



# **An overview of the discussions from IMO MEPC 78**

**Read out from UMAS**

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## Publication data

Publication date: 10.06.2022

## Preface

This report has been written by a team of experts from UMAS. The views expressed are those of the authors.

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## 1 Summary

MEPC 78 was the first of three meetings to work on, among other things, the production of a final draft Revised IMO GHG Strategy. The meeting was not planned as a key decision-making point for agreement/adoption of any of the items under IMO's Reduction of GHG Emissions from Ships work (e.g. ambition/targets, policy measures, lifecycle guidelines). It is therefore not necessarily surprising, that there is no standout outcome. The positive from the meeting is that discussions on ambition/measures remain on track for clarity at MEPC 80 (summer 2023).

While it would have been encouraging for the industry and other relevant stakeholders to see more decisive signals on what the IMO ambition level is likely to be in 2023, the meeting did show that momentum has built on two key aspects:

- Zero GHG by/no later than 2050 was mentioned by an increasing number of IMO Member States –which increases the likelihood of this target or similar being the outcome in 2023, which in turn dramatically increases the rate at which shipping will need to increase efficiency, ramp up its use of zero emission fuels, and phase out fossil fuel and incremental fuel solutions.
- The need for an equitable transition, and the components that this entails, possibly including out-of-sector deployment of revenues raised from GHG/carbon pricing. This increases the chance of a consensus being achieved in the difficult MBM/carbon pricing topic, a key enabler of flowing investment for the transition.

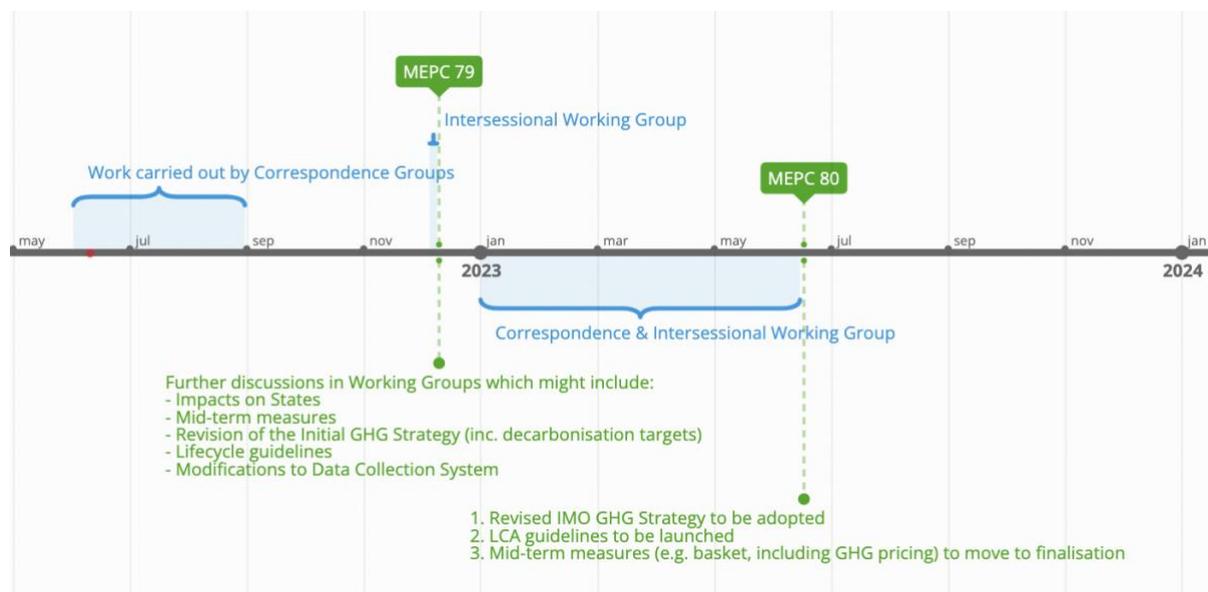
MEPC78 also accepted the outcomes from the two recent intersessional meetings (ISWG - GHG 11 and 12) that report into Committee. MEPC is the senior, decision-making body, formalising the conclusions of these meetings. Among other points, conclusions include:

- ISWG 11 – a commitment to develop a set of lifecycle guidelines. Draft guidelines already exist, which are based on using a well-to-wake framework (including production of fuels) to assess the GHG emissions and sustainability credentials of different fuel/tech solutions, but urgently need to be finalised
- ISWG 12 – including a commitment to develop a basket of policy measures, including GHG/carbon pricing, which based on current schedule could reach finalisation and agreement at the earliest around late 2023. For a more detailed read out of ISWG12, please see our report [here](#).

One change did occur to the next steps on Lifecycle guidelines. Instead of first being adopted at MEPC 79 as originally intended, they are now scheduled to be adopted at MEPC 80.

The meeting also clarified that IMRB/F will now no longer move forwards as a standalone short-term measure proposal (which would mean a chance for imminent implementation), having failed to build sufficient support, but it will be considered as part of the discussions around a basket of mid-term measures.

Assuming no further modifications to the schedule, this sets up MEPC 80 in summer 2023 to be a critical moment, when outcomes will clarify. Below is an overview of the policy timetable:



This is clearly a heavy workload for the Committee and the delegates, with a lot of overlapping, interacting and interdependent items that need to move forwards harmoniously. This creates risk that the work will not be completed on time, but also an opportunity to connect many of the different threads that make up ambition, action and equity together to enable a progressive, comprehensive, multilateral global package aligned to preventing temperature warming exceeding 1.5 degrees.

## 2 Revision of strategy

The Initial GHG Strategy, adopted in 2018, has been a key document to state the intent of IMO to take action on reduction of GHG emissions from ships. It guides the IMO in its policy work, giving an overall vision, ambition, set of principles and lists of candidate measures to consider amongst other things. At the point of adoption, it was projected to be revised in 2023, at MEPC 80 and MEPC 78 saw reconfirmation of that intent.

During the discussions the sections that were mentioned most include those on the targets for GHG reduction (at least a 50% reduction on 2008 baseline GHG emissions by 2050 in the current strategy document and subject to change during the revision), the guiding principles and impact on States, the alteration of which were discussed in relation to the need for a just, fair and equitable transition.

Approximately 70 member states made interventions to comment on what they wanted to see in the revised strategy. The Chair requested that members expressly comment on both the ambition/targets and the way the revision of the strategy could address points on equity/fairness

## 2.1 Ambition and targets

Of those that spoke at the meeting only about 20<sup>1</sup> members expressly did not support zero or net-zero by 2050 – or to put another way, as at MEPC77, there was a clear majority supporting either 1.5-alignment, phasing out GHGs or zero GHGs by 2050.

Of the minority who expressly did not support increasing ambition from the level in the initial strategy yet, the reasoning was that there was not, at this point, sufficient data/evidence to justify that this was feasible. Feasibility concerns raised include the availability of alternative fuels and technologies as well as the risks and impacts on states that any increase in ambition might create.

Encouragingly, there was a majority of countries supporting the use of interim targets or checkpoints (e.g. in 2030 and 2040), with a smaller group suggesting it was premature to do this, with the rationale given above.

## 2.2 Fair, just and equitable transition

Nearly all members expressed the need for a fair, just and/or equitable transition in the maritime/shipping sector.

However, differences remain on how Member States approach this subject, and what actions they recommend IMO should take to ensure an equitable transition. The importance of this topic is not only to ensure that the transition of the sector away from fossil fuel use is indeed equitable and fair, but also because a perception of fairness by a broad range of member states is critical for any IMO process to move forwards, given it is an organisation that makes decisions by consensus. Previous debates on GHG in the early 2010's and attempts to reach agreement on a Market Based Measure, were ultimately abandoned because they could not reach consensus. Without fairness, there is likely no furthering of ambition or policy in a meaningful way, and therefore a weak/slow transition.

At this point, fair, just and equitable are being used interchangeably. An expression also used is to “ensure no-one is left behind”, which is a UN 2030 Agenda principle. While there is no precise definition of what constitutes an equitable transition, some of the elements encompassing the broadest views that have been listed by Members, include, at the very least:

- Assessing and addressing, as appropriate, disproportionately negative impacts on States that arise from GHG policy measures
- Enabling access to new technologies and fuels in developing countries, particularly SIDS and LDCs
- Addressing finance and economic needs for wider mitigation and adaptation (sometimes referred to as out-of-sector spending), particularly in the most climate vulnerable, SIDS and LDCs

However, to specific members and indeed external stakeholders, the concept of an equitable transition will involve other additional components. This therefore remains an early stage in the discussion of these concepts, with few specifics or examples of how it might appear in practice. These three areas are non-exhaustive and is likely to evolve over the further IMO and off-IMO debates. Over the course of discussions which included equitable transition, the principle of CDRRC was raised, however the preference in the room seemed to be to keep these two concepts separate.

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<sup>1</sup> Numbers are given as approximate. Due to the length and complexity of interventions and technical/audio issue, it is not always possible to capture exact numbers.

### **3 ISWG – GHG 11 report – impacts on states and lifecycle guidelines next steps**

There was no major debate at MEPC on the report out of this meeting, so its recommendations to progress work on how impacts on states are assessed (including bringing in lessons from the assessment of the impacts of short-term measures) all stand. This includes an agreement on modifications to the assessment procedure that will need to be finalised by MEPC 79 (December 2022).

Draft lifecycle guidelines are being developed to clarify how IMO would calculate the GHG reductions achieved by different fuel/machinery options (e.g. fossil fuels, biofuels, and hydrogen and ammonia). At ISWG - GHG 11, they were proposed for first adoption at MEPC 79 (December 2022), but with the working arrangements and timescales of other GHG related items fully considered, they will now need to progress over a longer period and are scheduled to conclude at MEPC 80 (summer 2023).

### **4 ISWG – GHG 12 report – CII, IMRB/F and mid-term measures next steps**

The meeting heard a reiteration of calls for a number of additional exemptions and correction factors for the CII framework. In line with the way ISWG 12 concluded this issue, these will be further considered and some exemptions or correction factors may be included at the point when CII is revised, in 2025/6 but will not be included before that point.

The MEPC 78 formalised the intercessional group's report including some of the following conclusions:

- That the workplan adopted last year remains on track and is now moving to the next phase, the further development of policy measures to enable prioritisation and finalisation
- That the mid-term policy measures need to enable the transition of the sector away from the use of fossil fuels
- A basket of mid-term measures that should now be developed
- That basket should include a GHG/carbon pricing measure

One clear outcome was that the IMRB/F proposal is now off the table as a policy that can enter into force in the next three years. This is the policy proposal that applies a \$2 levy to the price of bunker fuel used with the generated revenues used to fund R&D projects. The policy could yet be adopted as part of the basket of mid-term measures, but this makes its entry into force sooner than 2025 impossible and raises a question as to the justification of this as a standalone measure and not, instead, to have its objectives and proposed revenue use integrated into the design of GHG/carbon pricing policy (given ISWG-GHG12 and now MEPC 78 has concluded positively on developing GHG/carbon pricing policy).

Whilst some may view this negatively, there was never broad agreement or a clear-cut case for IMO intervention on R&D spending, particularly if this delayed a more potent GHG-pricing policy that could also go beyond R&D spending to fund both deployment of zero emissions solutions and help enable an equitable transition. Further undermining the need for this proposal, it is also clear that currently (2022), a large number of trials and pilots are already progressing, enabled both by industry and national/regional government support. Given this, the fact it has not been adopted should be taken as a positive rather than a negative signal – as long as what follows on now is a more potent GHG pricing policy with an effective revenue use design.

For a more detailed read out of ISWG GHG12, please see our report [here](#).