

**TRIPARTITE 2023**

# **REVISED IMO GHG REDUCTION STRATEGY**

**9 November 2023**

**Sunil Krishnakumar**  
Senior Technical Manager



International  
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Shaping the Future of Shipping



## About ICS

- ➔ The global trade association for merchant shipowners and operators formed in 1921
- ➔ First shipowner NGO granted IMO consultative status (1961)
- ➔ Membership comprises world's national shipowner associations, representing all sectors and trades and over 80% of world merchant fleet





- ➔ Revised IMO 2050 strategy.
- ➔ Mid- and Long-Term measures.
- ➔ Lifecycle GHG assessment.
- ➔ Biofuels.
- ➔ Conclusions.

## 2023 IMO GHG Strategy

- ➔ Adopted at MEPC 80 in July 2023.
- ➔ Vision

“IMO remains committed to reducing GHG emissions from international shipping and, as a matter of urgency, aims to phase them out as soon as possible, while promoting, in the context of this Strategy, a just and equitable transition.”
- ➔ Levels of Ambition, Guiding Principles and Indicative Checkpoints.

## 2023 IMO GHG Strategy

- ➔ Levels of ambition
  1. carbon intensity of the ship to decline through further improvement of the energy efficiency for new ships.
  2. to reduce CO<sub>2</sub> emissions per transport work, as an average across international shipping, by **at least 40% by 2030**, compared to **2008**.
  3. 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**.

## 2023 IMO GHG Strategy

- ➔ Levels of ambition
- 4. 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**, taking into account 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.

## 2023 IMO GHG Strategy

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

## 2023 IMO GHG Strategy

- ➔ Technological innovation and the global introduction and availability of zero or near-zero GHG emission technologies, fuels and/or energy sources for international shipping will be integral to achieving the overall level of ambition.
- ➔ The levels of ambition and indicative checkpoints should take into account **the well-to-wake GHG emissions** of marine fuels as addressed in the LCA guidelines with 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.



## CII+EEXI

- ➔ In force since 1 November 2022.
- ➔ Review to be completed by 1 January 2026.
- ➔ EEXI – Concerns with supply bottlenecks & guidelines for Overridable power limitation (OPL)
- ➔ **Many** outstanding issues with CII, includes:
  - ➔ Incentivises ballast voyages
  - ➔ Impact of short voyages
  - ➔ Does not consider adverse weather

## Mid-term measures proposals

The 2023 IMO Strategy sets out next steps for the development of a basket of mid-term GHG reduction measures comprising:

1. a technical element, namely a ‘goal-based marine fuel standard’ regulating the phased reduction of marine fuel's GHG intensity; and
2. an economic element, on the basis of a ‘maritime GHG emissions pricing mechanism’.

No agreement on whether these should be developed as a single or separate measures.

## Technical measure

- Goal-based Fuel Standard – Sets requirement for ships to use fuels which have WtW GHG intensity at or below certain limits. Standard is expressed in the mass of GHG emissions per unit of energy used on-board a ship, e.g. g CO<sub>2</sub>e/MJ.
- Limits strengthened over time.
- Designed to stimulate demand for low- and zero- emission fuels.

## Technical measure

- EU GFS proposal - Defines two “flexibility mechanisms” during a transitional period
  1. Overachievers get surplus rewards which can be traded with non-compliant ships (compliance pooling). Or
  2. Where there are no surplus rewards to buy, non-compliant ships pay a defined contribution to an IMO GHG fund.
  3. Controlled by a central IMO registry.
  
- Trading scheme in disguise?

## Technical measure

- ICS simplified GFS proposal – Based on IMO 2020 Global Sulphur Cap; sets 2030 and 2040 limits for GHG Fuel Intensity.
- New Chapter and regulations in MARPOL, supported by fuel availability reviews and FNAR
- Also incorporates a compliance pooling mechanism. The so-called energy pooling mechanism will be subject to approval by Administrations.

## GHG pricing measure

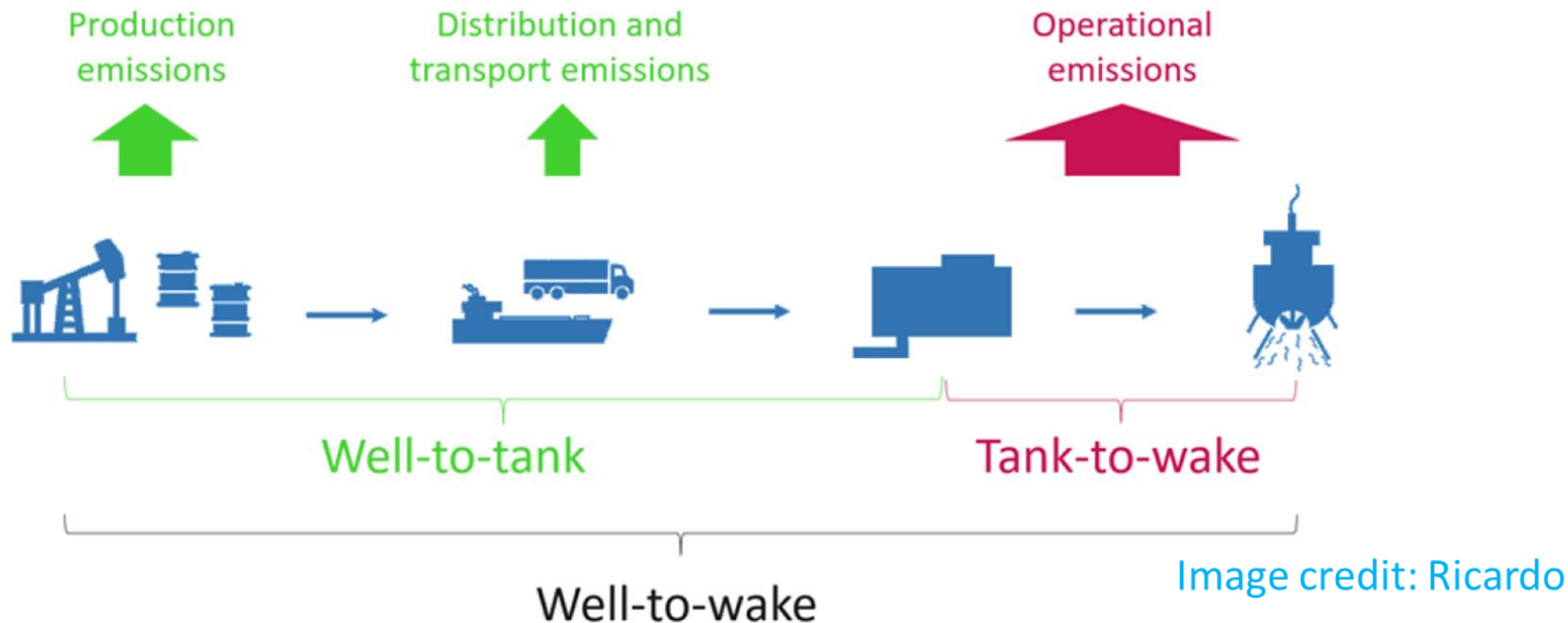
- EU States, Pacific Islands and many others have expressed support for a levy on GHG emissions to be paid to an IMO Fund. This also forms basis for “feebate/fund and reward” proposals from Japan, ICS.
- About a third of IMO Member States, led by China, have maintained their opposition to a levy-based system. China uses the EU-GFS framework for their “hybrid” IMSF&F proposal.

## Mid Term Measures – Next Steps

- ➔ Comprehensive Impact Assessment (CIA) started – focus on economic impacts on States – to be conducted by UNCTAD
- ➔ Aim to approve amendments at MEPC 83 (Spring 2025)
- ➔ Adoption of measures at an extraordinary session of MEPC in autumn 2025
- ➔ Entry into force of measures in late 2027



For the technical and the GHG pricing mechanisms to work, identifying and measuring GHG emissions at various phases of the fuel lifecycle will be crucial.





- ➔ MEPC 80 adopted the IMO resolution on Guidelines for lifecycle GHG intensity of marine fuels (LCA guidelines)
- ➔ Sets out methodologies for calculating well-to-tank and tank-to-wake emissions for fuels and energy carriers.
- ➔ Work continues on the further development of LCA guidelines, focusing on issues including default emission factors, and approval and certification schemes.
- ➔ Expected to conclude at MEPC 81.

## LCA for policy

- ➔ What is reported, by whom (WtW/TtW/WtT)?
- ➔ What should shipping be accountable for (WtW/TtW)?
- ➔ Consistency with other frameworks (IMO/IPCC/UNFCCC) – avoiding double counting of emissions.

- ➔ Increased interest and uptake of biofuel blends is noted – ‘drop-in’ capability.
- ➔ Use by shipping constrained by ISO 8217 and challenges with NOx emission limit compliance.
- ➔ A UI approved by MEPC confirmed that blends that contain up to 30% biofuel (B30) will be treated the same way as fossil fuel oils – no NOx emission assessment is required and there is no need to seek an exemption from Flag State.
- ➔ Higher blends will be allowed if there are no changes to NOx critical components or settings as per engine’s technical file.

- ➔ MEPC 80 approved MEPC.1/Circ.905 on Interim guidance on the use of biofuels under regulations 26, 27 and 28 of MARPOL Annex VI (DCS and CII).
- ➔ Biofuels certified by an international certification scheme with a well-to-wake GHG emission reduction of at least 65% compared to MGO may be assigned a Cf equal to the value provided in the certificate for the purpose of reporting to DCS and the CII regulation.
- ➔ For blends, the Cf should be based on the weighted average of the Cf for the respective amount of fuels by energy.

- ➔ Extremely ambitious GHG reduction targets have been set by the IMO – Regulatory signal couldn't be clearer!
- ➔ Now up to technology and fuel providers to ensure that they meet the consequent demand.
- ➔ Momentum towards agreement on a basket of technical and GHG pricing mechanisms.

- ➔ A robust set of LCA guidelines is critical. Well to Wake LCA is important but the devil is in the details. Biggest challenges include verification and enforcement.
- ➔ Increased interest in Biofuels as a means to meet the IMO and regional requirements.

## Reducing Greenhouse Gas Emissions

A Guide to IMO Regulatory Compliance



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# THANK YOU



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**Sunil Krishnakumar**  
**Senior Technical Manager**  
**[sunil.krishnakumar@ics-shipping.org](mailto:sunil.krishnakumar@ics-shipping.org)**  
**[www.ics-shipping.org](http://www.ics-shipping.org)**



**@icsshipping**

