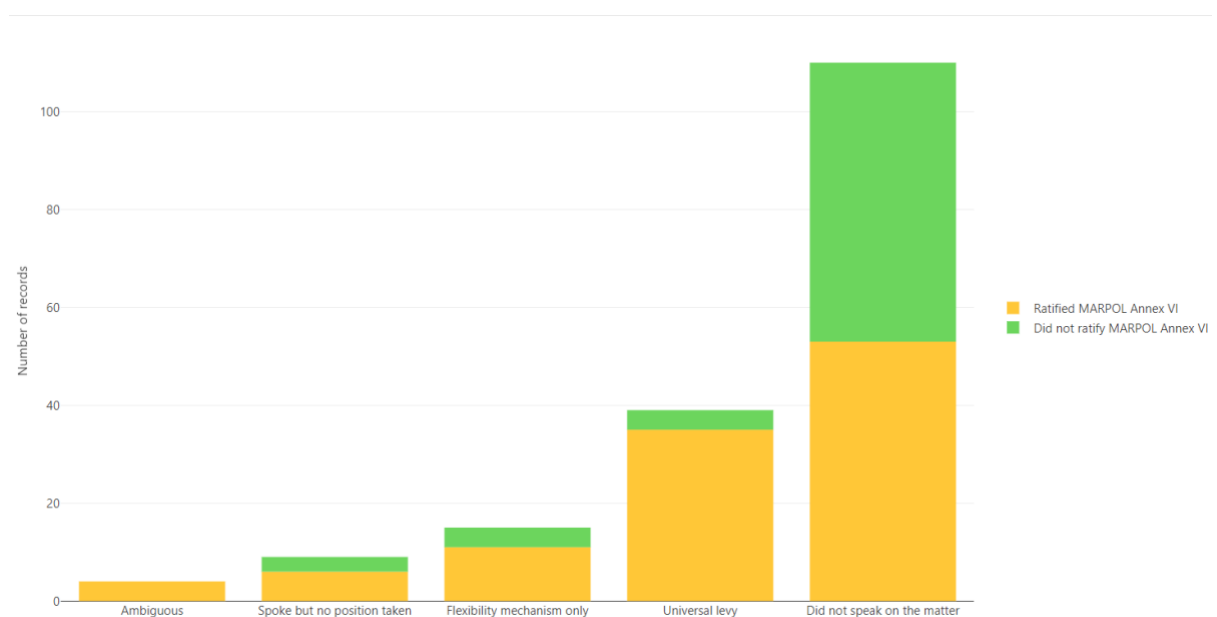


Figure A: Position on the economic mechanism expressed in ISWG-GHG17

Other takeaways from the two meetings include:

- There is now an extensive draft MAPROL Annex VI Chapter 5 that has been supported by all member states as the basis for further negotiation. That draft contains a number of options that will need to be selected from, but lays out clear MARPOL language for each option that frames the finalisation process.
- The remaining finalisation of between WTW and adjusted TTW shows clear majority supporting WTW as the framing for GHG accountancy. But even in the 'adjusted' TTW alternative option, that the incentivisation of fuels on the basis of their overall WTW emissions would be similar.
- The large majority of member states who spoke on the matter support the GHG Fuel Standard being set by the IMO's more ambitious 'strive' targets, which correspond to a 30% absolute GHG reduction in 2030 and 80% absolute GHG reduction in 2040 (on 2008 baseline).

The topic of impact on states arising from the measures (e.g. transport cost increases that result from the policy measures creating negative economic impacts, particularly on low-income countries) remain a key subject in the discussions and are therefore likely to be important to the way the discussions resolve at MEPC 83. The issue of food security became particularly elevated at this meeting, as many countries raised the issue that increased import prices of critical food commodities due to mid-term measures could increase the existing levels of food insecurity. There will be further work done on this issue with a report to MEPC 83. In the event this study shows a material sensitivity to food security in a number of countries, the current draft MARPOL text presents the following options:

- Adopting measures that have lower cost intensity
 - Incorporating ship/commodity/voyage-based exemptions
- Prioritising revenue use to address the issues of impacts on state (including food security)

Importantly, these options are interacting – a lower levy price (or no levy) would have a lower cost intensity initially (e.g. 2030) but can have a higher cost intensity in the long-run (e.g. 2050) and would also reduce revenues available to address the issue of impacts on state. And the use of exemptions will increase costs and therefore impacts for others (if the IMO's absolute GHG reduction objectives are to be achieved).

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1 Introduction

The IMO’s Marine Environment Protection Committee 82nd meeting has concluded with a large amount of work remaining. However, negotiations are still on track for an agreement on a new MARPOL text (Chapter 5 of MARPOL Annex VI) that enshrines new mid-term policy measures capable of driving an energy transition in international shipping. As the pre-cursor meeting to the expected approval meeting in April 2025 (MEPC 83), this was never going to be a meeting that concluded the key policy design elements. The nature of negotiation strategy is to hold out and accept compromise only when forced to do so as late towards the final decision as possible. The nature of the week immediately after ISWG-GHG 17 also means that there was little value in repeating discussions that had already been had as many would not have been able to evolve their positions. Therefore, this report should be read in conjunction with ISWG-GHG 17 readout¹ given that more extensive debates were held on key issues there.

With that backdrop, it is difficult to take either a clear positive or negative signal towards certain specific outcomes. There is a positive sign in that drafting of MARPOL Annex VI Chapter 5 was progressed, and the meeting atmosphere was positive and cooperative with most member states signalling that they could see ways to further converge e.g. that they were not indicating staunch opposition to any movement from their current position. This report therefore draws on some of the detail in the discussion and tries to explain and interpret what this might mean in this final sprint to the finishing line at MEPC 83.

2 What policy architectures are still on the table?

Perhaps unsurprisingly, there has been no change in the proposed architectures. After two weeks of negotiations, the same three options from earlier rounds remain on the table. The MEPC 82 debates did not delve further into member states’ preferences for specific architectures, and therefore, the results presented in the ISWG GHG 17 readout remain and presented in Figure 1:

- One group of member states (21), comprising countries from all income levels, supported the use of a flexibility mechanism in isolation of a feebate mechanism

¹ <https://www.shippingandoceans.com/post/imo-on-track-to-deliver-an-ambitious-package-of-policies-for-reducing-ghg-emissions>

- An identically sized group of member states (21) supported only using a feebate/reward mechanism and was comprised of a mix of lowest income and higher income countries generally dominated by countries experiencing above average impacts in Scenario 22.
- A smaller (13) group of member states, predominantly developed countries, supported using a combination of both a reward/feebate mechanism and a flexibility mechanism
- There remain a number of countries (14) remaining open and undecided, or hard to classify as taking a clear position.

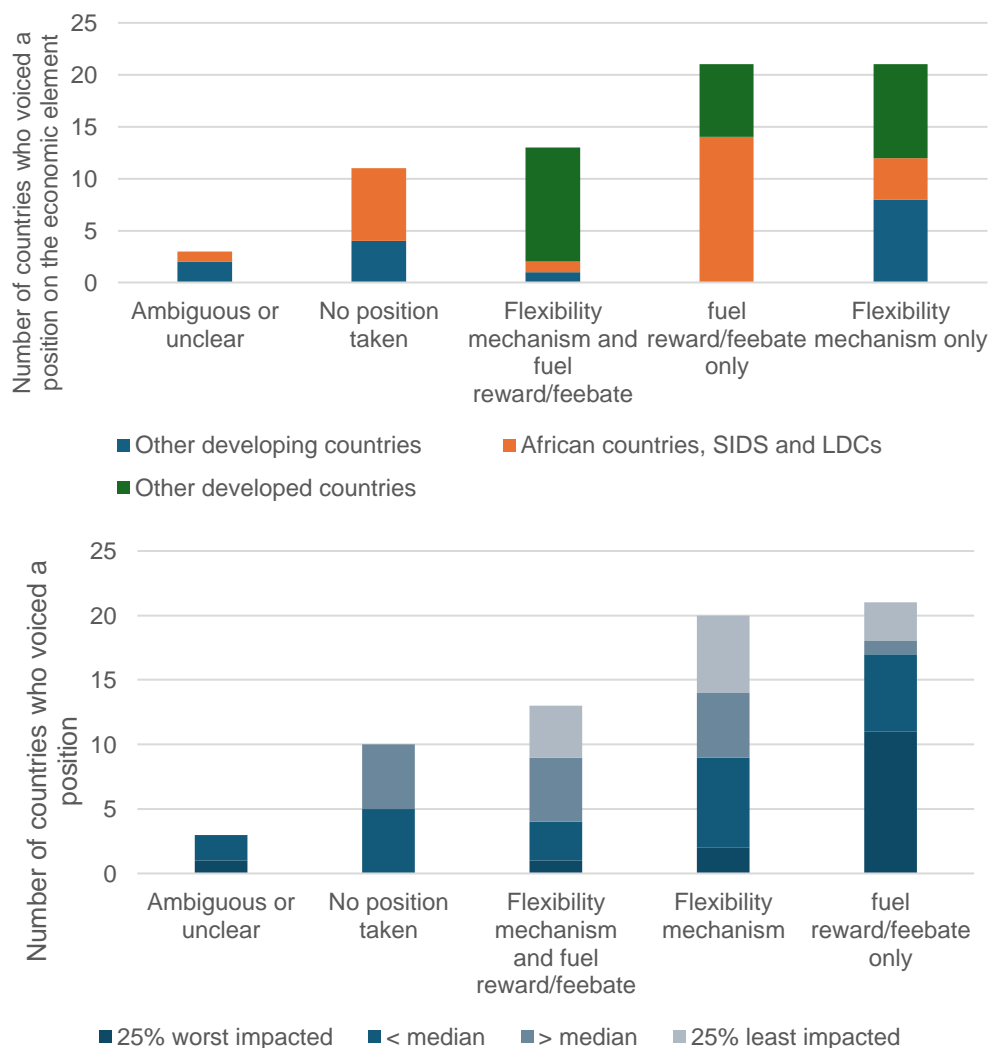


Figure 1: Positions taken on measures

During the debate at ISWG-GHG 17, a majority of countries (39) expressed support for the inclusion of a universal price on GHG emissions (39), whereas only 15 countries opposed it. Nonetheless, despite this strong backing for this measure, no conclusion or decision was made on whether this component would be included in the final strategy.

At the end of ISWG-GHG 17, a draft MARPOL Annex VI Chapter 5 was produced outlining each of the potential policy options. On this basis, all options are still considered 'on the table'. Possible outcomes of the negotiations at MEPC 83 are presented in 'square brackets' indicating various candidate options for MAPROL language. Further negotiations between member states will use this draft as their starting point. Thus, the negotiation process is now more focused on eliminating or narrowing down options rather than introducing new ones.

At the end of ISWG-GHG 17, while the draft MARPOL text contained all policy options, the text appeared more finalized (e.g. fewer alternatives to conclude on) on the technical measure (GFI and its options for alternative compliance) than on the economic measures (levy proposals). At the end of MEPC 82, the situation has become more balanced:

- Negotiating time during MEPC 82's GHG WG was given to further rounds of discussion on how a fund could be structured and how revenues should be disbursed in practice. While nothing was concluded, this showed elements of convergence between member states and that the finalization of this work should be possible.
- The three groups of proponents (a group of Caribbean and Pacific SIDS, a group comprising EU, Japan and Korea, and ICS, Bahamas and Liberia) working on levy proposals (also known as universal GHG pricing) worked informally to take their respective MARPOL draft text and refine the options into a similarly consolidated draft. This consolidated proposal for a levy text was then presented and considered. It has been taken forward in the report for further consideration alongside the ISWG-GHG 17 draft MARPOL text.

The most reliable insight into the likely outcome of MEPC 83, in the absence of clear decisions on policy architecture, comes from the nature of the ongoing debate and the evolution of its various components. These now include detailed proposals and increasingly focused options for each element:

- Goal of the new regulation(s)
- Calculation approach for attained GFI; the two remaining options are:
 - One Well-to-Wake (WTW) and with no voyage/route exemption component
 - One adjusted Tank-to-Wake (TTW) and with voyage/route exemption included
- Calculation approach for the target/required annual GFI
- Regulation for GFI data collection and reporting
- Alternative compliance approaches:
 - A flexibility mechanism (also known as a credit trading mechanism) with various options still to be resolved on how credits would be traded, the use of banking of credits.
 - A surcharge or fee charged on any emissions exceeding the GFI limit, as a penalty for not achieving the target/required annual GFI
 - GFI registry and specification/collection of Zero and Near-Zero GHG emission technologies, fuels and/or energy sources (ZNZs)
- Calculation of economic mechanism (referred to as a levy, universal GHG price)
- Collection of economic contribution
- Distribution of revenues

In summary, the two weeks show a significant amount of material evolving in the MARPOL draft text, which is a positive indicator that there is a substance that can enable approval of this new chapter on schedule at MEPC 83. Whilst it could be observed that there remain significant issues to work on, the negotiations did not take the form of a strongly polarized debate that has characterized some of the previous rounds of discussions. This 'spirit of cooperation' between member states that have long held different preferences is an important indication that, at least at this point, there is a willingness to finalise the work. There is a greater spirit of cooperation, compared with the atmosphere in the debates associated with the approval of short-term measures (in 2020/2021), even though these mid-term measures are considered much more consequential (including in terms of impacts on states).

3 Will fuels/energy be evaluated on a well-to-wake basis? When will we know how fuels will be assessed?

Yes, it is most likely that fuels will be evaluated and incentivized on a WTW basis. Although the existing IMO regulations (EEDI, EEXI, CII) are based on tank-to-wake emissions accountancy, which only considers the emissions in the exhaust, there is widespread agreement that the upstream emissions (well-to-tank) need to be included in the regulations to avoid the perverse unintended consequence of incentivizing fuels that have low TTW emissions, but high WTT emissions (e.g. grey ammonia made from fossil fuels). The draft amendment text progresses two mechanisms for this – WTW accountancy and adjusted TTW accountancy. The latter is very similar as the adjustment uses the WTT emissions to create an equivalent calculation to a WTW accountancy. That said, there is also the broadest support for using WTW accountancy as described in the [ISWG GHG 17 readout](#).

The LCA guidelines already adopted define the methods for calculating WTW, WTT, and TTW emissions. The guidelines also contain default emission factors, which are used as a starting point. These emission factors are supposed to be conservative because many future fuels have significant variations in their actual emissions (particularly in the WTT component). The guidelines also include a certification procedure that allows different supplies of fuel/energy to be certified on a case-by-case basis. An initiative to further develop that certification procedure was widely supported. It will be another essential part of the further process of ensuring the integrity and governance of shipping's energy transition.

4 How could final architectures address impacts on states?

One of the remaining issues is how member states' needs and concerns related to the impacts arising from measures will be met and how the approved policy will contribute to a just and equitable transition. The MEPC 82 debates saw an extensive discussion on the CIA reports produced earlier this year. Whilst the reports, including the UNCTAD report quantifying the impact on states of different policy architectures and specifications discussed here (ref FAQ's), were all adopted at MEPC 82, there was a lengthy debate on the subject of impacts on states that highlighted concerns of impacts/effects from several developing states. The number of concerns raised is listed in Figure 2. These show a strong focus on the issue of food security e.g. this relates to the risk that an unintended consequence of the adoption of mid-term measures is a reduction in their food security.

The debates are an important sign to those watching the IMO negotiations for an investment signal. A strong signal/outcome from effective and stringent policy measures - and therefore, a strong investment signal for new technologies, is dependent on a large consensus being built between member states. Whilst many progressive states are clearly supporting strong and effective measures that would result in a substantial investment signal, if a significant constituency of IMO's total member states does not see their concerns being addressed, one outcome could be to weaken the measures.

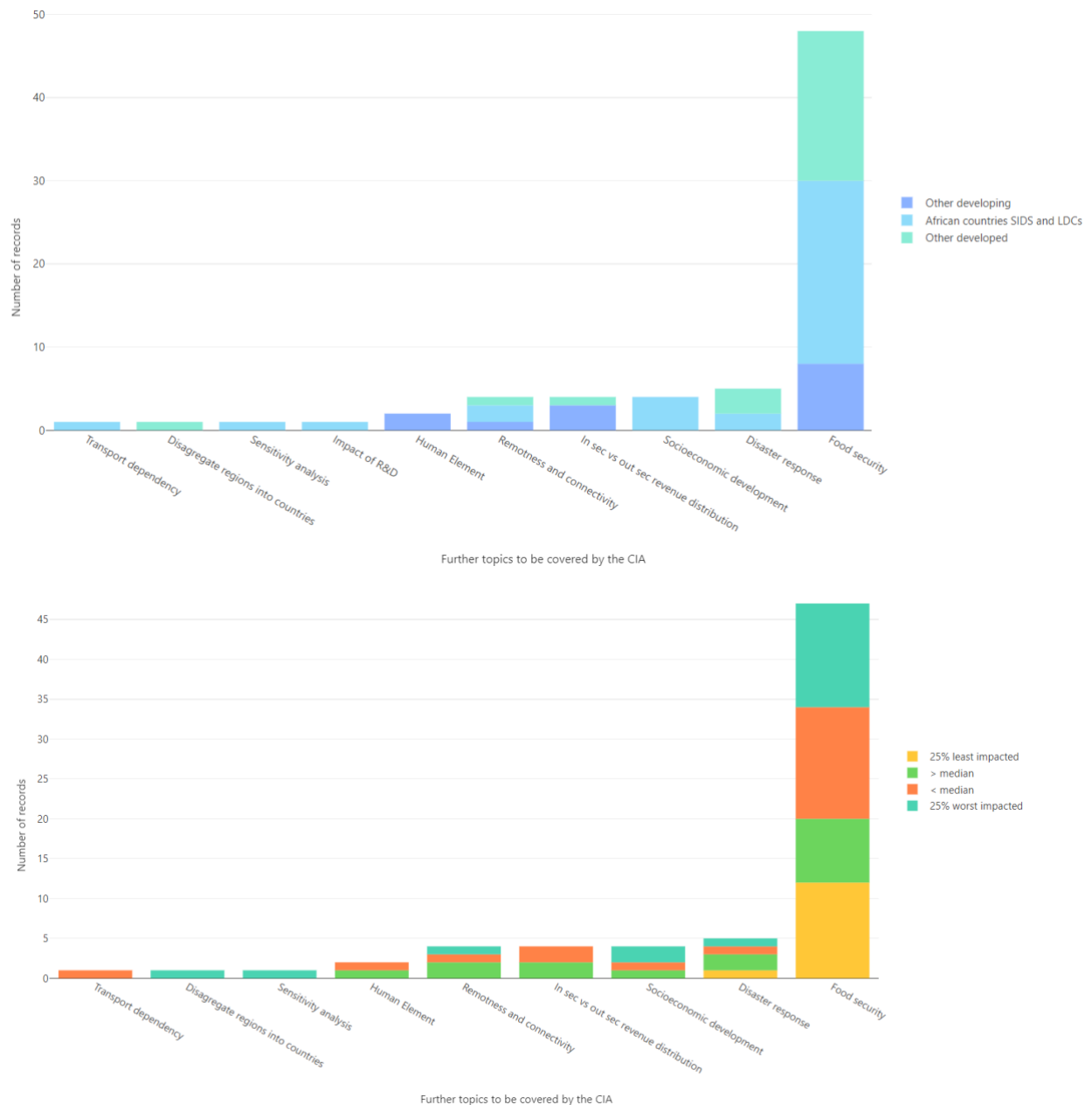


Figure 2: Further topics to be covered by further work relating to impact on states

a. Total is more than the number of countries who voiced an opinion, as one country could support more than one revenue use

The UNCTAD CIA report focused, as requested in its original specification, on higher level statistics e.g. GDP, volume of imports and exports, and impacts on consumer prices. There was a lot of detailed data produced that can already be used to understand some of the risks associated with food security, and a section discussing this issue. Still, the MEPC 82 debate revealed that many member states wanted further work done. That need for further work was a conclusion of the MEPC 82 meeting. It will now be taken forward by the IMO secretariat to commission a literature review and study on “the potential impacts of an increase in maritime transport costs resulting from GHG reduction measures in international shipping on food security”.

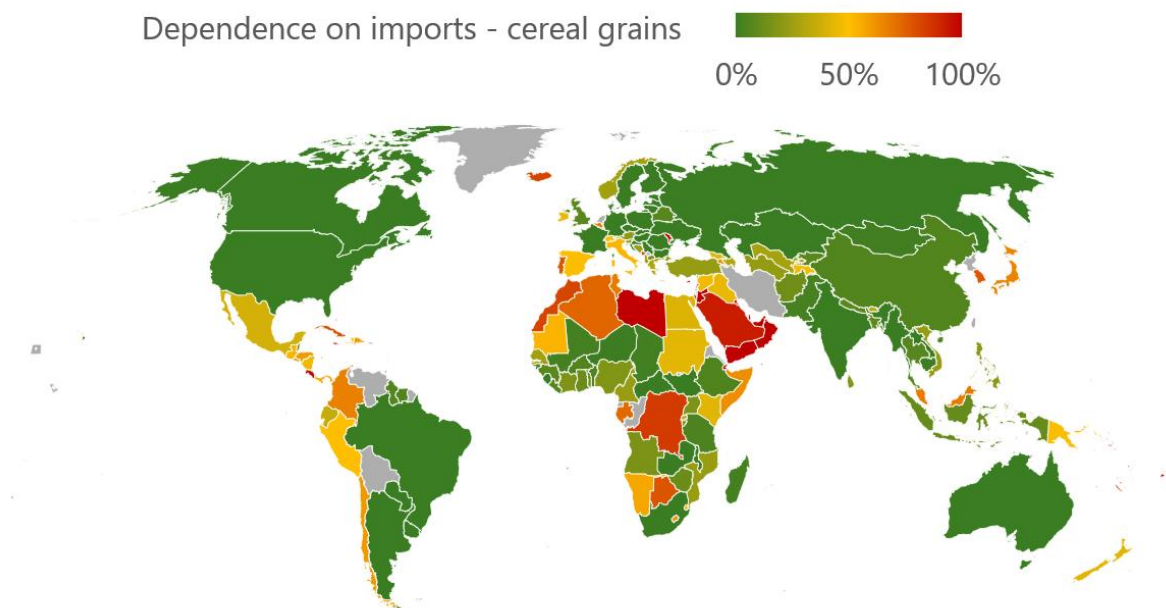
To better understand how this aspect of the MEPC 82 debates might be consequential to the finalization of mid-term measures, some existing quantifications and data sourced from the

UN agency FAO (Food and Agriculture Organisation) can be used. Figure 3, Figure 4, Figure 5 detail various statistics that are gathered and that characterize some of the exposure of risks to different countries. There are two main components presented:

- The dependence on imported food in different countries (e.g. what % of total consumption of certain food types is associated with imports and therefore vulnerable to increases in price effects from an increase in maritime transport cost)
- The dependence on imported fertilizer, a key input to agricultural production (e.g. what sensitivity to input cost increase for agricultural production from an increase in maritime transport cost)
- The prevalence of severe food insecurity (e.g. what is the starting level of food security, defined as, in different countries)

The statistics show that levels of food imports are highly variable in different countries, at least for imports of cereal grains and edible oils presented in these plots. High dependence on imports for food exists in many African countries, some South and Central American countries, the Middle East, and Asian countries. Several developed economies also import large amounts of food. Predominantly invisible on a map of this size but covered in Table 1, SIDS are also often highly dependent on imports for food.

When these figures are used to examine the intersection between countries with high dependence on imports for food and the prevalence of severe food insecurity, there are a number of countries that clearly face risks and that deserve to have those risks further unpacked to see how they might be addressed.



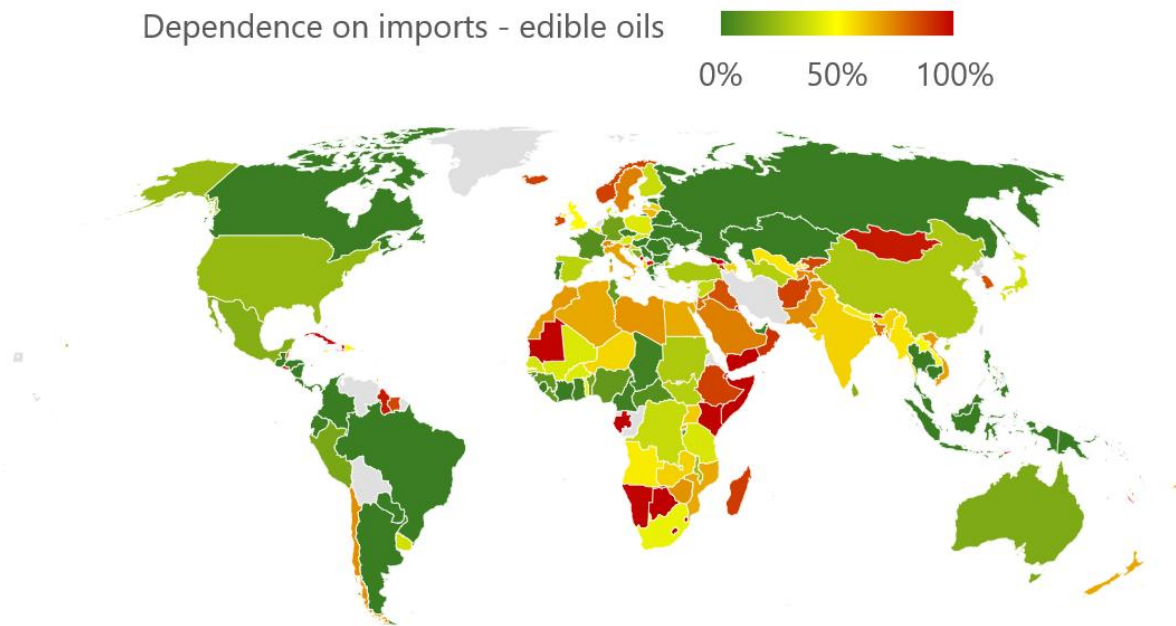


Figure 3: Dependence on imports for critical food commodities

- Cereal grains include barley, wheat, maize, rice, rye and millet
- Dependence on imports is calculated as $\frac{\text{imports} - \text{exports}}{\text{production} + \text{imports} - \text{exports} + \text{change in stock}}$, similarly to the cereal import dependency ratio proposed in the suite of food security indicators proposed by the FAO
- Net exporters have a dependence < 0, but for readability, are showed in green (0) on those maps
- UCL calculations, based on FAOSTAT²

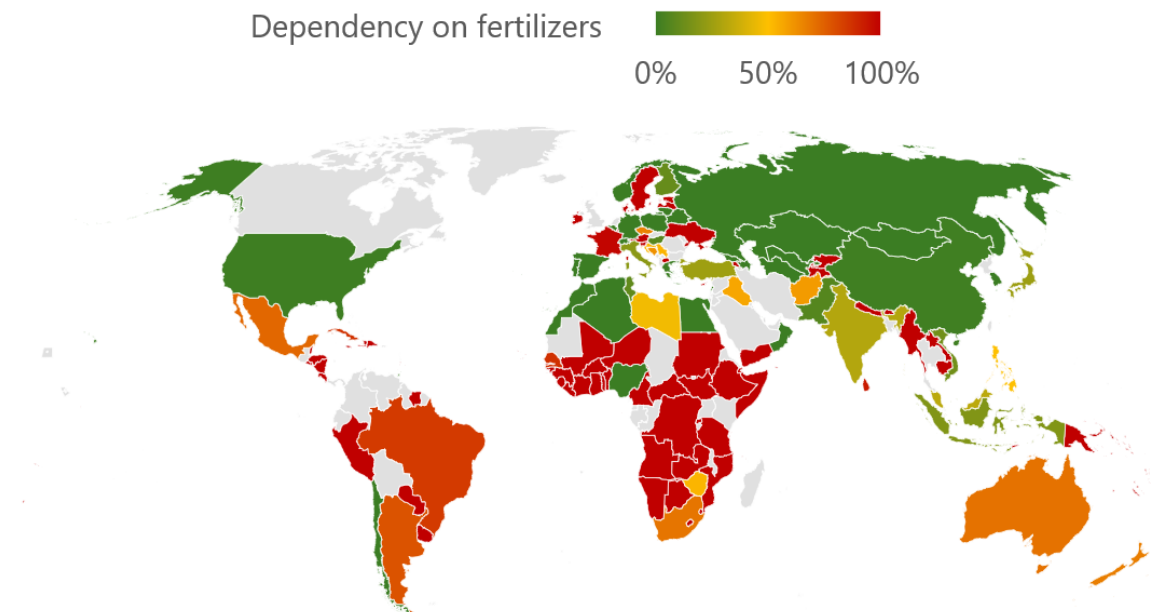


Figure 4: Dependence on imports for fertilisers

- Dependence on imports is calculated as $1 - \frac{\text{production}}{\text{agricultural use}}$. The formula is different from the dependence on imports for cereal grains and edible oil, because data change in stock was not available for fertilisers, while largely impacting the imports and exports every year, which made some countries' estimates of production,

² <https://www.fao.org/faostat/en/#data>

use, imports and exports inconsistent with one another. The two formulas should however be roughly equivalent.

- b. Net exporters have a dependence < 0, but for readability, are showed in green (0) on those maps
- c. UCL calculations, based on FAOSTAT³

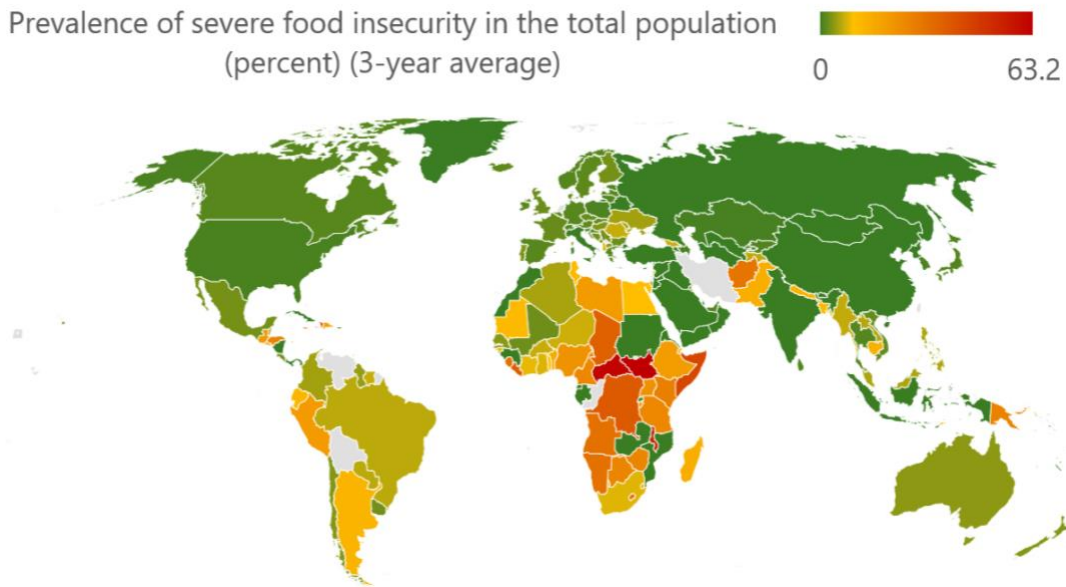


Figure 5: Prevalence of severe food insecurity (UCL mapping, based on FAOSTAT)

Table 1: Food insecurity and dependence on imports for selected food commodities in the SIDS

	Prevalence of severe food insecurity in population	Share of imports in food consumption		
		Fertilisers	Cereal grains	Edible oil
Antigua and Barbuda	7%	100%	80%	78%
Barbados	7%	100%	99%	48%
Cuba	0%	87%	79%	100%
Dominica	6%		29%	80%
Fiji	9%		97%	66%
Grenada	6%	100%	100%	61%
Haiti	42%	100%	48%	100%
Jamaica	27%	100%	99%	58%
Kiribati	8%	100%	100%	0%
Maldives	2%	100%	83%	91%
Marshall Islands	0%		59%	40%
Nauru	0%	100%	99%	56%
Papua New Guinea	27%	100%	49%	0%
Saint Kitts and Nevis	6%	100%	100%	32%
Saint Lucia	5%	100%	93%	87%
Saint Vincent and the Grenadines	10%	100%	100%	75%
Solomon Islands	0%	100%	100%	0%
Timor-Leste	9%	100%	0%	100%
Tonga	3%	100%	100%	13%
Tuvalu	0%	100%	100%	76%
Vanuatu	2%	100%	5%	3%

- a. The colour scales are the same as on Figure 5 (1st column) and Figure 3 and Figure 4 (last 3 columns), for comparability.

³ <https://www.fao.org/faostat/en/#data>

b. Only SIDS are included in this table, as they are not very visible in Figures 3, 4 and 5.

Overall, the signals from the debate were positive, with acceptance of all the CIA reports and completion of the CIA marking a critical milestone. The IMO follows a clear process for assessing impacts on states (Circ.885 Rev.1), and had the MEPC 82 debate had not reached this conclusion, then there would be a risk of delaying or postponing approval at MEPC 83.

Notably, most countries that raised their concerns about food security did so while affirming their commitment to addressing the issue within the existing schedule/timetable and supporting approval of MARPOL text at MEPC 83. Although some might dismiss this debate as a delay tactic, the existing FAO data clearly shows that food security is a valid and credible issue warranting for further consideration. Unlike in the previous IMO negotiations where issues were often raised as justification for delays, this round of debate did not follow that pattern. Rather, it reflected a genuine effort to address concerns while maintaining momentum toward timely approval.

The issue does raise the question of the potential ways in which any findings from this forthcoming study will need to be resolved, in the design of policy measures. In the event a study confirms that studies show a material sensitivity to food security in a number of countries, the current draft MARPOL text presents the following options, which can be associated with different evidence on the consequence of such an approach being taken:

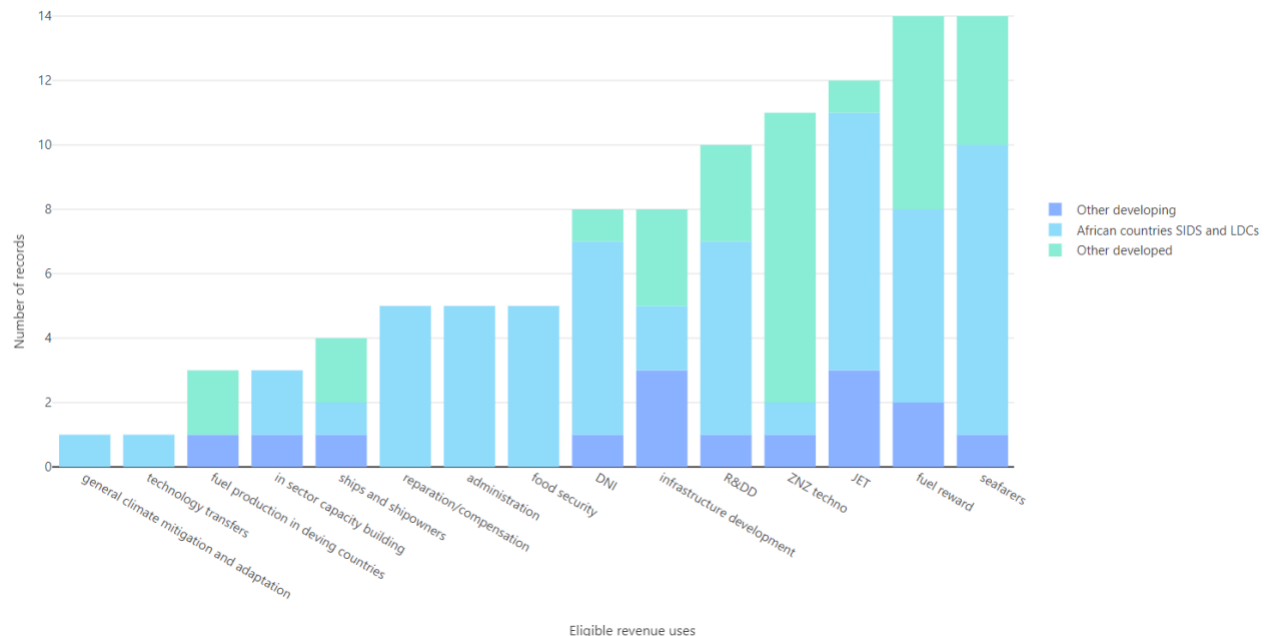
- **Minimise the short-term costs of measures** – the DNV task 2 CIA study looks at the cost intensity of different measures, and it shows that one consequence of a high GHG price (e.g.\$150/tCO₂e) is to increase short-term cost, relative to other policy options (lower GHG price, or reliance solely on flexibility/credit trading). However, the DNV task 2 CIA study also shows that there are long-term cost reductions from the high GHG price scenario, and UNCTAD’s task 3 CIA study shows that there are lower GDP impacts on states (including SIDS and LDCs) from scenarios with a high levy price. So this choice comes with a trade-off between short-term cost reductions and longer-term cost reductions.
- **Exempt certain commodity trades and voyages** – one option for the GFI draft text contains ‘fvoy’ a correction factor that captures the ports that a ship calls at. This maintains an option for further consideration, for which if a ship calls at some threshold frequency at ports that are sensitive to impacts on states (including the food security issue), for example in SIDS and LDCs, that they are then expected to comply with a lower stringency of GFI target. However, one consequence of a reduction in stringency of GHG reductions for some portion of the fleet, would be that to achieve the same overall GHG reduction, another portion of the fleet would see increased stringency. Given the dominance of developing countries in international trade generally, it could be hard for such an approach to find an outcome that didn’t transfer the burden from one group of developing countries onto another.
- **Address through revenue use** – particularly ‘out of sector’ revenue use. The ISWG-GHG 17 debates saw an increased support and openness to further consider a levy / universal GHG pricing from a number of low-income states, including those who expressed particular concern about food security. There is therefore some evidence to suggest that a plausible solution is to return a portion of revenues generated from a levy to reduce the risks to food security issues, and such a return is supported by the evidence in the UNCTAD CIA on the effect of revenues on quantities of imports (many countries see higher imports related to food e.g. agricultural products, when in receipt of a significant portion of revenues). Whilst there is broad agreement that a portion of revenues can be used to help mitigate shipping emissions (e.g. as subsidy or reward for new technologies), as was pointed out most clearly by landlocked developing countries with minimal maritime ‘industry’, such a revenue use would likely be of limited effect on issues such as food security. For this to materialize, there must be an evolution of

current positions and broader acceptance of using revenue ‘out of sector’ than what has been reflected in the debates thus far.

In practice, any combination of these options (or any one of them in isolation) could be used to find a solution that could achieve a consensus and broad support at MEPC 83. However, they are also interacting. In particular, the first and third options have strong interactions – if revenue is to be available for addressing impacts on states and issues of food security, in addition to generating the revenues needed for incentivizing shipping’s energy transition, it is only possible if there is a sufficiently high GHG price. Similarly, use of fvoy to exempt certain ships/cargos/voyages from the highest stringency, will mean higher stringency in other aspects of the regulations (whether in the technical measure for non-exempt ships/cargos/voyages), or a higher GHG price.

5 Revenue uses

The MEPC 82 week also saw further discussion of the issue of revenue use. Both the discussion of how a fund could be governed and managed, and the areas for revenue use. The counts of positions from those debates are presented in Figure 6 and Figure 7. These were not long debates, and so these only represent a sample of participants in the meeting. The results are similar to the discussion held during ISWG-GHG 17. They confirm that use within the sector for various aspects of transition and GHG reduction remain high on most member state’s agenda (e.g. fuel reward, support ZNZ technologies, training seafarers to use new technology, RD&D), there is also broad support for the still only lightly specified application of ‘just and equitable transition’, and the associated revenue use of ‘addressing DNI’. On the other hand, only a minority of countries at this stage openly support out of sectors uses, for example use for addressing food security, reparations/compensations, or general climate finance.



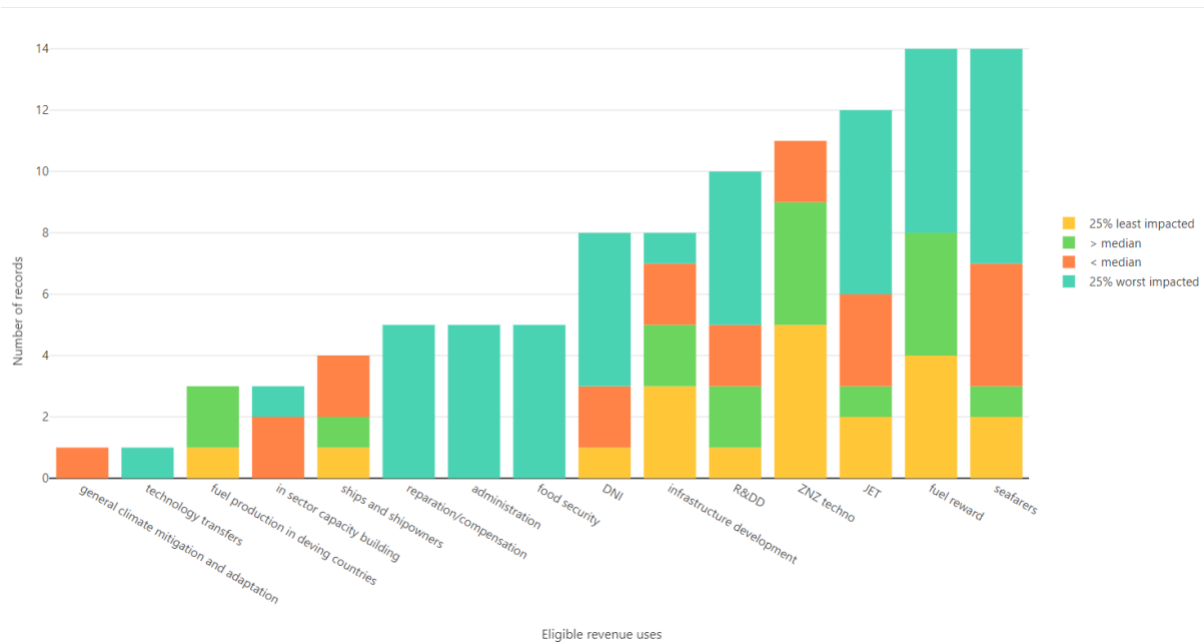


Figure 6: Eligible uses for revenue distribution

- *Total is more than the number of countries who voiced an opinion, as one country could oppose more than one revenue use*

The implications of Figure 7 results go further into the subject of revenue distribution architectures that are likely to be needed. Revenues for use in-sector look broadly supported for two different types of use:

- Passive in-sector use e.g. as allocated in a feebate mechanism, which uses a metric such as GHG intensity or specification of ZNZ fuel/energy to determine the allocation and level of subsidy. The advantage of such revenue distribution architecture is that revenues can be allocated more quickly and efficiently, and can be predicted more easily by industry and investment decision makers.
- Active in-sector use e.g. as allocated by a board and fund management structure evaluating discrete projects. Such structures can be more labour intensive to operate, and also create uncertainty on ultimate decisions, which can delay broader investment decision making. However, they can be more targeted to objectives and priorities, and in particular, more focused on specific countries (e.g. those experiencing high negative impacts), and supporting specific types of projects (e.g. energy infrastructure, port infrastructure etc.) than a feebate mechanism.

The debate showed that both structures are likely to be a final product of the MARPOL amendment. But also that there remains support, from countries that the IMO has a stated commitment to 'particularly' support (SIDS and LDCs), for revenue use beyond these uses – support that is likely to increase following the further work on the subject of food security.

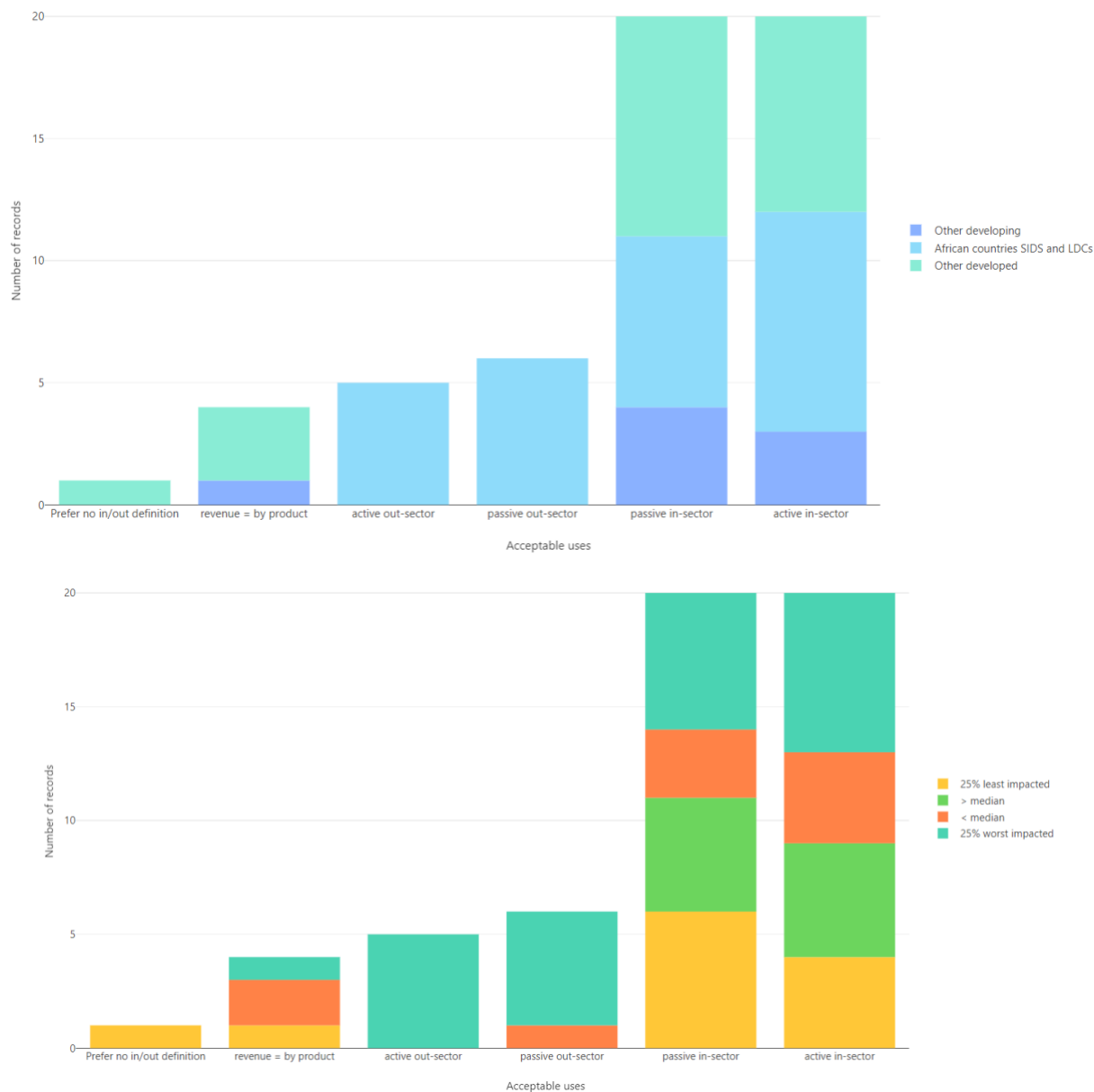


Figure 7: Eligible revenue use, grouped by type

For further analysis of this question of revenue use and the implications of revenue use, see both in the [ISWG GHG 17 readout](#). The latter, in particular, has a finding that of the countries that appear likely to be most negatively impacted by an increase in transport cost, few would benefit from either active or passive in-sector revenue use (whether defined narrowly just to ships, or broadly to ships, fuel production and wider maritime infrastructure).

6 What is the likelihood of various outcomes?

The above sections discuss the dynamics and show how difficult it is to identify the resolution at this stage. For those watching the debates to get a signal on whether new technology investment is likely to be well supported and, in particular, early adoption of long-run solutions e.g. e-fuels such as green ammonia, and for those watching the debates hoping that they will

contribute to the energy transition being just and equitable, there are many reasons to still be positive:

- The member states in interventions are in broad agreement to support/incentivize shipping's energy transition. There is broad awareness and support for the critical role of e-fuels (e.g. fuels derived from green hydrogen) in that transition. Helping to maintain the broad support is the awareness that many low-income countries with concerns about cost increase also have the potential to be significant producers of green hydrogen and, therefore, e-fuels.
- Revenue distribution 'in-sector' and for ZNZ fuel incentivization is widely supported, so this is likely to be a central use of revenues
- Despite the negative impression that can be taken because some member states express opposition to the levy (a measure seen by many as the key to incentivizing an energy transition, given its potential to reducing the price gap between fossil fuels and e-fuels, and generate and target for distribution a predictable amount of revenue), there is growing momentum and geographical/economic diversity behind this measure based on the counts and positions expressed at these meetings.
- The issue of just and equitable transition remains central to the debate. The elevation of the topic of food security, and the broad support expressed for issues often linked to justice, such as seafarer training, suggest that this will remain a political priority as the measures reach their final design.

However, the fact that all options remain on the table, and there is now only one MEPC left to resolve this fundamental question around architecture, means that, as ever, patience is needed, and uncertainty remains. One future scenario can already be considered: if there is no consensus on architecture, then the IMO can decide on the MARPOL amendment through a vote. This is one of the strengths of IMO's procedures and separates it from other UN agencies that may need to postpone indefinitely until unanimity or a strong consensus is achieved. In practice, voting is profoundly unpopular and consequently rarely invoked – the last time it was called for was by Saudi Arabia on the question of EEDI approval in 2011. But for an issue as central to the sector's future and important to member state's survival (e.g. from the effects of climate change), it is not inconceivable that a vote might be called (to be invoked it has to be requested by a member state). However, the fact that a vote 'could' be called is already a powerful incentive for states to find a compromise solution, as a decision in either direction of a binary choice might significantly disadvantage the losing member states.

The procedures of the IMO mean that only states that have ratified MARPOL Annex VI are counted in a vote, and the threshold needed is for a 2/3 majority (present and voting) to approve. In that context, the current landscape of member state support can provide some insight, based on a simplifying assumption of what might have happened if a vote had been tabled at MEPC 82. For this reason, the counts of positions in the report so far are not necessarily indicative, as they include all states (177 member states) who intervened on the subjects, not just those who have ratified MARPOL Annex VI (109 member states). Figure 8 identifies the balance across one of the key debates during ISWG-GHG 17. Assuming no abstentions (which would not count either way), if a vote was called with supporters of a universal levy on one side, and supporters of a flexibility mechanism only (e.g. IMSF&F) on the other, the count of those with MARPOL Annex VI ratification would be 35:11, or 76%:24% - in other words there would be support for a levy exceeding the 66% threshold needed. However, as also shown in the plot, and as has been typical in many rounds of the debate so far and IMO debates generally, there are many countries including those that have ratified MARPOL Annex VI, that are yet to take a position in the debate. If those countries were to be present at MEPC 83 and predominantly came out against a levy, could swing the 76%:24% in the opposite direction. There is also the scenario where countries move from their existing stated position by MEPC 83.

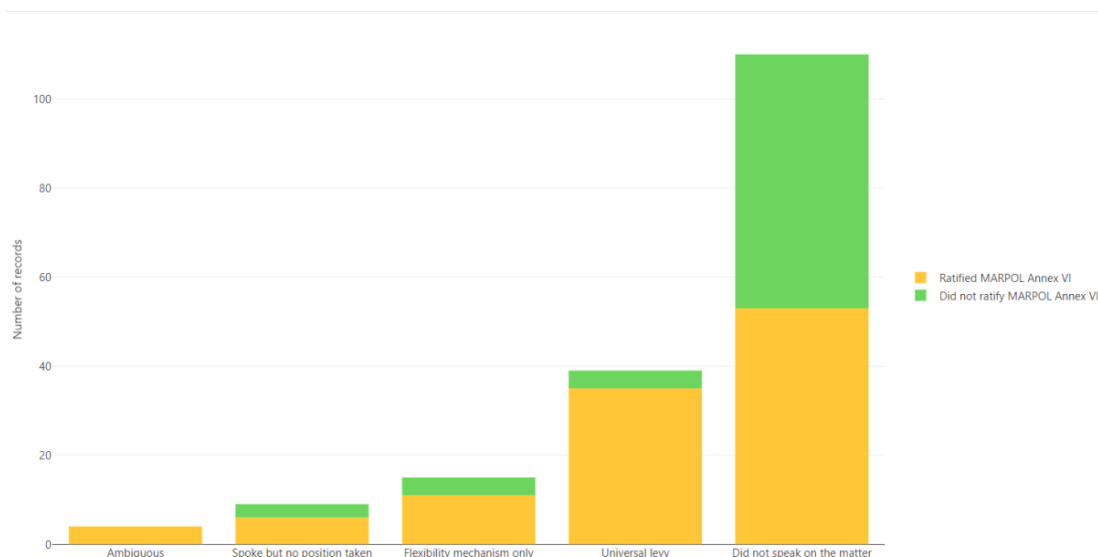


Figure 8: Position on the economic mechanism expressed in ISWG-GHG17

7 What about short-term measures?

MEPC 82 also undertook work on short-term measures (EEXI and CII, measures that have recently entered into force and are due for completion of a review before 1/1/2026). The discussion on this was limited to forming the terms of reference and schedule for the review. There were many submissions on the subject, particularly from industry NGOs, arguing for correction factors and modifications, particularly to CII. Those will all be taken forwards in a correspondence group debate, and further discussion at future meetings.

The CII review is not in isolation to the mid-term measures. Evidence from the CIA Task 2 report by DNV shows that there is a critical role for energy efficiency for two reasons:

- Efficiency increases in the near term can make important contributions to the 2030 absolute GHG reduction targets – particularly in reducing the need for significant fuel substitution this decade. Given risks associated with driving strong demand for biofuels (sustainability and land-use change risks as well as stranded asset risks), and risks of fuel availability, maximising what is done with efficiency and gaining more time for a more gradual energy transition seems highly preferable
 - Meeting IMO’s levels of ambition by maximising efficiency (and use of direct renewable energy including wind assistance), and minimising fuel/energy substitution, creates significant cost savings and therefore reduces impacts on states. The DNV Task 2 report indicates a 15% reduction in cost intensity for the sensitivity scenario that has a more stringent CII policy simulated.

There are also risks and issues related to technological inclusivity and a just and equitable transition association with the Carbon Intensity Indicator (CII). The policy may lead to unintended consequences and challenges for regions with more limited infrastructure, such as longer port waiting times, which could impose an unfair compliance cost burden on lower-income countries. Consequently, some of the challenges associated with ensuring an equitable energy transition may overlap with mid-term measures, highlighting the importance of using revenues to support a technologically inclusive, just and equitable transition.

Given these interactions, it is crucial to keep the development/evolution of both debates, as only by seeing them in combination can the likelihood of a successful overall outcome be monitored. By association, shortcomings in one measure’s further development, will need to be addressed through the others development if the IMO’s revised strategy is to be fulfilled.

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