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CONTRIBUTION

From:	General Secretariat of the Council
To:	Working Party on Shipping
N° Cion doc.:	WK 9239/25
Subject:	Preparation of IMO/ISWG-GHG 20 (London, 20-24 October 2025) – Draft Union submission to the International Maritime Organization's 20th Intersessional Working Group on GHG proposing to advance the governance framework for the IMO Net-Zero Fund - Comments by Sweden

In view of the Shipping Working Party meeting on 7 July 2025, delegations will find attached comments by Sweden on the subject mentioned above.

**DEVELOPMENT OF NEW AND/OR REVISION OF EXISTING GUIDELINES,
PROVISIONS, GUIDANCE AND OTHER DOCUMENTS, AS APPROPRIATE, FOR
SUPPORTING THE UNIFORM AND EFFECTIVE IMPLEMENTATION OF THE IMO NET-
ZERO FRAMEWORK**

Advancing the governance framework for the IMO Net-Zero Fund

**Submitted by Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia,
Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia,
Lithuania, Luxembourg, Malta, Netherlands (Kingdom of the), Poland, Portugal,
Romania, Slovakia, Slovenia, Spain, Sweden and the European Commission, ~~acting~~
~~jointly in the interest of the European Union~~**

SUMMARY

Executive summary: This document outlines key considerations for the continued development of the governance structure of the IMO Net-Zero Fund, particularly in relation to the Governing Board. The co-sponsors underline the importance of adopting the Fund's governing provisions well ahead of the expected receipt of contributions in 2029. The document emphasizes the need for a resilient and efficient structure that ensures transparency, prevents conflicts of interest, and supports accountability. Furthermore, it presents considerations for the operation and representative composition of the Governing Board. The co-sponsors propose to request the Secretariat to prepare an analysis of how the Fund could be established under the remit of the IMO, and welcome contributions by other member states and stakeholders.

*Strategic direction, if 3
applicable:*

Output: 3.2

Action to be taken: ~~2021~~

Related documents: ISWG-GHG 14/3, MEPC 77/7/6, MEPC 76/7/31, ISWG-GHG 17/2, ISWG-GHG 17/2/8, ISWG-GHG 18/2/4, MEPC 83/7, MEPC 83/7/5, [MEPC ES.2/3](#), Circular Letter No. 5005

Introduction

1 MEPC 83 approved the IMO Net-Zero Framework, consisting of a GHG fuel standard for ships and a global pricing mechanism for emissions. Draft amendments to MARPOL Annex VI, including a new Chapter 5, have been circulated for adoption in Circular Letter No. 5005. As a vital part of the agreement a new fund, named the IMO Net-Zero Fund, will be established

to receive pricing contributions, manage and disburse revenues according to agreed purposes, as set out in draft regulations 40 and 41 of the new chapter.

2 Paragraph 3 of draft regulation 40 states that the Committee shall adopt the governing provisions for the Fund and appoint a Governing Board to oversee the day-to-day operations of the Net-Zero Fund. Developing and agreeing on the governing provisions for the Fund in a timely manner is essential in order to allow for the Fund to perform its functions and for appointing its Board well before any contributions are received.

3 The draft regulations contain further information on what elements need to be included in the governing provisions. These include: which entities may be eligible to receive funds from the Fund; the types of financing mechanisms by which funds may be disbursed; the operating procedures of the Fund and its Board; which entities and organizations the Fund may cooperate with in the disbursement of revenue; and allocations of revenue to the different purposes set out in draft regulation 41 including those that promote a just and equitable transition in the context of this measure.

4 The co-sponsors recognize the importance of addressing all elements and their interlinkages, and are mindful that the governing provisions should be agreed as a package. This submission focuses on the governance aspects, in particular for the Board, and seeks to outline the work ahead.

The governance structure should strive for resilience and efficiency

5 While there are clear differences between the IMO Net-Zero Fund and other multilateral Funds in terms of purpose, context, size, replenishment model etc., certain functions are universally necessary for the central management and oversight of any multilateral Fund. This has previously been described in document ISWG-GHG 17/2 (Austria et al.) and includes inter alia sound governance, auditing, risk management, reporting and administration of collected revenues. As conveyed by the IMO Secretariat in document MEPC 83/7, it is possible to establish the Fund under the IMO's financial rules and regulations, which would cover several of these functions. Building on this analysis, it would be helpful to receive further input from the Secretariat so that it becomes clearer how these functions would be contextualised. Therefore, it is welcomed that the Secretariat, plans to carry out a comparative analysis of existing practices of similar funds, which could provide valuable guidance for the design of the IMO Net-Zero Fund, as indicated in document MEPC ES.2/3.

6 The co-sponsors recognize the importance for the IMO to have a resilient governance structure for the Fund that supports efficient and effective day-to-day operations, ensures continuity and can adapt to new circumstances, considering the long period during which the Fund will be active. To uphold the legitimacy of the Fund and its Board, it is crucial that the governance structure ensures transparency and safeguards against any form of corruption. The governance structure must also prioritise effective decision-making, with attention paid to the divide between strategic decision-making and technical execution within the Fund.

7 Following the milestones that have been laid out in the draft IMO Net-Zero Framework, contributions to be received by the Fund are expected to commence in 2029. Substantial preparatory work can be anticipated ahead of that date, so that expected contributions can be properly administered. The co-sponsors find that it would be prudent to aim for the governing provisions to be adopted by MEPC 85 in the second half of 2026, as this would allow some time for the Fund to be established and for the Board to set up the functions to be operative before the regulation takes effect. The work should be structured in a way that allows sufficient time and opportunity to address all relevant issues related to the Fund prior to its establishment. If deemed appropriate, an interim [solution to help with preparatory technical](#)

work could be considered, such as a steering committee, which is an arrangement that MEPC has previous experience with.

Commented [F1]: Singapore has expressed interest in having an interim solution, but it was suggested to clarify that it would do technical work and not pre-empt decisions by MEPC. We find this sensible.

The Board should translate strategic direction into action and accountability

8 As stipulated in the draft regulation, MEPC shall appoint a Board to oversee the day-to-day operations of the Fund, on behalf of the Committee, in accordance with the governing provisions. Given the central role of the Board and the time needed for the nomination and appointment of its members, the co-sponsors are of the view that development of the related provisions should be expedited.

9 The co-sponsors are of the view that the MEPC should set the mandate of the Fund, including the role, functions and mandate of the Board, through the governing provisions. The Board would be responsible for executing its mandate on a strategic level. Translating the overall directions into practice requires a structured approach, including a multi-year strategic plan to ensure that the Board's work remains aligned with the directions given. The co-sponsors believe it could be a task for the Board to elaborate and approve such a plan.

10 Another key task for the Board that has already been identified in the draft regulation is the annual reporting of the Board's operations to the MEPC. With this report, the MEPC will be informed about the work of the Board. Consideration should also be given to how the Board's work can be made transparent to stakeholders, for instance through participation in meetings with the Board.

11 Central to the purpose of the Fund is the disbursement of revenues. The co-sponsors envisage that the Board should be responsible for approving the administrative budget of the fund, as well as approving funding in line with its governing provisions. Considering the agreed multipurpose disbursement model, and the probable substantial size of the Fund, the operational decisions may require extensive preparations. Further consideration should therefore be given to how the Board's structure might support an efficient distribution of tasks and a reasonable workload for its members. Whether supporting structures should exist to assist the Board in the discharge of its mandate, should be further considered.

12 To ensure a timely and effective establishment of the Fund under the remit of the IMO, the operating procedures of the Fund and its Board should be taken from current IMO practices, where appropriate, following review of their suitability for the Fund's context. For example, well established practices relating to decision-making e.g. based on consensus could be used as a basis. The Fund could also employ practices used in other multilateral Funds, where appropriate. A first step in further exploring this approach would be for the analysis to be carried out by the Secretariat as per MEPC/ES.2/3 paragraph 27 to include targeted questions towards understanding best practices and lessons learnt from other funds.

Defining who can serve as Board member, and how they are appointed

13 While the draft regulation clearly sets out the Committee's responsibility to appoint the Board, the governing provisions could further set out how Board members would be nominated, the selection process and terms for serving as member. As is common in other international funds, countries or constituencies based on country groups, if so decided, could be allowed to nominate suitable candidates based on criteria agreed in the governing provisions. In identifying these criteria, due attention should be given to the competencies that are needed to carry out the Board's duties and the need to safeguard against conflicts of interest. The number of Board members should be decided once there is a clear overall view of the model for the Board's composition.

14 The rules governing the composition of the Board will also need to address aspects related to term limits and rotation of members. The co-sponsors recommend that a defined term of office should be established, including terms for re-election. To ensure regular rotation, the possibility of reappointment should be limited, and consideration given to preventing individuals from serving on the political, strategic and/or executive sides, as this could result in conflicts of interest. As for the election of the Chair and the Vice Chair of the Board, existing IMO MEPC practices could provide a starting point for this process.

Exploring models for a balanced composition

15 Draft regulation 40, paragraph 5, states that the “Board shall have a gender and geographically balanced composition, ensuring adequate representation of developing countries, in particular of Small Island Developing States (SIDS) and Least Developed Countries (LDCs)”. The governing provisions should further specify the application of this requirement.

16 Various models exist for achieving geographic balance in the governance structures of international funds. The Green Climate Fund (GCF), for example, distributes seats among UN regional groups and guarantees at least one seat each for SIDS and LDCs on its board, irrespective of region. The IMSO Advisory Committee uses four world regional groupings. Analysing existing examples, including practices within the IMO family, can serve as a first step for determining the distribution of seats on the Board of the IMO Net-Zero Fund.

17 Achieving a balanced gender representation within boards is a critical factor for effective governance and inclusive decision-making. There are different ways to achieve balance, ranging from required balanced representation for the underrepresented gender, balanced candidate pools, rules for alternate genders to hold a specific board seat and models that promote diversity by addressing underlying factors (e.g. mentorship programmes).

18 While these examples could support mitigating structural bias, maintaining a merit-based selection process and strengthen the future candidate pool, the co-sponsors do not exclude any other appropriate solutions. The co-sponsors remain open to consider this issue further and encourage Member States and stakeholders to provide concrete proposals on how to achieve a gender and geographically balanced representation for the composition of the board.

Proposal

19 As input to the Group’s further deliberations on the full governance structure of the Fund, the co-sponsors invite the Secretariat to prepare the analysis suggested under MEPC/ES.2/3 ahead of ISWG-GHG 21, in consideration of making good progress between ISWG-GHG 20/~~MEPC/ES.2~~ and ISWG-GHG 21/~~MEPC 84~~. This analysis should cover how the Fund could be set up under the remit of the IMO, including reviewing where existing IMO operational procedures can be used and where gaps exist, as well as functions of the Fund such as secretariat, treasury, disbursement, governance, composition and decision-making of the Governing Board, to be set out in the Fund’s governing provisions, taking into account the considerations put forward in this document, best practices and lessons learnt in similar funds.

Commented [F2]: Editorials to increase readability

20 The co-sponsors remain committed to continued collaboration with all delegations in advancing this work, and stand ready to engage constructively on how best to structure the Fund and take the process forward.

Action requested of the Working Group

21 The Working Group is invited to note the information provided, consider the proposal in paragraph 19 and take action as appropriate.