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NOTE

From:	General Secretariat of the Council
To:	Working Party on Shipping
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Subject:	18th session of the Intersessional Working Group on reduction of GHG emissions from ships (ISWG-GHG 18), (London, 17 – 21 February 2024) - Additional/modified draft positions for the Non-paper drafted to facilitate co-ordination between the EU Member States and the Commission

Delegations will find attached a document from the Commission with additional or modified draft positions in view of ISWG-GHG 18.

Council of the European Union

Brussels, 11 February 2025
(OR. en)

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Delegations
Subject:	18th session of the Intersessional Working Group on reduction of GHG emissions from ships (ISWG-GHG 18), (London, 17 – 21 February 2024) - Non-paper drafted to facilitate co-ordination between the EU Member States and the Commission

Delegations will find attached a non-paper from the Commission drafted to facilitate co-ordination between the EU Member States and the Commission in respect of the subject mentioned above, **revised in light of the discussions at the EU coordination meetings on 6 and 11 February 2025** [1] [2].

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[1] It is the intention of the Presidency to ensure the necessary co-ordination of the Member States' positions on the spot on the basis of the discussion of this paper.

[2] [redacted]

ANNEX

NON-PAPER
ON THE POSITION OF THE UNION FOR
the 18th session of the Intersessional Working Group on
reduction of GHG emissions from ships (ISWG-GHG 18)

(17 - 21 February 2025)

The annotated agenda is presented to the Council with the view to establishing the EU positions on agenda items for the 18th session of the IMO Intersessional Working Group on reduction of GHG emissions from ships (ISWG-GHG 18). This document lists all received documents on issues of EU relevance[3].

The comments by the Commission are printed in *italics*. The proposed position of the Union is printed in ***bold italics*.**

Should Member States wish to express a position on matters not covered by the Union position, in accordance with the principle of loyal cooperation they shall refrain from any measure that may jeopardise the attainment of the Union's objectives.[4] [5] [6] [7]

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3 Based on documents received up to 21 January 2025.

4 Member States urge the Commission to use agreed and long-established wording for the EU coordination documents, including the initial paragraphs of IMO coordination non-papers, namely: "Non-restrictive list of items for which EU, common or coordinated positions could be established. This document lists all received documents. The Commission suggests focussing the discussion on the proposed positions and on the consideration of support to submissions by another EU or EEA State as fellow EU/EEA Member State. This does not exclude the discussion of any other item on the agenda, if explicitly requested by an EU/EEA Member State or the Commission."

5 Reservation: all delegations (pending the outcome of discussions on IMO – EU coordination procedural matters within the framework of the SWP in Brussels).

6 At BLG 17, the Commission and the Council Secretariat informed the EU Member States' delegations about emerging changes resulting from the adaptation to the requirements of the Lisbon Treaty to the EU IMO coordination process and the scope of EU competence over issues addressed in IMO. Many delegations expressed serious concerns about these changes, including their immediate effect on the current and upcoming EU-IMO coordination exercise(s), and requested the Commission to clarify and elaborate these changes in writing for further consideration. Consequently, the following delegations entered a reservation or a scrutiny reservation against EU competency claims in this document and the procedural changes until their further clarification:
Scrutiny reservation: ES, FI, FR, IT, PL.
Reservation: BE, CY, DE, DK, EL, MT, NL, SE.

7 The Commission considers the matter of EU coordination sufficiently clear, based on existing Treaty provisions and extensive discussions and written exchanges within the Shipping Working Party which took place during the first half of 2013. It therefore does not see the need of the above footnotes and requests the matter to be resolved by the Council.

Agenda item 1 – Adoption of the agenda

Docs: ISWG-GHG 18/1

ISWG-GHG 18/1 (Secretariat): includes the provisional agenda for ISWG-GHG 18.

EU relevance

All the agenda items at this session deal with GHG emissions by international shipping on which the Union has acquired exclusive competence, as evidenced by the adoption of various legal instruments and policies:

i. *In April 2015, the European Parliament and the Council adopted Regulation (EU) 2015/757 to establish the legal framework for an EU system to monitor, report and verify (MRV) CO2 emissions and energy efficiency from shipping. The regulation aims to deliver robust and verify CO2 emissions data, inform policy makers and stimulate the market up-take of energy efficient technologies and behaviours by addressing market barriers such as the lack of information. This Regulation entered into force on 1 July 2015. It was amended in May 2023 to provide for the inclusion of maritime transport activities in the EU Emissions Trading System and for the monitoring, reporting and verification of emissions of additional greenhouse gases and emissions from additional ship types. Related delegated Commission regulations on verification and accreditation of verifiers and on the refinement of monitoring methods were adopted on 22 September 2016. Two additional implementing regulations on cargo parameters and templates were adopted by the Commission on 4 November 2016. The EU MRV Regulation provides for emission factors for fuels on board. Following the revision of Regulation (EU) 2015/757, several implementing and delegated acts were adopted in 2023 to spell out detailed rules and allow for a timely inclusion of the emissions from maritime transport within the EU ETS.*

ii. *The Renewable Energy Directive (2009/28/EC), in its 2018 revision (RED II - Directive 2018/2001/EU), establishes an overall policy for the production and promotion of energy from renewable sources in the EU. It defines a new binding renewable energy target for the EU for 2030 of at least 32%, with a clause for a possible upwards revision by 2023 – to be achieved through the attainment of individual national targets. More recently, on 31 October 2023, as part of the Fitfor55 initiative (addressed further below), a new RED revision was published (RED III – Directive 2023/2413) containing an augmented binding target of at least 42.5% by 2030, but aiming for 45%. Regarding the use of renewable energy in the Transport Sector, Member States have 2 options: 1) A binding target of a 14.5% reduction in greenhouse gas intensity from the use of renewables by 2030 or, alternatively, 2) A binding share of at least 29% of renewables within the final energy consumption of the transport sector by 2030. Specific multipliers of 1,2 and 1,5 are set in order to incentivise the supply of advanced biofuels/biogas, and green synthetic fuels for Maritime Transport, respectively. Article 25(1) RED II sets out that "Member States with maritime ports shall endeavour to ensure that as of 2030 the share of renewable fuels of non-biological origin in the total amount of energy supplied to the maritime transport sector is at least 1,2 %."*

iii. *Directive (EU) 2018/410 on enhancing cost-effective emission reductions and low-carbon investments mandates the EU to review the progress achieved in the IMO towards an ambitious emission reduction objective, and on accompanying measures to ensure that the sector duly contributes to the efforts needed to achieve the objectives agreed under the Paris Agreement.*

iv. *In the Climate Diplomacy – Council Conclusions of 18 February 2019, the EU also calls on the IMO to implement its initial greenhouse gas emission strategy consistent with the temperature goals of the Paris Agreement.*

v. *The Communication on the European Green Deal of 11 December 2019 states that greenhouse gas emissions from shipping need to be reduced and that actions by the EU to achieve this should be coordinated with the IMO.*

vi. *The Smart and Sustainable Mobility Strategy of 9 December 2020 calls for the EU to strive at IMO for high standards, including in the field of safety, security, and environmental protection, notably climate change. Its accompanying Action Plan includes actions to foster development of energy efficiency and alternative fuel measures at IMO and to put forward market-based measures for shipping at IMO.*

vii. *In line with the European Union's commitment to global climate action under the Paris Agreement, the EU decided to become a climate-neutral economy by 2050, by enacting the European Climate Law (Regulation 2021/1119). This objective is at the heart of the European Green Deal and the Climate Law aims to keep the global temperature increase to well below 2°C and pursue efforts to keep it to 1.5°C. The Climate Law also addresses the necessary steps to get to the 2050 target, including the new EU target for 2030 of reducing greenhouse gas emissions by at least 55% compared to levels in 1990. To achieve these ambitious levels of reduction, all sectors of the economy will need to contribute, including shipping.*

viii. *On 14 July 2021, the Commission adopted the Fit for 55 package of proposals to reduce GHG emissions to deliver on the 2030 climate target under the EU Green Deal. The package included a number of Commission's proposals that specifically target the shipping sector, such as the revision of the EU Emission Trading System (ETS) to include the maritime transport sector (and the corresponding amendments to the EU MRV Regulation) but also the FuelEU Maritime proposal, which focuses specifically on the use of renewable and low-carbon fuels in the maritime sector and mandates the uptake thereof by ships calling at EU ports.*

ix. *On 25 of April 2023 the revised ETS Directive has been adopted. The EU ETS Directive includes the emissions from bigger ships (above 5000 gross tonnage) into EU's Emissions Trading System. As of 1st January 2024 those ships are facing a price on CO2 emissions starting with surrendering obligations of 40% of emissions reported for 2024, 70% of emissions reported for 2025 and 100% of emissions reported from 2026 and beyond. Emissions from voyages from and to non-EU are priced in 50%. The revised ETS Directive includes clauses to review this legislation subject to several criteria, should the IMO adopt a global market-based measure to reduce the emissions from the maritime sector.*

x. *On 23 September 2023, the FuelEU Maritime Regulation was adopted (Regulation 2023/1805) requiring all vessels larger than 5000 GT used for commercial purposes, irrespective of their flag, to meet annual target reductions for GHG intensity of the energy they use on board (2025 – 2%, 2030 – 6%, 2035 – 14.5%, 2040 – 31%, 2045 – 62%, 2050 – 80%). The regulation is technology neutral as different compliance strategies are available to reduce the carbon intensity of the energy used and meet targets and, in addition, for the first time, in the regulatory framework for shipping, a "Well-to-Wake" life-cycle assessment methodology is established for the evaluation of GHG emissions form marine fuels. Default Emission factors are defined, for both Well-to-Tank (WtT) and Tank-to-Wake (TtW) emissions, including values for slippage emissions from use of dual-fuel gas engines. A GHG marine fuel certification framework is defined, based in RED sustainability criteria and certification. In addition, container and passenger ships, when at berth, are required to connect to onshore power supply (OPS) in all ports covered by the Alternative Fuels Infrastructure Regulation (AFIR) as from 2030 and in all other ports which decide to install OPS as from 2035 – to reduce air pollution in port areas.*

Member States are to express the Union position on those agenda items, acting in the interest of the Union and pursuant to the principle of sincere cooperation.

Background

MEPC 82 had approved, and Council 133 endorsed, the holding of the eighteenth and nineteenth meetings of the Intersessional Working Group on Reduction of GHG Emissions from Ships (ISWG-GHG 18 and ISWG-GHG 19). The ISWG-GHG 18 meeting will be held in person from 17 to 21 February 2025 and the two-day ISWG-GHG 19 meeting will be held in person on 31 March and 1 April 2025.

ISWG-GHG 18 and 19 were instructed, taking into account relevant submitted documents, including the findings of the comprehensive impact assessment of the basket of candidate mid-term measures as appropriate, the discussions of the Expert Workshop (GHG-EW 6)2 on the Further development of the basket of mid-term measures, and relevant documents submitted to MEPC 83 as well as to previous sessions, to further consider the development of the basket of candidate mid-term GHG reduction measure(s), as well as to further consider the development of the IMO Life Cycle GHG Assessment (LCA) framework.

MEPC 82 also agreed that all ISWG-GHG submissions should be made to ISWG-GHG 18, and a written report of the outcome of that meeting should be submitted to MEPC 83 for consideration. MEPC 82 further agreed that the outcome of ISWG-GHG 19 should be reported to the Committee as part of the report of the Working Group on Reduction of GHG Emissions from Ships to be established at MEPC 83, with a view that the Working Group could be released as early as possible at the beginning of MEPC 83.

Agenda item 2 – Further consideration of the development of the basket of candidate mid-term GHG reduction measure(s), using annex 1 to document MEPC 82/WP.9 as the basis

Docs: ISWG-GHG 18/2, ISWG-GHG 18/2/1-22, MEPC 83/7, MEPC 83/7/2, MEPC 83/7/4.

ISWG-GHG 18/2 (Secretariat): provides in the annex a draft consolidated version of MARPOL Annex VI, prepared by the Secretariat with the sole purpose of facilitating the further development of candidate mid-term GHG reduction measures and the inclusion of possible draft amendments to MARPOL Annex VI on the "IMO net-zero framework".

ISWG-GHG 18/2/1 (Japan): At MEPC 82, one of the similarities among all current proposals was the introduction of a GHG Fuel Standard (GFS). It was noted and agreed that the reduction factor (Z factor) would be one of the key elements of the GFS mechanism. This document provides possible Z factor reduction trajectories, which will meet the goals set by the 2023 IMO GHG Strategy, as results of simulations.

ISWG-GHG 18/2/2 (Japan): At MEPC 82, there was a general convergence of views on the equation dedicated to the calculation methodology for the attained annual GHG Fuel Intensity (GFI) which is a key component of the GHG Fuel Standard (GFS) mechanism. This document provides comments on several of the remaining issues regarding the equation for the development of a more streamlined text.

ISWG-GHG 18/2/3 (Republic of Korea): identifies key issues pertaining to the technical and economic elements of the mid-term measures under the IMO Strategy for the reduction of GHG emissions from ships and offers additional considerations to support the timely completion of the amendments to MARPOL Annex VI concerning mid-term GHG reduction measures for their adoption at MEPC 83.

ISWG-GHG 18/2/4 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands (Kingdom of the), Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the European Commission): At MEPC 82 there was broad support to establish a new fund or facility under the remit of IMO that would carry out collection, management and disbursement of collected revenues as essential functions for the basket of candidate mid-term measures. This document sets out priorities, timelines and recommendations for the effective and timely development of provisions for the fund. Core provisions for the fund should be adopted in MARPOL Annex VI in order for the fund to be legally established and for the Board of Governors to be appointed in 2027. Complementing Terms of reference (ToRs) for the fund should be adopted by the time of entry into force of the measures. It is suggested to develop the ToRs in guidelines in order to ensure the timely functioning of the fund.

ISWG-GHG 18/2/5 (Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Latvia, Liberia, Lithuania, Luxembourg, Malta, Marshall Islands, Netherlands (Kingdom of the), Nigeria, Poland, Portugal, Romania, Slovakia, Slovenia, Solomon Islands, Spain, Sweden, United Kingdom, European Commission and ICS): Some of the proponents of a GHG levy/contribution put forward a consolidation of their proposals during MEPC 82, which was seen as a work in progress by the Working Group on Reduction of GHG Emissions from Ships. Proponents of the GHG levy/contribution have continued their efforts intersessionally to prepare consolidated draft text, as amendments to MARPOL Annex VI for approval at MEPC 83, which is annexed to this document. The Working Group is requested to note the broad agreement/support for the need of a GHG levy/contribution as an indispensable element in the IMO "net-zero framework", as demonstrated by the list of co-sponsors. The document calls for the use of the annex as a base document to continue integrating proposals for an economic element.

ISWG-GHG 18/2/6 (Belize, Fiji, Jamaica, Marshall Islands, Palau, Seychelles, Solomon Islands, Tonga, Tuvalu, Vanuatu and ICS): In support of document ISWG-GHG 18/2/5 (Austria et al.), this document elaborates on rationale in support of Option 1 in paragraph 9, regulation X [Distribution of revenue] as set out in annex to document ISWG-GHG 18/2/5, and explains how revenue disbursement purposes, as set out in this option, are required to achieve the goals and objectives of the 2023 IMO GHG Strategy, including ensuring a just and equitable transition (JET) that leaves no Member State, and no seafarer behind. These purposes are vitally necessary and must also be determined by their ability to ensure a JET which recognizes and addresses disproportionate negative impacts, as well as climate impacts on the most climate vulnerable Member States, and that the maritime workforce, including seafarers, receives the support required so that the transition to phase out GHG emissions is truly global in nature.

ISWG-GHG 18/2/7 (ICS): In support of the consolidated proposal for draft amendments to MARPOL Annex VI set out in document ISWG-GHG 18/2/5 (Austria et al.), this document contains a link to an updated prototype for a web-based and fully automated maritime GHG emissions pricing mechanism, to be administered by the proposed IMO GHG Strategy Implementation Fund, for calculating and collecting annual GHG levy/contributions from ships per tonne of CO2e emitted and for calculating and disbursing rewards to ships for CO2e emissions prevented by the use of eligible zero or near-zero GHG emission technologies, fuels and/or energy sources (ZNZs).

ISWG-GHG 18/2/8 (CSC): examines the implications of incorporating an $fvoy$ correction factor and adopting the adjusted tank-to-wake (TtW) GHG accounting methodology under the Global Fuel Standard (GFS) as proposed in document ISWG-GHG 17/2/7 (Angola et al.). Instead, this document underscores the importance of maintaining the integrity of the GFS by avoiding correction factors that could narrow its scope. Ensuring that the required GFIs are based on a complete well-to-wake (WtW) GHG emissions accounting system will also guarantee a level playing field among fuel types and avoid the need to make the "Z factors" even more stringent to compensate for otherwise unabated emissions. Lastly, this document argues that sufficiently priced Remedial Units (RUs) are needed to ensure that the uptake of alternative fuels remains the most cost-effective option for compliance with the GFS and sets out a methodology to estimate the minimum necessary prices to do so.

ISWG-GHG 18/2/9 (Republic of Korea): provides additional information on the Fund that will manage the revenue generated by the IMO mid-term measures, following the document submitted by the Republic of Korea to ISWG-GHG 17. This document also proposes the essential organizational structure and revenue stream necessary for the operation of the Fund.

ISWG-GHG 18/2/10 (India): suggests a possible way forward to bridge the different proposals for economic measure(s) to ensure availability of adequate funds for incentivizing a swift fuel transition of international shipping at the lowest possible cost and burden.

ISWG-GHG 18/2/11 (China, South Africa and United Arab Emirates): proposes modifications to the draft amendments to MARPOL Annex VI regarding the IMO net-zero framework, as set out in annex 1 to document MEPC 82/WP.9, specifically focusing on key elements of the International Maritime Sustainable Fuels and Fund (IMSF&F) mechanism. The proposed changes aim to bridge differences among various positions and explore potential landing zones, contributing to the development of the IMO net-zero framework.

ISWG-GHG 18/2/12 (China and United Arab Emirates): aims to enhance understanding of key elements of the International Maritime Sustainable Fuels and Fund (IMSF&F) mechanism that supports the development of the IMO net-zero framework. Through comprehensive analysis of tank-to-wake (TtW) GHG fuel intensity (GFI) indicators, GFI targets (Z factors), pricing methods for Surplus Units (SUs) and Remedial Units (RUs), rewards for eligible zero or near-zero GHG emission technologies, fuels and/or energy sources (ZNZs), and potential funding sources beyond RU revenues and donations, this document demonstrates how this integrated mechanism effectively addresses both technical and economic objectives without requiring a separate flat GHG levy.

ISWG-GHG 18/2/13 (China): presents excerpts from a study on candidate mid-term GHG reduction measures led by a Chinese research team, analysing areas of consensus, points of contention, and potential landing zones. The goal is to help stakeholders understand the ongoing progress of the development of mid-term measures and support policymakers in making informed decisions while developing the IMO net-zero framework.

ISWG-GHG 18/2/14 (China): taking into account the characteristics and application scenarios of semi-submersible vessels, and the impact on shipping capacity thereof by the mid-term measures, suggests that the implementation of chapter 5 on "Regulations on the net-zero framework" of MARPOL Annex VI be temporarily suspended for semi-submersible vessels until the review is completed.

ISWG-GHG 18/2/15 (IMarEST): looks at the specifications of mid-term measures needed to effectively promote international shipping's energy transition, particularly in the context of the 2023 IMO GHG Strategy objective for 5 to 10% of the energy used by shipping to come from Zero and Near-Zero (ZNZ) GHG emission fuels by 2030. This document considers evidence produced for IMO's Comprehensive Impact Assessment (CIA), as well as wider literature, to identify both MARPOL amendment modifications, and specifications of ZNZ and ZNZ reward that would be required to ensure the objective of effectively promoting international shipping's energy transition.

ISWG-GHG 18/2/16 (EDF): To maximize efficiency and fulfil its commitments made in the 2023 IMO Strategy on Reduction of GHG emissions from Ships (2023 IMO GHG Strategy), the Organization could leverage existing climate finance mechanisms alongside any IMO managed disbursement of revenues. These established Funds have a proven track record in managing large-scale funding for mitigation, adaptation, and capacity-building and are well-equipped to address the disproportionate negative impacts on vulnerable regions, including SIDS and LDCs, contributing to a just and equitable transition (JET). The Organization could maintain oversight on any portion of total revenues channelled through these mechanisms, thus accelerating resource deployment, enhancing equity, and delivering transformative outcomes for the shipping industry. This submission underscores the value of collaboration with existing structures to ensure the Organization achieves its ambitious decarbonization and JET goals effectively.

ISWG-GHG 18/2/17 (Brazil, Japan, Singapore, ICS, IPIECA, RINA, IBIA , WSC, SGMF and MI): provides an updated proposal on the development of an IMO sustainable fuels certification framework that will allow certification schemes/standards to operate under the purview of the IMO LCA Guidelines, especially with respect to the implementation of the technical and economic elements under the IMO net-zero framework. To establish such a framework, the co-sponsors propose three concise regulatory paragraphs as well as the development of supporting guidelines and procedures for the recognition by and reporting of certification schemes/standards to the Organization. The co-sponsors propose an IMO sustainable fuels certification framework with new draft regulation and an indication of supporting guidelines to be developed, and invite guidance on how to further progress this matter.

ISWG-GHG 18/2/18 (Indonesia, Philippines, Singapore, Thailand and United Arab Emirates): outlines the considerations required for the development of a centralized IMO GFI Registry, which is essential for recording GFI data, as well as monitoring compliance with the technical element of the mid-term measures. Specifically, it proposes that the IMO GFI Registry be designed and developed on three key principles – integration, interoperability, and integrity.

ISWG-GHG 18/2/19 (Antigua and Barbuda, Belize, Dominica, Ethiopia, Fiji, Jamaica, Kiribati, Marshall Islands, New Zealand, Palau, Samoa, Seychelles, Singapore, Solomon Islands, Tonga, Tuvalu and Vanuatu): The 2023 IMO Strategy on Reduction of GHG Emissions from Ships 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". To ensure that the mid-term measures to be approved at MEPC 83 deliver on the full scope of this vision, the co-sponsors propose that the following text (from paragraph 4.5 of the 2023 IMO GHG Strategy) serves as the "Goal" text in the new chapter five of the proposed amendments to MARPOL Annex VI: "effectively promoting the energy transition of shipping and providing the world fleet with a needed incentive while contributing to a level playing field and a just and equitable transition."

ISWG-GHG 18/2/20 (Belize, Dominica, Fiji, Jamaica, Kiribati, Marshall Islands, Palau, Samoa, Seychelles, Solomon Islands, Tonga, Tuvalu and Vanuatu): In support of documents ISWG-GHG 18/2/5 (Austria et al.) and ISWG-GHG 18/2/6 (Bahamas et al.) this document provides comments on the further work that will be needed in order to operationalize the IMO GHG Strategy Implementation Fund (the Fund) through the development of guidelines/charter. This document describes the importance of the development of that detail as a matter of urgency, as the detailed specification is critical for ensuring that the impacts on States of the mid-term measures can be understood at the point of their adoption. This document proposes that whilst finalization of amendments to MARPOL Annex VI should be the priority for work up to MEPC 83, the guidelines/charter relating to the Fund will need rapid development thereafter, and proposes a way forward to enable that.

ISWG-GHG 18/2/21 (CSC): provides an overview of issues stemming from the production of food and feed crop-based biofuels spanning from environmental risks to uncertain GHG emission savings and negative consequences on food security. This document highlights historical experiences with biofuels across various jurisdictions. It demonstrates that food and feed-based biofuels cannot be considered sustainable fuel options. Additionally, it shows that waste-based biofuels, despite being sustainable in smaller quantities, are fraught with fraudulent certification rules and in general, lack scalability. The document also offers policy recommendations for inclusion in MARPOL Annex VI. These include reducing incentives for such biofuels through economic rewards, setting clear and stringent criteria for zero and near zero-emission (ZNZ) fuels directly under the GHG Fuel Standard (GFS), and introducing a cap or exclusion of certain biofuels under the GFS compliance mechanism.

ISWG GHG 18/2/22 (China): Based on the recent review of the draft amendments to MARPOL Annex VI under the IMO net-zero framework and discussion on the marine fuels sustainability certification framework in MEPC 82, and considering the progress of workstreams including non-CO2 measurement methods and the economic and social sustainability themes/aspects of marine fuels, this document provides considerations on the structure of the verification framework on marine fuel sustainability in the context of the verification of the attained annual GHG intensity (the attained GFI) of ships within the scope of the IMO net-zero framework, and also provides suggestions for subsequent development of the verification framework of marine fuel sustainability in the context of verification of attained GFI within the IMO net-zero framework.

MEPC 83/7 (Secretariat): provides initial indicative information by the Secretariat on possible resource implications of the establishment of an IMO GFI registry and/or fund/facility, as requested by the Committee.

MEPC 83/7/2 (Secretariat): provides a revision of the Secretariat's preliminary analysis and contains possible draft terms of reference, adjusted timelines, logistics and administrative arrangements for the conduct of a Fifth IMO GHG Study, taking into account relevant documents and the comments made during ISWG-GHG 17.

MEPC 83/7/4 (OCIMF, IPIECA and IBIA): submitted by entities involved in the fuel supply chain across many sectors, including the maritime sector, covering production, distribution and bunkering, summarizes aspects of their existing or future activities of significant importance for the decision-making process targeting the finalization and the approval of the mid-term GHG candidate measure(s) at MEPC 83, and provides insights on: a) fuel producers and suppliers are part of the solution; b) future measures should take into account cross-sectoral competition; c) the deployment of alternative fuels at scale requires time and funds; and d) bunkering and carriage of marine fuels face a unique challenge in setting up new operations.

Background

At MEPC 76 (2021), the Committee adopted the short-term measure in the form of amendments to MARPOL Annex VI concerning mandatory goal-based technical and operational measures to reduce carbon intensity of international shipping (primarily the Energy Efficiency Existing Ship Index (EEXI) to determine the energy efficiency of ships, and the annual operational Carbon Intensity Indicator (CII) with an associated CII rating), and approved several guidelines to support the implementation of the short-term measure. MEPC 76 also approved a Workplan on mid- and long-term measures.

MEPC 80 agreed to initiate Phase III of the Work Plan on the development of mid-term measures, with a view to be approved by MEPC 83 (Spring 2025) and adoption during an extraordinary one- or two-day MEPC (six months after MEPC 83 – autumn 2025) in order to come into force 16 months after adoption (2027).

During subsequent MEPC and ISWG-GHG sessions, several proposals were submitted proposing both market-based and technical proposals with a view to considering a possible basket of measures. The EU had proposed a technical measure proposing the establishment of a Greenhouse Gas Fuel Standard (GFS) on a well-to-wake (WtW) basis, which has also been supported by other delegations. When it comes to economic measures the EU is supporting the need for a carbon pricing measure (i.e. a levy-based measure or an emission cap-and-trade scheme). On the other hand, several other countries (particularly South American and Asian countries led by Brazil and China) are advocating for the International Maritime Sustainable Fuels and Fund (IMSF&F) mechanism.

When discussing these proposals, it became clear that although there was general agreement to develop a Global Fuel Standard (GFS) in the form of a GHG fuel intensity limit and trajectory for emissions reductions, there were diverging views on methodological aspects, including whether or not to include a flexibility mechanism to encourage compliance by all ships. This would either be in the form of flexible compliance units (FCUs), Remedial (Compliance) Units (Rus or RCUs), or a pooling mechanism, as outlined in the various proposals.

As regards the global pricing mechanism, further work is required to align delegations. EU countries, Pacific Small Island Developing States (SIDS), Liberia, Bahamas, UK, and International Chamber of Shipping (ICS) advocated for a mandatory global levy/contribution as the most simple and effective approach to see the necessary reductions in emissions. Some African states (e.g. Kenya, Nigeria, Namibia) are cautiously supporting the levy. However, many other delegations argued that this would impact trade for those countries far from the markets. Additionally, some argued that the generation of revenues should be a by-product of the measure and not its main purpose, while supporting the IMSF&F mechanism.

During ISWG-GHG 17 and MEPC 82, the EC worked hard to draft a wholistic document consolidating the different economic element proposals.

In view of the comments made when discussing the economic measures, MEPC 82 requested the Secretariat to provide indicative information on the possible resource implications of the possible establishment of a GHG fuel intensity (GFI) registry and/or fund/facility to a future session of the Committee. In addition, Member States and international organizations were invited to submit relevant information on responsibilities/differences in the management of funds/facilities/trustees and possible bridging proposals on this matter.

There has also been disagreement on the conclusion of the Comprehensive Impact Assessment (CIA) of the basket of candidate mid-term measures (MTM). The EU Member States, as well as other delegations (including Pacific and Caribbean SIDS, the USA, UK, Australia, Norway, New Zealand, Canada, and Switzerland) welcomed the report of the CIA and considered it to be reliable, independent, and science-based evidence on the impacts on fleets and States of possible combinations of the MTMs. Therefore, they argued that the CIA complied fully with the tasks assigned in the Terms of Reference and that results are in line with academic literature. In their opinion, the CIA report should be considered as concluded and its results should be considered as essential background for decision-making on MTMs.

Several other delegations were of the opinion that the CIA was incomplete as it included several assumptions and did not adequately cover the negative effects on developing countries particularly in respect of food security, remoteness from the market, connectivity, and socio-economic development. They again argued that the imposition of a levy could increase the divide between developed and developing countries and would hinder their efforts to achieve the UN Sustainable Development Goals, for example the eradication of poverty. For them there was lack of data validation and the modelling tools were not transparent, therefore the reliability of the results would be doubtful, the flexibility mechanism was not analysed in detail and the CIA was biased towards one set of measures. Therefore, they insisted that the results of the CIA should not be used when developing the MTMs, other scientific studies/research could be considered, and MTMs should not be adopted before it is clear how DNIs should be addressed.

Finally, after long discussions, the MEPC 82 approved in general the report of the Steering Committee on the conduct of the CIA and noted the outcomes of the various tasks of the CIA of the basket of candidate MTMs. However, the Committee would carry out additional work on assessing the potential impacts of the possible policy scenarios assessed under the CIA on food security, in particular on essential food commodities and critical agricultural input, notably in net food importing developing countries. The outcomes of the CIA, the documents submitted, and comments made during this session, together with the supplementary information on potential impacts on food security to be submitted to MEPC 83, as well as other relevant scientific sources, would be taken into account, as appropriate, in the further development of the basket of candidate MTMs.

<u>*Consideration at ISWG-GHG 18*</u>

MEPC 82 agreed to use the text set out in annex 1 to document MEPC 82/WP.9 as the basis to further consider the development of the basket of candidate mid-term measure(s), and noted the work in progress on consolidating possible options for an economic element (MEPC 82/WP.9, annexes 2 and 3), also noting the indicative list of proposed new guidelines and existing guidelines to be amended to support the implementation of the IMO net-zero framework (MEPC 82/WP.9, annex 4).

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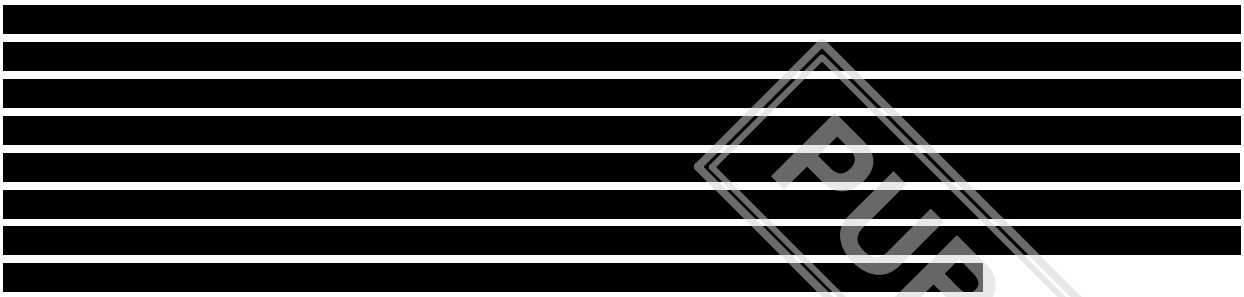

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Agenda item 3 – Further consideration of the development of the IMO Life Cycle GHG Assessment (LCA) framework

Docs: ISWG-GHG 18/3, MEPC 83/7/1, MEPC 83/7/3, MEPC 83/7/9, MEPC 83/7/10, MEPC 83/7/11, MEPC 83/7/12, MEPC 83/INF.5 (United States)

ISWG-GHG 18/3 (RINA): outlines metrics and indicators tailored to the operationalization of the Organization's sustainability criteria with a view to supporting the 2024 LCA Guidelines on life cycle GHG intensity of marine fuels. Beyond providing technical insights into metrics and indicators, the work presented in this document aims to serve as a platform to foster interdisciplinary collaboration, enabling stakeholders to develop methodologies, standards, and practices that support the evolution of a robust and credible fuel certification framework. Metrics and indicators operationalize sustainability criteria by providing quantifiable and qualitative benchmarks to assess the environmental impacts of marine fuels. These tools enhance transparency, consistency, and comparability in reporting while supporting the verification processes essential for robust and credible fuel certification frameworks. By leveraging existing metrics from other sectors, while addressing the specific needs of marine fuels, this document seeks to facilitate discussions and activate collaborations necessary for developing a certification scheme that aligns with the Organization's decarbonization targets. Ultimately, it complements IMO's leadership in maritime decarbonization by fostering trust and credibility in the market for alternative marine fuels using targeted environmental indicators and metrics.

MEPC 83/7/1 (Secretariat): contains the report of the first meeting of the GESAMP Working Group on Life Cycle GHG Intensity of Marine Fuels (GESAMP-LCA WG).

MEPC 83/7/3 (Brazil): presents recent findings from the International Energy Agency (IEA) and from the G20 Energy Transition Working Group Carbon Accounting Workshop on Sustainable Biofuels, including considerations on indirect land use change (ILUC). It builds on document ISWG-GHG 16/3/6 (Angola et al.), which discusses how to operationalize the ILUC approach. Both documents are suggested to be forwarded to the GESAMP Working Group on Life Cycle GHG Intensity of Marine Fuels (GESAMP-LCA WG) as foundational material for refining the 2024 LCA Guidelines.

MEPC 83/7/10 (United States): provides the report of the Correspondence Group on Further Development of the LCA Framework established by MEPC 81.

MEPC 83/7/10 (Malaysia, Nigeria and Türkiye): evaluates the well-to-tank (WtT) and tank-to-wake (TtW) default emission factor and GHG intensity calculation for methanol fuel pathway "MeOH_fCO2_rH2_MS_gm" referencing from appendix 1 of the 2024 LCA Guidelines, and aims to contribute towards the methodological development of value multiplication, SFCCU x eCCU when evaluating carbon source from fossil point source carbon capture.

MEPC 83/7/11 (Brazil): Resolution MEPC.391(81) on 2024 Guidelines on life cycle GHG intensity of marine fuels (2024 LCA Guidelines) shows progress but requires improvements to enhance its application and better alignment with IMO's emission goals. Currently, the methodology for calculating Well-to-Wake (WtW) greenhouse gas (GHG) emissions needs to be complemented. The lack of new technologies available hinders the progress of decarbonization. However, sustainable drop-in fuels, including biofuels, offer an immediate and cost-effective solution. Nevertheless, the biofuels' pathway codes in appendix 1 are inadequate and lack precision. Appendix 2 should be disaggregated to allow the use of regional default values for all fuel pathways leading to a more precise carbon footprint. The 2024 LCA Guidelines are also vital for defining zero or near-zero-emission fuels, with classification based on emission reduction levels and a clear certification scheme. Therefore, the GESAMP Working Group on Life Cycle GHG Intensity of Marine Fuels (GESAMP-LCA WG) should refine the 2024 LCA Guidelines to better align with the 2023 IMO GHG Strategy, improve emission calculation and update it to include diverse fuel pathway codes.

MEPC 83/7/12 (Brazil): Zero or Near-Zero (ZNZ) greenhouse gas (GHG) emission technologies, fuels and/or energy sources play a key role in the 2023 IMO GHG strategy, which already includes ambitious levels and future tasks. However, a clear definition of ZNZ fuels is still lacking. The Organization has adopted and revised the Life Cycle Assessment (LCA) Guidelines, which establish carbon footprint accounting and the desired sustainability characteristics for fuels. It is important to maintain consistency across IMO regulations (both economic and technical pillars) to avoid inconsistencies, misunderstandings and gaps. As outlined in the 2023 IMO GHG Strategy, the LCA Guidelines should serve as a basis for defining ZNZ fuels. This document proposes that ZNZ be feedstock and technologically agnostic, prioritizing availability, sustainability and life cycle GHG emission reductions. Furthermore, Brazil proposes that the stringency levels of GHG reduction be gradually increased overtime, to foster technological development without compromising the Organization's existing commitments.

MEPC 83/INF.5 (United States): provides the comments submitted by the group members to the Correspondence Group on Further Development of the LCA Framework, established by MEPC 81, on consultation rounds 1, 2 and 3.

Background

MEPC 81 adopted the 2024 Guidelines on Life Cycle GHG Intensity of Marine Fuels (2024 LCA Guidelines) (resolution MEPC.391(81)) and agreed, in principle, to the establishment of a GESAMP Working Group on Life Cycle GHG Intensity of Marine Fuels (GESAMP-LCA WG), tasked with providing robust scientific and technical assessments to support the implementation of the 2024 LCA Guidelines.

In this context, and with reference to the numerous and extensive submissions presented to MEPC and ISWG, it is essential to recognize the urgency of concrete and operational progress in time for the adoption of mid-term measures. To achieve this, leveraging the expertise and resources available within GESAMP- LCA WG is paramount. This approach ensures the efficient use of resources and time, minimizing the need for additional submissions and prolonged discussions in the relevant IMO Committees.

As part of the further development of the Life Cycle Analysis (LCA) framework, ISWG-GHG 17 referred several documents to the GESAMP Working Group on Life Cycle GHG Intensity of Marine Fuels, for their scientific review and methodological advice with a view to make the LCA framework more complete. Subsequently, MEPC 82 agreed with the Group to invite interested Member States to start preparing proposals for default emission factors, in order to allow the GESAMP-LCA Working Group to review these after MEPC 83. The EC had proposed to extend the invitation to International Organisations, but the Secretariat pointed out that according to the Terms of Reference of the GESAMP-LCA Working Group only Member States may submit proposals.

The Committee also agreed to invite interested Member States and international organizations to continue to work together on the development of a sustainable fuels certification framework, including draft guidelines, concrete proposals on how to reference certification schemes and the fuel lifecycle label (FLL) in the draft legal text of the IMO net-zero framework and associated guidelines with a view to submitting relevant proposal to a future session of the Committee.

<u>Consideration at ISWG-GHG 18</u>

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Agenda item 4 – Any other business

Docs: None.