

New proposal urges governments to ‘bite the bullet’ to meet net-zero 2050 targets

- To help achieve net zero shipping emissions by 2050, shipping industry joins Bahamas and Liberia in comprehensive [new proposal](#) to IMO, for an annual greenhouse gas (GHG) emission fee.
- Revenue generated will support feebate (rewards) programme to incentivise accelerated production and uptake of zero/near-zero GHG marine fuels, plus a separate IMO Fund to be allocated billions of dollars annually to support maritime GHG reduction efforts in developing countries.
- ICS emphasises that delivery of IMO GHG reduction targets for 2030, 2040 and 2050 will only be plausible if governments ‘bite the bullet’ and adopt a maritime GHG emission pricing mechanism in 2025 for global implementation in 2027.

12 August 2024, London, UK: The International Chamber of Shipping (ICS), working with the governments of Bahamas and Liberia, has presented a [comprehensive new proposal](#) to ensure delivery of the ambitious UN International Maritime Organization’s (IMO) target to achieve net zero greenhouse gas (GHG) emissions from international shipping by or around 2050.

At the heart of the [proposal](#) is a GHG Fee, charged to ships per tonne of CO₂ equivalent (CO₂e) emitted, combined with a “feebate” mechanism to incentivise the accelerated production and uptake of zero/near-zero GHG marine fuels, such as green ammonia, hydrogen and methanol, sustainable biofuels, and new technologies such as on-board carbon capture.

While the principal purpose of the proposed maritime GHG pricing mechanism is to narrow the significant cost gap with conventional marine fuels, around US\$2.5 billion per year would also be allocated to an “IMO Net Zero Shipping Fund” to support maritime GHG reduction efforts in developing countries. This is to help ensure that shipping’s transition to net zero will be truly global and that green fuels will be available in all ports worldwide.

ICS takes no view on the quantum of what the GHG Fee should be, which would depend on the reward rate agreed per tonne of GHG emissions prevented by the use, by ships, of zero/near-zero GHG energy sources. But if, for the first five years of implementation, IMO sets the reward rate at about US\$100 per tonne of CO₂e prevented (including upstream emissions), the proposal suggests that a GHG Fee initially equivalent to about US\$60 per tonne of conventional fuel oil consumed by ships could be sufficient to achieve the purposes of the measure.

The primary objective of the proposed IMO “mechanism” is to accelerate the production and uptake of new green marine fuels by reducing their cost disadvantage, with feebates (rewards) being disbursed to ships for the CO₂e emissions prevented by not using conventional fuel oil.

GHG fees will be collected, and feebates disbursed, via a web-based automated IMO “mechanism”, the [prototype](#) for which ICS has already developed and submitted to IMO.

From the revenue generated from the GHG fee, an amount equivalent to 20% of the revenue allocated to support the feebate programme will be transferred annually to the newly proposed IMO Net Zero Shipping Fund, with this proportion subject to adjustment within five years of entry to force.

ICS Secretary General, Guy Platten comments:

“A GHG pricing mechanism using a flat rate GHG fee and a feebate element will be vital to bring about the rapid development and uptake of green marine fuels. To incentivise the production and use of green marine fuels our proposal includes a carefully thought out feebate mechanism, which is fuel neutral, to incentivise prevention of up to 100 million tonnes of GHG emissions per year during the first five years. This will help de-risk investment decisions and enable shipping to rapidly reach a “take-off” point in the use of green marine fuels, something which is needed urgently as their current availability is virtually zero.”

Guy Platten further explained:

“It is time for governments ‘bite the bullet’. Unless a distinct GHG pricing mechanism and feebate programme are included in the IMO regulations adopted next year, we genuinely fear that shipping’s transition to net zero by or around 2050 will be unlikely to succeed.”

ICS Deputy Secretary General added:

“In addition to the implications for the achievement of United Nations climate change goals, any failure to agree a flat rate GHG Fee applicable to all ships globally would also lead to a proliferation of piecemeal, unilateral GHG charges being applied to shipping worldwide – regionally and/or nationally – with regulatory chaos, economic inefficiency, the risk of supply shocks and disruption to seaborne trade, and damage to IMO’s authority as shipping’s global regulator.

In the view of ICS, a maritime GHG emission pricing mechanism means all ships should contribute GHG fees equally on the basis of their actual GHG emissions, consistent with fair competition and the ‘polluter pays’ principle.”

The latest proposal from Bahamas, Liberia and ICS, will be discussed at the next round of IMO negotiations, which resume in London on 23 September, to develop a new package of mid-term GHG reduction regulations for international shipping, for adoption by governments in 2025.

The full submission to the IMO is available [here](#).

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Notes to Editors:

In addition to setting out the regulatory architecture for a maritime GHG emissions mechanism, including the collection of GHG Fees and the disbursement of “feebates” for the use of green marine fuels, the joint submission to IMO suggests how this can be linked with a fuel standard for the aggressive reduction of the GHG intensity of marine fuels as part of an integrated “IMO Net Zero Framework”. Ships will pay a GHG Surcharge Fee for the emissions that result from any under-compliance with the fuel standard, to be collected annually via the GHG emissions pricing mechanism in addition to the GHG Fee per tonne of CO₂e emitted.

ICS has already developed a web-based prototype to show how the fully automated contribution and reward system will work which can be seen here: [Combined sets - ZESF Prototype 2024 \(figma.com\)](#)

As part of its revised GHG Strategy adopted in 2023, all IMO Member States have already unanimously agreed to ambitious GHG reduction goals for international shipping. These include net zero emissions by or close to 2050, 5% to 10% of the energy used by international shipping to come zero/near-zero GHG sources by 2030, and an absolute cut in total GHG emissions from the sector, regardless of trade growth, of between 70% and 80% by 2040.

About ICS

The International Chamber of Shipping (ICS) is the principal international trade association for merchant shipowners and operators, representing all sectors and trades and over 80% of the world's merchant fleet - www.ics-shipping.org