



INTERCARGO

INTERNATIONAL ASSOCIATION
OF DRY CARGO SHIPOWNERS

BRIEF **on the outcome of**



twenty- second meeting of the Intersessional Working Group on Reduction of GHG Emissions from Ships (ISWG-GHG 22)

Tuesday, 1 to Friday, 4 September 2026

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INTRODUCTION

The Intersessional Working Group on Reduction of GHG emissions from Ships (ISWG-GHG 22) met from Tuesday, 1 to Friday, 4 September 2026 and was dully attended by the INTERCARGO Secretariat.

The key agenda items were:

- IMO Net-Zero Framework
- Draft Guidelines Supporting Mid-Term Measures
- Life Cycle GHG Assessment (LCA) framework

Members may note that NZF related work is subject to relevant decisions pending at MEPC regarding its content and adoption. The report of the Group will be brought to MEPC 85 (30 November – 3 December) for consideration¹.

Members are also invited to view the pre-brief for this meeting which can be found [here](#).

KEY OUTCOMES

Executive Summary

ISWG-GHG 22 **reconfirmed the architecture for GFI calculation, reporting and verification**, established an overall direction for refining the GFI reduction pathway, and agreed to further explore compliance mechanisms. Discussions indicated **potential convergence towards a softer initial GFI reduction pathway and greater compliance flexibility**, although important elements of the Framework remain unresolved.

China's proposed **adjustment to the GFI formula** received some support as a possible basis for further exploration, although concerns and possible changes were identified, particularly regarding OCCS and the relationship with the LCA Guidelines. **Considerable support was expressed for using SUs to balance compliance deficits, while broad support was expressed for the netting concept**, subject to appropriate transparency and verification safeguards. The proposal to generate additional SUs through verified energy-efficiency improvements received limited support and was considered not sufficiently mature to be taken forward at this stage.

Significant divergence remained over the economic element of the measures, particularly the establishment of a Fund/Facility. Japan's proposed **Direct Contribution Scheme** received some support for further consideration as an alternative compliance option. **A dedicated ZNZ incentive was retained in principle at this stage**, including through potential financial rewards, while interested delegations were invited to further explore a ZNZ multiplier.

Delegations were invited to **consult intersessionally and develop concrete proposals reflecting enhanced convergence**, with the aim of allowing timely adoption and effective implementation. Consideration of the supporting guidelines under agenda item 3 and the LCA Framework under agenda item 4 was **deferred to ISWG-GHG 23**.

Key Outcomes

- The Group reconfirmed the architecture for GFI calculation, reporting and verification and established an overall direction for refining the GFI reduction pathway
- **GFI calculation:** China's proposed adjustment to the GFI formula received some support as a possible basis for further exploration, although concerns and possible changes were identified, particularly regarding OCCS and the relationship with the LCA Guidelines.

¹ Should MEPC 85 determine that there is no need to resume the extraordinary session (MEPC/ES.2) during that week, 4 December 2026 would instead be used as an additional meeting day for MEPC 85

- **GFI reduction pathway:** A softer initial reduction pathway emerged as an area of potential convergence
- Views remained divided on the **2040 target and single versus two GFI curves**.
- **Flexible compliance:** A majority supported flexible compliance mechanisms, with onboard reductions, fleet-based compliance,
- **Surplus Units:** The use of SUs to balance compliance deficits received support for further consideration.
- **Generating SUs through energy-efficiency improvements:** Limited support was expressed; the proposal was considered not sufficiently mature to be taken forward at this stage.
- **Netting:** Broad support was expressed for the netting concept, provided that the methodology is transparent and verifiable and does not alter the underlying compliance and reward architecture.
- **Fund/Facility:** Significant divergence remained.
- **Direct Contribution Scheme:** Japan's proposal gained some traction as an alternative approach, allowing ships to contribute directly to IMO-approved projects rather than an IMO-managed Fund.
- **ZNZ reward mechanism:** A dedicated ZNZ incentive was retained in principle at this stage, further exploration of a ZNZ multiplier was invited

NET-ZERO FRAMEWORK

Under this agenda item 2 the Working Group consider proposals, including documents submitted to MEPC 84 and 85, previous sessions of ISWG-GHG, as well as documents submitted to ISWG-GHG 22, on how to address concerns with the draft amendments to MARPOL Annex VI on the Net-Zero Framework, in line with the 2023 IMO GHG Strategy. The Group **considered possible adjustments to the draft IMO Net-Zero Framework** aimed at addressing outstanding concerns and building broader consensus on the IMO mid-term GHG reduction measures. Discussions were structured around the key components of the Framework rather than individual proposals.

On the Technical Element:

- The **Group reconfirmed** the architecture for GFI calculation, reporting and verification and established an overall direction for refining the GFI reduction pathway
- The **Group agreed** to continue exploring the proposed compliance mechanisms.

GFI reduction pathway

Delegations considered whether to **adjust the GFI reduction trajectory**, including a slower initial reduction pathway as proposed by Brazil and Japan; whether to maintain or adjust the **2040 target** and whether to retain the current **two-tier GFI targets or move to a single target curve**. Discussions also addressed whether future GFI reductions could take account of the **availability, affordability and scalability of alternative fuels**.

- There was **support for a softer initial reduction trajectory**, while maintaining sufficient predictability for industry.
- **No conclusion** was reached on a **single versus two-curve approach**.

The Group also considered whether the GFI pathway should take account of the **availability, affordability and scalability of alternative marine fuels**.

- Periodic reviews appeared to receive support as a possible means of assessing these factors and informing adjustments to the pathway, while preserving regulatory predictability for industry.

GFI calculation, verification and reporting, and fuel certification

The Group considered the proposed GFI calculation methodology, including China's adjusted formula, as well as whether outstanding issues related to calculation, reporting, verification and certification should be addressed directly in the regulations or subsequently through implementing guidelines.

China's proposed adjustment to the GFI formula received some support as a possible basis for further exploration, although concerns and possible changes were identified, particularly regarding OCCS and the relationship with the LCA Guidelines. China's proposed adjusted formula was presented as follows:

$$GFI_{\text{attained}} = GHG_{\text{net}} / \text{Energy}_{\text{total}}$$

where:

- GFI_{attained} is the attained annual GFI of a ship, expressed in gCO₂eq/MJ;
- GHG_{net} is the ship's total annual well-to-wake (WtW) net GHG emissions, taking into account GHG captured onboard and delivered off the ship, where applicable; and
- $\text{Energy}_{\text{total}}$ is the ship's total annual energy use, including fuel oil, shore-supplied electricity and zero-emission energy sources such as wind and solar power.

GFI compliance approaches

Discussions focused on possible **compliance flexibility**, including compliance through onboard emission reductions, fleet-based reductions, financial contributions to a Fund/Facility or IMO-approved projects, and expanded use of **surplus units (SUs)**. Delegations also considered mechanisms to address SU shortages/oversupply, recognition of operational and technological efficiency improvements, avoidance of double counting, and a **netting mechanism**.

Compliance flexibility

Broad support was expressed for maintaining compliance flexibility. Four options were retained at this stage: onboard emission reductions; fleet-based compliance, including pooling; Fund/Facility-related compliance; and Japan's Direct Contribution Scheme. The first two were considered fully accepted, while the latter two require further work.

Use of surplus units (SUs)

- The use of **Surplus Units (SUs) to balance compliance deficits** received considerable support
- The Group agreed that the proposal to **generate additional SUs from verified operational and technological energy-efficiency improvements** raised additional concerns and was not sufficiently mature for further consideration at this stage.

Netting mechanism

China's proposed netting mechanism was also considered. A number of delegations saw merit in further exploration.

- The Group agreed that netting could potentially provide a means of simplifying financial settlement arrangements and reducing administrative costs.

On the Economical Element:

The meeting clarified the main concepts but several significant issues remained unresolved. Delegations were therefore encouraged to use the intersessional period to consult, particularly with those submitting proposals on similar components, and to develop concrete proposals aimed at achieving greater convergence.

Establishment of a Fund/Facility

Member States opposing the NZF also strongly opposed the establishment of a Fund. SIDS and LDCs continued to regard the economic element as indispensable, while others recalled that the establishment of a Fund was not required under the 2023 IMO GHG Strategy. Options discussed included Japan's proposal, mandatory contributions such as the approach proposed by Tuvalu, voluntary contributions by governments, and other possible mechanisms.

- **Significant divergence remained over the establishment of a Fund** under MARPOL Annex VI.
- Delegations were invited to develop further concepts that could help bridge the remaining differences.
- Japan's proposed **Direct Contribution Scheme**² received some support for further consideration.

Under the proposed Direct Contribution Scheme mandatory payments to an IMO Net-Zero Fund would be removed, with ships principally complying through fuel transition or the use of SUs.

- Where sufficient SUs were unavailable, a ship could elect to make a direct contribution to an eligible IMO-approved project, rather than paying into a centrally managed IMO Fund.
- IMO would establish eligibility criteria and approve projects, while contributions used for compliance would be recorded in the IMO GFI Registry and verified by the Administration or RO.

ZNZ Reward Mechanism

The Group considered whether a dedicated financial reward mechanism for first movers and ZNZ fuels remained necessary if a more gradual GFI reduction pathway, greater compliance flexibility and expanded use of SUs were introduced. It also considered alternative approaches, including multipliers or calculation-based incentives, particularly if revenues generated under the Framework were significantly lower than originally anticipated.

Member states opposing to the NZF considered that a more granular GFI reduction pathway could remove the need for a separate ZNZ reward mechanism, while **many members supported dedicated incentives for ZNZ uptake**, including consideration of a **ZNZ multiplier**.

- The Group agreed that a dedicated ZNZ incentive be retained in principle at this stage, including through potential financial rewards; and

Next Steps and Intersessional Work towards ISWG-GHG 23

At **ISWG-GHG 23**, the Group would need to select the preferred approach for each component and consolidate the elements into a complete revised framework. The objective remained to submit revised draft amendments to **MEPC 85**, addressing concerns regarding the draft amendments to MARPOL Annex VI on the IMO mid-term GHG measures.

Should sufficient convergence not emerge, an additional facilitative effort might be required, potentially including **IMO Chair's paper setting out possible landing zones and draft text**. Delegations were encouraged to consult intersessionally and submit concrete proposals.

DRAFT GUIDELINES SUPPORTING MID-TERM MEASURES

Under Agenda Item 3, the Group considered the further development of draft guidelines³ to support the uniform and effective implementation of the IMO mid-term measures.

GFI calculation, reporting, verification and certification

The Group considered whether the proposed draft guidelines on Administration verification of attained GFI should be used as a basis for further work. It also considered the proposed Energy Consumption Index (ECI) as a voluntary cross-checking tool and its possible introduction through amendments to the 2024 SEEMP Guidelines. Discussions also covered whether additional matters should be referred to the informal group on Sustainable Fuels Certification Schemes (SFCS) and whether other GFI calculation, verification, reporting or fuel-certification issues required further development through implementation guidelines.

² MEPC 85/7/3 Proposal on the direct contribution scheme- Submitted by Japan

³ An **overview of the guidelines**, provisions, guidance and related workstreams identified for the uniform and effective implementation of the IMO mid-term GHG reduction measures, is available in the **Annex I**.

Draft Fund Governing Provisions

The Group considered whether elements of the proposed Fund governing provisions could support implementation of the IMO mid-term measures, irrespective of the amount of revenue ultimately generated or the final form of the entity or mechanism. The Group also considered the possible merit of interim arrangements.

ZNZ Definition and Rewards, Regulatory Elements and Impacts on States

The Group considered whether elements of the proposed ZNZ reward arrangements could support implementation of the mid-term measures irrespective of the level of revenue generated. It also considered further development of guidelines on essential goods, commercially viable fuels, allocation of surplus units through energy-efficiency improvements and direct contributions. Discussions further addressed food security and the identification of disproportionately negative impacts on States, including which elements should be pursued further.

- The **Group agreed to defer consideration of all documents submitted under agenda item 3 to ISWG-GHG 23** to continue discussions on the development of the guidelines at ISWG-GHG 23, scheduled ahead of MEPC 85 in November, taking into account all papers submitted at this session as well as any additional submissions to ISWG-GHG 23.

LIFE CYCLE GHG ASSESSMENT (LCA) FRAMEWORK

Due to time constraints, the Group was not able to consider this agenda item,

ANNEX I

STATUS OF GUIDELINES AND RELATED WORKSTREAMS SUPPORTING THE IMO MID-TERM GHG REDUCTION MEASURES

The following provides an overview of the guidelines, provisions, guidance and related workstreams identified for the uniform and effective implementation of the IMO mid-term GHG reduction measures

Guidelines and Related Workstreams

1. Guidelines for the calculation of the attained annual GFI
2. Guidance for determining energy derived from Wind Propulsion Systems (WPS)
3. Guidelines on annual GFI compliance approaches
4. Guidelines on reporting and verification of annual GFI
5. 2024 SEEMP Guidelines
6. 2022 Guidelines for Administration verification of ship fuel oil consumption data and operational carbon intensity
7. Guidelines for verification and company audits by the Administration of Part III of the SEEMP
8. Guidance for submission of annual GFI data from ships of States not Party to MARPOL Annex VI
9. Mechanism for reviewing and defining RU prices after 2031
10. Guidelines on the definition, evaluation, approval, monitoring and publication of ZNZ uptake
11. Guidelines on the definition of ZNZ rewards and methodology for determining such rewards
12. Guidelines on development, management and operation of the IMO GFI Registry
13. Guidelines on determination of the annual IMO GFI Registry administration fee
14. Guidelines on functioning of and access to the IMO GFI Registry
15. Amendments to the LCA Guidelines
16. Guidelines on requirements and procedures for recognition of certification schemes and reporting of certification activities to IMO
17. Terms of Reference for the Sustainable Fuel Certification Schemes Assessment Group (SFCS AG)
18. Guidelines on certification and circulation of information in the Fuel Lifecycle Label (FLL)
19. IMO Net-Zero Fund Governing Provisions, including specification of revenue disbursement purposes and monitoring
20. Further development of the IMO Net-Zero Framework, including determination of the pricing mechanism for reporting periods starting 2031 and onwards
21. Procedures for Port State Control, 2023
22. Framework and procedures for the IMO Member State Audit Scheme
23. HSSC Guidelines
24. Addressing disproportionately negative impacts on food security and continuous review of potential impacts
25. Essential Goods Flexibility Mechanism
26. Guidelines on the methodology for the determination of commercially viable fuels
27. Guidelines concerning the allocation of SUs arising from verified annual GHG emission reductions achieved through operational and technological energy-efficiency improvements
28. Guidelines on the Direct Contribution Scheme

Note: Items 25–28 were additional proposals relating to guidelines supporting newly proposed regulatory elements and were not part of the workstreams contained in the original draft work plan.