



The Global Voice of Cargo Owners

IMO Marine Environment Protection Committee Meeting (MEPC 80)
3 – 7 July 2023
IMO HQ, London
Report of the ICHCA Delegation

IMO's Marine Environmental Protection Committee (MEPC) met during the week of 3-7 July 2023 at the IMO HQ in London. ICHCA was represented by James Hookham, Secretary General of Global Shippers Forum, and Aime Harrison, Managing Director Technical Advisory, Socotec Advisory Ltd.

The principal item of interest was the discussion and conclusion of a revised IMO strategy for the reduction of greenhouse gas (GHG) emissions from ships. This strategy will determine the pace at which shipping lines and port terminals need to adapt their operations to the use, storage and handling of low-carbon and zero-carbon marine fuels, a subject identified as a core strategic issue for ICHCA.

Other items discussed at MEPC 80 of possible interest to ICHCA interests were:

- Amendments to Marpol Annex 1 to adapt the provisions for low flashpoint fuels to include low- and zero-carbon fuels.
- Technical revisions to the IMO Ship Fuel Oil Consumption Data Collection System, the Guidelines on compliance with the EEXI measure.
- Changes to, and commissioning of further work relating to the revision and updating of, the Ballast Water Management Convention (BWM)
- Adoption and consideration of various designated sea areas as 'Emission Control Areas' or 'Particularly Sensitive Sea Areas'
- The entry into force of the Hong Kong Convention on the Safe and Environmentally Sound Recycling of Ships, following accession of Bangladesh and Liberia.

Further information on these topics can be prepared if considered relevant.

IMO Strategy on GHG Emissions

A Revised Strategy on Reduction of Greenhouse Gas Emissions from Ships was adopted, as MEPC Resolution 377 (80), although it attracted criticism from some governments and NGOs for the vagueness of its wording and timings.

A copy of a GSF Briefing Note giving further details of the Revised Strategy and the timeline expected for the development of measures intended to help achieve the adopted targets is attached to this report, for use by ICHCA members

GSF is concerned at the vagueness and ambiguity of the wording in the Strategy may deter the necessary financing and investment necessary to begin the large-scale transition to operational use of zero- and near-zero emission fuels. This in turn will impede the development of safe and environmentally responsible handling procedures for these new fuel types, especially at the 'Port-Ship' interface, where the knowledge and experience of ICHCA experts can contribute, and where demand for knowledge and information amongst the ICHCA membership is likely to be requested.

GSF draws attention to two documents that were submitted to MEPC 80 that cover this aspect of operations:

- **MEPC 80/INF.17** *Regulatory mapping of alternative marine fuels*, by the IMO Secretariat, which reports, and provides a link to, web resource developed by the Global Industry Alliance to Support Low Carbon Shipping that reviews the extent to which low- and zero-carbon marine fuels are covered by existing IMO Conventions, either due to their inherent safety risks or potential to cause environmental damage.
- **MEPC 80/7/2** *World ports progress in delivering on the key areas identified by resolution MEPC.366(79)*, by IAPH, which includes a section on how ports are co-operating through the Clean Marine Fuels working group of IAPH on safety and environmental aspects of alternative fuels storage and handling.

The next meeting of MEPC is scheduled for April 2024, but dates have not yet been confirmed.

Appendices:

- A. GSF Briefing Note on IMO Greenhouse Gas Reduction Strategy
- B. MEPC 80/INF.17 (Secretariat)
- C. MEPC 80/7/2 (IAPH)

GSF Secretariat
18/07/2023



GSF BRIEFING NOTE

IMO Greenhouse Gas Reduction Strategy

Outcomes of the 80th meeting of the IMO Marine Environment Protection Committee (MEPC 80) held at IMO Headquarters, London, on 3-7 July 2023

IMO's Marine Environment Protection Committee (MEPC) met from 3 to 7 July to conclude a revised strategy for the mandatory reduction of greenhouse gas emissions from global shipping. GSF attended in-person for part of the meeting and has reviewed the outcomes for issues of significance to GSF members.

The official Report of the MEPC 80 meeting, together with the official texts of the Revised Strategy and the MEPC Resolutions will be issued at the end of July by the IMO Secretariat.

The agenda for the Committee, regarding IMO's greenhouse gas reduction strategy, consisted of:

1. A draft **Revised GHG Reduction Strategy** and a draft **MEPC Resolution** giving legal effect to the Strategy that would specify the extent to which GHG emissions would reduce and how quickly the target would be achieved.
2. Various proposals for different **Medium-term measures** that would be implemented to help achieve the intended reduction. The measures of key interest to shippers are:
 - a. Guidelines for undertaking a **Life Cycle Analysis (LCA)** of different low- and zero-carbon fuels, that would ensure consistency and rigour in how the emissions generated during their production and distribution are calculated as well as emissions produced during their use. The Committee adopted these Guidelines as MEPC Resolution 378(80).
 - b. A **Greenhouse Gas Fuel Standard** setting a maximum overall level of carbon in the global marine fuel supply that would be progressively reduced over time, meaning production of low- and zero-carbon fuels would need to be scaled-up to meet the needs of shipping.
 - c. Various proposals for fiscal measures, or '**Market-based Measures**', intended to artificially raise the cost of current bunker fuels closer to the costs of low- and zero-carbon alternatives. These proposals included a GHG Levy, to be applied to fuels based on their carbon content; the creation of a Cap-and-Trade scheme where permits are required to be purchased for ships to emit greenhouse gases, above a specified maximum that reduces over time; and other incentive/reward mechanisms at various stages of development.
3. Measures to support less developed countries adapt to the transition in maritime fuels, including technical co-operation and financial support for training and development.

In the event, the Committee was able only to conclude the text of a Revised Strategy (i.e. Point 1 above) due to strong disagreements between national governments on the depth and pace of the reductions required. The impact on the costs of shipping in less developed countries in particular was a key concern. In many cases government representatives were expressing the concerns and fears of their shipper communities over the impact on rates and surcharges arising from the use of new fuels and the introduction of new levies or charges.

1. Revised IMO GHG Reduction Strategy

The text of the Revised Strategy was adopted as MEPC Resolution 377(80) and consists of the following ambitions:

1. *The carbon intensity of new ships to decline through further improvement of the energy efficiency for new ships: To review with the aim of strengthening the energy efficiency design requirements for ships;*
2. *The carbon intensity of international shipping to decline: To reduce CO₂ emissions per transport work, as an average across international shipping, by at least 40% by 2030, compared to 2008;*
3. *The uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources to increase: uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources to represent at least 5%, striving for 10%, of the energy used by international shipping by 2030; and*
4. *GHG emissions from international shipping to reach net zero: to peak GHG emissions from international shipping as soon as possible and to reach net-zero GHG emissions by or around, i.e., close to, 2050, considering different national circumstances whilst pursuing efforts towards phasing them out as called for in the Vision consistent with the long-term temperature goal set out in Article 2 of the Paris Agreement”.*

In addition, the Committee established two ‘indicative checkpoints’ as intermediary targets:

- to reduce the total annual GHG emissions from international shipping by at least 20%, striving for 30% in 2030, compared to 2008; and
- to reduce the total annual GHG emissions from international shipping by at least 70%, striving for 80% by 2040, compared to 2008.

MEPC did adopt the finalised Lifecycle Analysis (LCA) guidelines as MEPC Resolution 376(80) although these too will be subject to further development and expansion.

2. Medium-term measures to help achieve the Strategy

None of the various proposals for measures to achieve these outcomes were discussed but the Committee did agree a timetable for their consideration and adoption:

- A review of the **short-term** mandatory goal-based technical and operational measures, including the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Index (CII) is to be completed by **1 January 2026**.
- The **mid-term** measures (including a Global Fuel Standard and any Market-based Measures) are to be adopted by **2025**, to come into effect before 2030.
- **Long-term** measures (for implementation after 2030) are to be developed as part of the next review of the IMO GHG Strategy in **2028**.

Assuming this timeline can be adhered to, then any mid-term measures, including a Carbon Levy or other Market-based measures, would enter into force no earlier than 2027.

The various proposed measures for new technical requirements for marine fuels, and/or economic penalties and incentives on shipping lines (and possibly shippers), were the subject of extensive review by UNCTAD and discussion at a dedicated Expert Workshop held at IMO in May 2023. The papers reporting the outcomes and findings were submitted as MEPC 80/INF.39 and /INF.39 Add.1. These findings will be further considered by the Intersessional Group on GHG Emissions at its 16th meeting, scheduled for 15 to 19 April 2024.

3. Support and Assistance Measures

Alongside these technical discussions, measures to support less-developed countries with the transition in maritime fuels will be discussed. It is envisaged that much of the revenue generated from a possible GHG Levy or other economic measures would be used to fund such support and technical assistance.

GSF Comment

The Revised Strategy has been heavily trumpeted publicly by IMO as a breakthrough in the decarbonization of shipping. But any agreement was essential if IMO was to remain credible in the eyes of many governments as the forum in which decarbonization of shipping could be achieved. The many caveats and the vague targets of the Strategy have been criticized by environmental groups as being open to different interpretations and inconsistent with the goals of the Paris Agreement to limit the rise in global temperatures by 2050 to 1.5 deg C.

GSF is concerned at the imprecision in the Strategy. It is still not possible to describe in practical terms how these targets will be achieved nor how the costs of doing so will impact shippers and other parties in global trade. Achievement of the targets depends critically on the scaling-up of sufficient supplies of low- and zero-carbon fuels, together with the necessary distribution, storage and refueling infrastructure at sufficient ports around the world to support widespread introduction of zero-emission vessels. None of this is addressed in the IMO Strategy. GSF's assessment is that the necessary investments could still be considered too risky given the scope for evasion and delay in implementation of the Revised Strategy.

GSF will continue to monitor and report on the development of measures by IMO that could impact shippers. Policy Council will be invited to review and adapt GSF's position and response as these proposals are developed.

In the meantime, GSF is encouraging the development of [Green Shipping Corridors](#) as a means of early and voluntary deployment of zero-carbon fuels and vessels on services between selected ports. A number of these have been proposed under the Clydebank Declaration issued at the COP 26 climate change summit in Glasgow in 2021.

GSF is also working with the Aspen Institute, which is coordinating two important **shipper-led initiatives**:

- Cargo Owners for Zero Emission Vessels ([CoZEV](#)); and
- The Zero-Emission Maritime Buyers Alliance ([ZEMBA](#))

Both these voluntary initiatives present opportunities for shippers wishing to engage in procurement of zero-carbon shipping services to interact with like-minded shipping lines and other parties to discuss the financial and practical issues that arise, and which may lead to progress independent of the regulatory processes described above.

A presentation on these initiatives by the Aspen Institute will be made to the next meeting of GSF's Container Shipping Performance Working Group on **Wednesday 6 September 2023**.

Members wishing further information on any of these issues are invited to contact the GSF Secretariat: secretariat@globalshippersforum.com

GSF Secretariat
10/07/2023