



An overview of the discussions from IMO ISWG-GHG 15

Read out from UMAS

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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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Executive Summary

As the IMO moves to finalise its revised strategy at MEPC 80, even now, key details remain undecided. These include:

- The Levels of Ambition (LOA) for the Revised Strategy and in particular whether the Revised Strategy ambitions are aligned with a pathway that would limit global temperature increase to 1.5
- The commitment to a lifecycle coverage of the emissions, and avoidance of shifting emissions from sea to land
- Whether or not the Revised Strategy represents a commitment to a just and equitable transition
- When the mid-term measures might be adopted and enter into force

The drafting being forwarded to next week's negotiations include some further narrowing down of options, however there are still large ranges on key parameters for example the 2030 and 2040 interim GHG reduction targets (now proposed to be called 'indicative checkpoints'), for which the current leading proposal is a 20% GHG reduction in 2030 and 70% GHG reduction in 2040, likely on a well-to-wake (aka lifecycle) basis. If these numbers solidify in the strategy, it will not be possible to say the IMO's GHG reduction strategy is directly or transparently aligned with the 1.5 temperature goal.

The other key items that remain under debate include the shortlisting of the mid-term measures and the way equitable/fair/just transition is included and referenced in both the Revised Strategy and in relation to mid-term measures. Although there was significant and coordinated opposition to the levy proposals moving forwards for finalisation from MEPC 80, there was a majority who supported this to happen, and GHG pricing is currently on track to move forwards. There was also a majority supporting that the IMO's timeline for adoption of the mid-term measures is by 2025.

Next week, the adoption of the Revised Strategy at MEPC 80 marks a pivotal moment for the international shipping sector. The decisions made during the week will shape the transition to follow. As the eyes of industry members, climate organisations, shipping stakeholders and nations turn toward the IMO, it will be a critical moment for identifying how the collective Members show their commitment to addressing the climate crisis and to enabling a just and equitable transition that leaves no one behind.

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1 Introduction

The fifteenth Intersessional Working Group on Greenhouse Gases (ISWG GHG 15) that concluded on 30th June 2023, is the final working group meeting before the 80th session of the Marine Environment Protection Committee (MEPC) taking place on 3rd and 7th July 2023. MEPC 80 is a critical moment for the IMO because it coincides both with the adoption of a Revised GHG Reduction Strategy (Revised Strategy), as well as being the point that a set of policy measures key for enabling that strategy, move through to phase 3 - the stage that will see their finalisation. ISWG GHG 15 was tasked with three key aims;

1. Moving the draft revised IMO GHG strategy toward finalisation for adoption next week
2. Discussing the basket of mid-term measures that will drive shipping's GHG reductions and energy transition with a view to both progressing towards clarity on the basket itself and how this is expressed (and committed to) in the Revised Strategy.
3. Considering the draft LCA guidelines

This overview is structured accordingly with an additional section summarising the outcome and reflections for MEPC 80.

2 Revision of the Strategy

2.1 Nature of the debate

Much of the drafting and negotiation at previous meetings have not been able to close down several key elements. This has continued to be the case at ISWG-GHG 15. Even now, key details remain undecided until the final adoption of the Revised Strategy next week at MEPC80. These include:

- The Levels of Ambition (LOA) for the Revised Strategy and in particular whether the Revised Strategy ambitions are aligned with a pathway that would limit global temperature increase to 1.5.

- The commitment to a lifecycle coverage of the emissions, and avoidance of shifting emissions from sea to land
- Whether or not the Revised Strategy represents a commitment to a just and equitable transition
- When the mid-term measures might be adopted and enter into force.

The following content covers some of the key discussions which include: LOA and emissions scope (Section 2.2); The language to commit to a just and equitable transition which is connected to multiple parts of the strategy (Section 2.3); and follow up actions, which includes the proposed timelines for agreement and adoption of mid term measures (Section 2.4)

2.2 The Levels of Ambition and their scope

On the subject of Levels of Ambition, the room swiftly became divided on levels, timing, scope, and whether 2030 or 2040 Levels of Ambition would be mandatory or indicative. A summary of the main ambition 'formulations' and their support is shown in Table 1. below. Note, we have omitted carbon intensity proposals and focused on the proposals for overall absolute reduction due to these being the most environmentally relevant, alongside the fuels/energy uptake goal due to its relevance for the first mover/early stage of the transition.

Formulation	Number of supporters	Key considerations
37% total/overall/absolute reduction by 2030 96% total/overall/absolute reduction by 2040 Zero emissions by 2050 At least 5% uptake goal GHG and lifecycle (WTW) scope	~15 member states vocally supported these targets with a general openness to a higher fuel/energy uptake goal which was proposed by the EU in their submission. This group was composed of a diverse mix of developed and developing countries, in particular Small Island Developing States	These targets are derived from IPCC's guidance on the remaining GHG emissions before exceeding the 1.5 degree temperature goal. They are the most direct and transparent way to align the strategy to the science of the temperature goal.
29% total/overall/absolute reduction by 2030 83% total/overall/absolute reduction by 2040 Phase out emissions 2050 at the latest At least 10% uptake goal by 2030 GHG and lifecycle (WTW) scope	~16 member states vocally supported these targets with a cautious openness to 'net zero' wording if accompanied with a caveat explaining that this would not include the use of out of sector offsets. A 17th member state also aligned with these numbers on the caveat that they are not mandatory and preferred the term net zero This group (of 17) was composed of developed countries and two developing countries	These targets were derived from a report which reviewed 8 studies modelling decarbonisation pathways for the shipping sector and extracted the arithmetic mean for the GHG reductions estimated across the different studies.
No 2030 overall target given 80% overall reduction by 2040 Net zero by 2050	1 developed member state proposed this formulation in plenary	The derivations for the values, particularly the 2040 level are not clear.

<p>At least 5% uptake target of zero or near zero GHG fuels/tech by 2030</p> <p>GHG and lifecycle basis</p>		
<p>30% total reduction by 2030</p> <p>50% total reduction by 2040</p> <p>phase out by 2050</p> <p>At least 5% fuel uptake goal</p> <p>No clarity on if this coverage is lifecycle</p>	<p>1 developed member state proposed this</p>	<p>The derivations for the numbers are not clear.</p>
<p>50% total reduction by 2040</p> <p>phase out by 2050</p> <p>2030 fuel uptake goal of 5%,</p> <p>GHG and lifecycle scope</p>	<p>1 developed member state</p>	<p>The derivations for the numbers are not clear.</p>
<p>No 2030 total emissions reduction target given</p> <p>50% by 2040,</p> <p>net zero by 2050 at the latest</p> <p>2030 fuel uptake goal of at least 5%</p> <p>Unclear on if scope is lifecycle, GHG emissions scope</p>	<p>This formulation was voiced by around 3 member states, all developing countries (including one Small Island Developing Country)</p>	<p>The derivations for the numbers are not clear.</p>
<p>No proposal for 2030 or 2040 levels of ambition or support for proposals on the table.</p> <p>Aim for net zero GHG emission from international shipping around mid-century'</p> <p>No explicit support for fuel uptake goal.</p> <p>Mixed on lifecycle coverage</p>	<p>Around 16 member states vocally supported these positions and the mid-century formulation of ambition.</p> <p>All members of this group were developing countries</p> <p>Two members within this group explicitly called for the levels of ambition to apply only on a tank-to-wake basis with the rest of the group either silent on the issue or unclear.</p>	<p>The derivation for the position is not clear.</p>
<p>Net zero by 2050</p> <p>2030 fuel uptake goal of at least 5%</p> <p>GHG and lifecycle coverage</p>	<p>One developed country proposed this</p>	<p>The derivation for the position is not clear.</p>

Net zero by around mid-century 2030 fuel uptake goal of at least 5% GHG and lifecycle coverage	One developing country proposed this	The derivation for the position is not clear.
Support non-mandatory interim checkpoints Phase out emission by mid-century	One developing country vocalised this formulation without giving an indication of levels of checkpoints	The derivation for the position is not clear.
Mixed group with 2050 target Language varied between <ul style="list-style-type: none"> • Net zero • Decarbonization on 1.5 pathway • Phase out/zero 	Net zero: Four developing member states, with one specifically requesting out of sector offsets being part of the sector's transition Decarbonization on 1.5 pathway: Two member states Phase out/zero: One member state	The derivation for the position is not clear.
Unclear broad statements	Two developing member states made statements too broad to group with any other. This group included a SIDS.	

Table 1: Main ambition ‘formulations’ presented and their support

There are three key parts to this discussion, one is the actual levels set, one is whether they align with limiting shipping’s share of emissions to a 1.5 trajectory and the last is how the language is expressed.

The member states are divided on the numbers which leaves a question mark hovering over whether the strategy will be 1.5 aligned. They are also divided on how best to express the LOA, particularly whether the 2030 and 2040 reductions are levels of ambition, checkpoints or indicative checkpoints and whether to express the final ambition in terms of the numeric date of 2050, matching the ICAO language, or with the phrasing ‘around mid-century’ matching the language of the Glasgow compact. The ‘around mid-century’ option is seen by some to offer flexibility and by others to offer only ambiguity. On other language points, most convergence was on a GHG and lifecycle scope and on the expression zero- or near-zero GHG emissions for use defining the 2030 fuel/energy uptake target percentage.

The voices representing the shipping industry at the meeting supported various formulations, but largely emphasised the need for clarity and the value of interim levels of ambition, with one large industry association pointing out that if only a 2050 ambition is included, the sector will not make investment decisions now.

A Chair’s document was created, summarising his perception of the group’s overall position, and a specific language proposal from the Marshall Islands. Both will be forwarded to the MEPC 80 meeting and used for further discussions.

The ambitions stated in the chair’s paper, while clearly a strengthening from the initial strategy and a significant demand signal for the industry to respond to, remain short of an alignment that would limit international shipping to a proportionate contribution to avoiding exceedance

of the 1.5 degree temperature goal. This was pointed out by a number of developing and developed countries during the review of chair's paper. The alignment to 1.5 appears to have been lost in the compromise of the multilateral process. The levels of ambition in the additional paper submitted by the Marshall Islands are directly and transparently aligned to the 1.5 degree temperature goal.

A positive signal from the discussion is that there was an overwhelming majority in favour of a GHG and lifecycle scope for the levels of ambition.

2.3 Just and Equitable Transition in the revised strategy

For many meetings now, Member States have repeatedly stated their support for a transition that is just, equitable, fair and inclusive (or some combination thereof). These concepts transcend both the revised strategy and the midterm measures debates. As such, there were indications in every day's discussions during ISWG-GHG 15 relevant to the role these terms may play in the finalisation of the strategy and measures.

Though still sometimes still conflated, these terms have largely amassed the following understanding:

- A just transition relates to the safety, training and skilling of workers in the transition and the provision of dignified work, which within the negotiations focuses on seafarers.
- An equitable transition acknowledges that countries, in particular climate vulnerable countries, are going to bear a burden of both climate impacts and the impacts from mitigation measures and policy should be designed to minimise and address these impacts while also supporting access to sustainable development opportunities and benefits provided by the coming energy transition for ships.
- A fair transition relates to decision-making and governance processes and requires all members to be able to access these pivotal processes and represent their interests.

Regarding inclusion of this terminology in the revised strategy, there were proposals for inclusions in Sections 2 (Vision), 3 (both in Levels of Ambition and Guiding Principles), Section 4 (Measures) and 5 (Barriers).

In the discussion of the Vision section a large majority expressed either flexibility to include these terms or outright and full support. In the discussion of Guiding principles the Chair concluded that the section would not be reopened and would remain as it was for the Initial Strategy having served the Organisation well. In the discussion of measures, many member states referred to the need for an equitable/fair/just transition (e.g. some combination of the terminology) and used this to justify various recommendations for a particular measure or a particular design feature of a measure (e.g. the use of revenues from a levy).

Despite repeated and overwhelming support for the inclusion of these terms in one way or another, by day 4 the references had been whittled down to just one point in section 5. In the chair's paper moving through to next week, there is drafting for possible inclusion of reference to a "just and equitable transition" in Section 2, Section 4 and 5. In the paper from the Marshall Islands, the drafting is also added in Section 3 (explicitly defined ambitions for equitable transition).

2.4 Follow up actions and the timelines for midterm measures

The Members states were unified on two points concerning follow up action and divided on two others. They unified around the value of a 5th IMO GHG study, with its exact initiation pending further discussion. They were also unified that the table of follow up actions should include key milestones, without going to a level of detail that would constitute a work plan.

The division between the member states was related to proposed dates for adoption and implementation of mid-term measures and the timing and process of the companion comprehensive impact assessment of measures. Not every delegation that took the floor to speak on this gave proposed dates for these.

Prior to the session, an EU submission proposed adoption of mid-term measure by 2025 and entry into force no later than January 2027. In addition to the 27 coordinated countries who hold support for this timeline being inserted into the strategy, around 19 member states from developed to developing economies and SIDS took the floor to support such a timeline. Thus, a very diverse majority of 46 member states support this timeline, also backed by some major industry associations who feel that such a timeline is not only feasible but would unlock the transition investment needed.

For those who could not support these timelines the concerns centred around rushing the comprehensive impact assessment, leading to a shortage or inaccuracy of data modelling or capturing potential disproportionately negative impacts on states from measures. The chair's paper's relevant content on timelines captures the view of the majority going into MEPC 80.

3 Discussion of the Basket of Mid-term Measures and Comprehensive Impact Assessment

The discussion of the basket of mid-term measures took the entirety of day three. The aim of the discussion was to answer a series of questions posed by the chair, covering such aspects as:

- A. Whether the convergence of support for the Global Fuel Standard (GFS) could serve as a basis to recommend to the committee further development of a goal-based fuel/energy standard mandating phased reductions in ship's carbon intensity as the technical element as part of the basket of mid-term measures
- B. Whether the group of member states are in a position to recommend a type of economic element to proceed or, noting divergence of views, require further flexibility on progress of this element, both generally and specifically in the language of the strategy
- C. How to take forward the LCA guidelines in conjunction with the measures
- D. What elements are important for consideration in phase 3 (the finalisation phase)
- E. Whether the group were in a position to recommend a single measure, combination of two measures or a combined measure (i.e. a measure with both technical and economic elements within a singular system)
- F. Whether the group of members are ready to request the initiation of the comprehensive impact assessment to the Committee at MEPC80

The discussion also covered the timing of proposals to be adopted and enter into force. The positions in relation to this have already been summarised in Section 2.4. This section will summarise the negotiations in relation to each of those points.

On points A, B and E, the essence of these debates was to further crystallise the basket of measures by identifying which were favoured by different states and groups of states. At the beginning of this discussion, a proposal was made by a developing country to identify favourable elements of existing proposals and forward these for the development of a new measure rather than choosing between tabled options. This suggestion was supported by around 17-21 member states while 49 member states did not support this suggestion.

Table 2 below gives an overview of the positions taken on specific proposal types or elements.

Measure Preference	Number of vocal supporters
Global Fuel Standard as the technical element and a Global Levy as the economic element	31 Member states and 4 observer organisations including industry associations supported (This includes some EU speakers however not all EU speakers take the floor so the number will be higher when counting silent but coordinated EU states)
Global Fuel Standard as the technical element and a per tonne emissions pricing system as the economic element (similar to above but without the terminology of levy)	4 Member States and 1 industry association observer supported
Global Fuel Standards as the technical element and a Feebate system as the economic element	1 Member State supported
Global Fuel Standard as the technical element and an economic element without specifying type of economic element	4 Member States and 1 industry association
Global Fuel Standard as the technical element, IMSF&F proposal from China as the economic standard. Exclude Levy option from basket	1 Member State
Support IMSF&F proposal from China Exclude Levy option from basket	10 Member States
Did not express a measure preference other than excluding a Levy from the basket	7 Member States
Supported a Global Fuel Standard as the technical element, did not explicitly support a levy or economic element but did reference revenue and potential purposes	2 Member States
Unspecific on technical element but levy as economic element preferred	1 Member State
Could support either Global Fuel Standard or IMSF&F proposal from China as the technical element and for the economic element support IMSF&F proposal from China	1 Member State
Spoke only in terms of supporting a technical and economic element being part of the basket	1 Member State, 1 industry association
Unclear on preference	4 Member states

Table 2: Specific proposal types or elements and their support

In summary, 36 Member States favoured a Levy or per tonne pricing system to go forward, while 18 Member States preferred to exclude a Levy from the finalisation of the basket. As with previous meetings there was widespread support for goal-based technical measures that were technology neutral and were based on the GHG intensity of the fuel. EU countries' GFS

proposal was noted as the most mature with the highest level of support. A significant number of Member States pointed out that combining the GFS with a levy or per tonne pricing system would constitute a basket of mutually reinforcing elements and, many pointed out, one that could be capable of supporting a just, fair and equitable transition.

On discussion point C, the majority supported the incorporation for the LCA guidelines with the finalisation of the basket of mid-term measures which should mean that the mid-term measures currently under development are designed for reductions within a lifecycle GHG emissions scope.

On point D elements that are likely to form part of the development of the basket of measures up to the point of finalisation included:

- the capacity of the basket to reduce GHG emissions,
- the ability of the basket to close the price gap between current fuels and zero and near zero GHG fuels,
- the extent to which the basket drives a fuels/energy switch and how it supports first movers,
- the extent to which the basket drives investment and uptake of energy efficiency technology,
- the extent to which the basket disproportionately negatively impacts states,
- the extent to which the basket can ensure an environmentally effective, just and equitable transition and
- the basket's overall complexity, administrative burden and the integration of the elements within the basket.

As the finalisation of an economic element remains a likely outcome at MEPC 80, there will also probably need to be further discussion on revenues, how they are collected, managed and disbursed.

On point F, the group was split on whether they were ready to recommend the initiation of the Comprehensive Impact Assessment at MEPC 80. A majority supported this, with the intention of at least starting the administrative work e.g. by establishing a Steering Committee.

In terms of outcome on measures, the member states continue to move towards the crystallisation of a basket of measures generally and specifically with regards to the revised strategy, the progress so far has been represented by this language.

4 Concluding remarks

Next week, the adoption of the Revised Strategy at MEPC80 marks a pivotal moment for the international shipping sector. The decisions made during the week will shape the transition to follow. As the eyes of industry members, climate organisations, shipping stakeholders and nations turn toward the IMO, it will be a critical moment for identifying how the collective Members show their commitment to addressing the climate crisis and to enabling a just and equitable transition that leaves no one behind.