



Uncertainty at the IMO: Three scenarios and their consequences for shipping's transition

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Summary

- The decision to adopt the International Maritime Organization's Net-Zero Framework has been postponed to November 2026, increasing uncertainty for governments and industry.
- Multiple scenarios are now plausible. Outcomes range from adopting the framework 'as is' in November, to a weakened single-tier fuel standard or the removal of economic elements altogether. Each will have materially different impacts on enforcement, investment signals, revenues, low-income countries, and regional policies.
- Only the 'as is' scenario provides a credible, stable demand signal and revenue stream to support early and mass-market uptake of scalable zero-emission fuels; weaker scenarios risk delaying scalable zero-emission fuel availability into the 2040s.
- Stable revenues are essential to support lower-income countries and mitigate disproportionate impacts; weakened or non-economic frameworks severely limit this capacity while maintaining negative cost impacts.
- A strong Net-Zero Framework could reduce the need to expand regional measures, whereas weaker outcomes are likely to reinforce regulatory fragmentation, heighten investment risk, and undermine alignment with the IMO's overall emissions reduction strategy.

Introduction

The decision on the adoption of the International Maritime Organisation's (IMO) Net-Zero Framework (NZF) has been postponed to November 2026. Despite the delay, technical and political work continues through the development of guidelines that are required for the framework's entry into force and operationalisation.

At the 83rd meeting of the Marine Environment Protection Committee (MEPC 83) in April 2025, significant details were pushed into these guidelines to secure agreement in principle of a core legal text, the amendment of the International Convention for the Prevention of Pollution from Ships (MARPOL).

While this approach made it possible to agree to the measures and move forward, the lack of details also significantly increased uncertainty and complexity in assessing the overall cost and benefits of the NZF for IMO Member States, as well as the implications for the business case for industry.

The current hiatus, combined with the desire by a number of governments and industry players to better understand the detailed consequences of the NZF, creates an important opportunity for progress on the guidelines. As a result, several tracks are now advancing in parallel, including: guidelines to support the uptake of zero- and near-zero (ZNZ) emission fuels, life cycle accounting for emissions across fuels and production pathways, and governing principles of the IMO Net-Zero Fund.

The agreed MARPOL amendment itself will also be revisited. At a minimum, the implementation dates in the text will need to be adjusted to reflect the postponed adoption. More fundamentally, the political dynamics that led to the NZF delay introduced new uncertainty not just about the timeline but also about the final shape and ambition of the framework.

The consequence is that maritime stakeholders now face a wider range of plausible scenarios than should have been the case at this stage of the policy process. At one extreme, the NZF could be adopted 'as is' later this year, entering into force in 2028 and coming into effect in 2029. At the other extreme, a prolonged political deadlock could delay regulatory certainty on greenhouse gas (GHG) reductions for several years. In either extreme, the details in the guidelines are critical to guide the viability of different investment choices—both up- and downstream, across fuel production, and vessel technologies—and will also determine the extent to which the policy can support a just and equitable transition.

Zooming out: Multiple scenarios for shipping's transition remain relevant

At the core of shipping's decarbonisation, as described by the IMO's 2023 Revised Greenhouse Gas Strategy, is international shipping's transition away from the use of fossil fuel to a new source of fuel or energy. Prior to the adoption of the Revised Strategy, Smith et al. (2021) described three scenarios for how shipping's energy transition might unfold:

- 1. Spread from a strong first-mover country to others:** transition dynamics originate in a small number of leader countries and subsequently diffuse to others
- 2. Independent national-level spread:** progress occurs through a patchwork of independent national or regional incentives without a unifying global framework
- 3. Global actions drive international spread (strong IMO policy):** coordinated global regulation drives the transition across the sector

While distinct scenarios, the transition will likely contain a mix of actions, with different policy levels being more or less critical to driving different elements of the transition.

While the European Union's decision to regulate greenhouse gases from international shipping exemplified the potential for "Strong first-mover country" leadership, the adoption of the IMO's Revised Strategy in 2023, and the agreement in principle of the NZF in 2025 had put shipping on track for the third scenario, where the main driver would be strong IMO policy. However, the failure to adopt the NZF in October 2025 has reinserted uncertainty and reopened the full range of transition scenarios.

In parallel, major economies, including China, the United States, the EU/UK, and countries in the Middle East, are pursuing distinct and varying efforts to stimulate the production and uptake of new shipping fuels. In the absence of clear and timely global dynamics, these national and regional initiatives may increasingly shape transition dynamics. At the same time, the third option remains on the table, and Member States may still converge on decisive action at the IMO.

In short, there is now a significant range of foreseeable scenarios. This is likely to sharpen risks faced by first movers and mass-market actors alike, as well as national governments. Against this backdrop, this brief aims to explore the plausible scenarios and the potential of an IMO-led transition in which global actions drive international spread.

Zooming in: Scenarios for developments at the IMO

Which transition scenario and policy level will be most likely and most impactful will depend to a significant extent on what happens with the IMO negotiations this year. Even within the IMO process, multiple scenarios are plausible. These differ materially in their ability to create credible demand signals for shipping's energy transition and achieve the Revised Strategy's goals of stimulating new fuel value chains, investment in a mass-market transition to net-zero emissions, and a just and equitable transition globally.

Given the broad agreement on the NZF in April 2025, adopting the framework "as is" remains one potential scenario. However, in light of the changed political landscape since the agreement, scenarios involving modifications or weakening of the NZF are also credible. This could include changes to the architecture of the measures and/or their ambition. In any of these scenarios, the IMO would need to reopen negotiations on the agreed MARPOL amendment text and explore whether modifications could attract broader support.

Based on some concerns with the current framework, industry and Member States face three main policy scenarios for a global regulatory framework:

1. NZF without an economic element
2. Weakened, single-tier global fuel standard (GFS)
3. NZF 'as is'

In combination with all of the above, there is a range of scenarios for the timeframe of adoption of IMO policy and, by association, for the timeframes for development/phasing out of regional policy.

NZF without an economic element

One potential scenario is an NZF in which all economic elements are removed, including the compliance market, non-compliance costs, the Net-Zero Fund, and the ZNZ reward. This scenario represents an interpretation of the position expressed by the Saudi and US governments in the MEPC session in October 2025 (MEPC.ES2). With the removal of those components, what remains is an aspirational GHG fuel intensity (GFI) trajectory with no material consequences for non-compliance.

Single-tier GFS with or without lowered ambition

In this scenario, compromises are made to some but not all of the economic elements. This could entail a change to the architecture of the NZF to resemble a mechanism previously championed by China, the UAE, and South Africa—referred to at the time as the International Maritime Sustainability Fuels & Fund, or "IMSF&F". This design has only one GFI trajectory, corresponding to what would be the base trajectory in the two-tiered NZF design, allowing for a compliance market for over- and under-compliance.

Opening up the policy mechanism to adjust the architecture may also result in modifications to the ambition, including weakening the parameters associated with the GFI trajectory. For example, the trajectory could be made less steep¹, and/or the price of the penalty could be lowered.

NZF 'as is'

In this scenario, the regulatory text is adopted as agreed in principle in 2025, with support potentially strengthened by further clarity on implementation guidelines.

Timeframe of adoption

For the NZF to be adopted in its current form, the draft text would need to be updated to reflect the postponed timeline, as the original dates for entry into force are no longer feasible. Adjusting implementation dates could be considered a non-substantive amendment that may be made at the point of adoption, in accordance with established IMO practice. Member States could therefore agree to revised dates as minor technical changes at the continued MEPC.ES2 in November 2026 and proceed to a formal adoption decision on that basis at the same session.

By contrast, any reopening of the text beyond limited technical adjustments would likely be considered a substantive change. Unless agreed to in advance (e.g., at MEPC 84 in late April 2026), deciding on this way forward would trigger a reset of the policy process, requiring renewed agreement in principle on a revised MARPOL amendment text before adoption could be scheduled. Under IMO procedures, this would introduce a minimum additional delay, as formal adoption could only take place at least six months after an agreement in principle is reached.

Reopening the NZF for substantive changes would also reintroduce significant uncertainty about the time required to reach agreement in principle on a revised text, particularly given that the current framework emerged only after around five years of negotiation under an agreed workplan. Each additional procedural step would prolong uncertainty over both when the framework might enter into force and what its final shape would be.



Consequences of different IMO regulatory scenarios for shipping's energy transition

At the core of international shipping's decarbonisation and therefore the IMO's 2023 Revised Strategy, is a wide-scale transition away from the use of fossil fuels to a new source or sources of fuel with very-near-zero greenhouse emissions on a life cycle basis. The IMO term for these fuels is zero- and near-zero emissions fuels (ZNZs). This is to date defined in the draft MARPOL Annex as fuels that have a well-to-wake GHG intensity lower than 19 grams of carbon dioxide equivalent per megajoule (gr CO₂e/MJ).

1. The trajectory of the transition depends on the policy's 'Z-factors', which determine the rate of GHG intensity reduction over time.

This section focuses on a subset of ZNZs, scalable zero-emission fuels (SZEFS), as the early introduction of scalable options will be important to ensure the long-term viability of the transition.

SZEFS—for example, e-fuels such as e-hydrogen, e-ammonia, e-methanol, or e-methane—create both risks and opportunities for stakeholders. For early movers already investing in SZEFS, clarity on the drivers and shape of the transition is critical to underpinning early commercial decisions and unlocking first-mover advantages. These actors take on a higher risk on technologies that are still in their nascency and that represent a cost premium in the absence of policy, leaving them more exposed to the risk of weakened or fragmented demand-side incentives, especially given the long lead times and capital intensity associated with these fuels' production, infrastructure, and vessel investments.

The mass market is looking to early adopters to see how various technologies play out in practice and whether they become more widely available at scale. Instead of looking to reap first-mover advantages, these actors are figuring out when they will need to shift away from fossil-fuelled assets to avoid obsolescent technologies and how to maintain their competitiveness with those ahead of them in the transition. The nature and timing of the transition, including that of the first movers, will determine the timing for their own decisions.

The different policy scenarios in play at the IMO can be expected to cascade different consequences for early adopters, the mass market, and the overall transition away from fossil fuels. The nature of the overall transition also affects governments, particularly those of lower-income countries. The different IMO scenarios also hinge on consequences related to regional framework development, the NZF's compliance and enforcement, revenue generation, and fuel production and uptake.

Compliance and enforcement

Effective enforcement is critical to ensuring the environmental integrity of the framework. The IMO's NZF 'as is' relies on surplus unit (SU) and remedial unit (RU) prices to provide clear and strong sanctions for non-compliance. Making fuels with higher carbon intensity more expensive also improves the business case for operating at a lower GFI.

This compliance mechanism also exists in the scenario with a single-tiered GFS. The effectiveness of the enforcement mechanism will ultimately rely on the penalty levels and their ability to shift compliance costs. Opening up the legal text for changes to the architecture of the framework increases the chance that the RU prices are revisited and reduced for the sake of compromise, which in turn risks making "pay-to-pollute" the cheapest compliance option.

In the case of no economic measure, effective enforcement is unlikely. A standalone GFS with no economic elements would likely merely replicate what already exists in the Carbon Intensity Indicator (CII) mechanism, which requires ships with repeated non-compliance at a certain level to file a "corrective action plan". For a regulation with high compliance costs, this is unlikely to be an effective enabler of investment.

Revenue generation

Much of the debate on the measures—specifically the RU prices and the GFI limits—revolves around the extent to which the different policy parameters would generate revenue that could be used to support essential elements of the Revised Strategy. The revenue generated by the NZF 'as is' would generate a stable fund estimated to produce **\$11-12 billion per year**, on the assumption that most ships would comply at the base GFI limit. This represented a significant compromise between countries calling for more revenue and those calling for less.

The scenario without economic elements inevitably removes close to all revenue generation, relying on voluntary contributions only. A single-tier GFS likely reduces both the level of funds

raised and the stability of income. The actual impact would depend on the RU pricing and what becomes the lowest-cost compliance option, which is a trade-off between revenue generation and emissions reduction. The single-tier GFS creates a fundamental tension between either incentivising compliance with the GFI limit or incentivising non-compliance and achieving large RU payments into the fund. For example, a reduction in the RU price from the current RU2 level of \$380 per tonne of carbon dioxide equivalent (tCO₂e) in the NZF could make 'pay to pollute' a lower cost compliance option than operating on the base GFI, raising material revenues. However, high GHG emissions would be sustained. In practice, it is difficult to avoid the policy operating at either of these two extremes.

SZEF fuel production and uptake

The different scenarios are likely to have significant impacts on both early adopters' and mass-market actors' transitions to scalable long-run options. The impacts discussed below are largely informed by the Getting to Zero Coalition's ongoing engagement with industry actors and analyses to understand mass-market transition dynamics and risks under heightened policy uncertainty.

The ability of the measures to stimulate fuel production and uptake relies on their level of ambition, certainty, and capacity to drive rewards revenue.

The ambitions and architecture under the NZF 'as is' scenario would likely be able to stimulate some SZEF fuel production and uptake, provided this is coupled with an effective ZNZ Reward mechanism (see later section). The base target and expected direct compliance threshold for 2040 are sufficiently high to reduce the number of fuel options, driving significant emission reductions and a long-term shift toward SZEF options. At the same time, the stable generation of revenues allows for a reliable ZNZ reward mechanism, which, if defined and implemented successfully, can both initiate and accelerate SZEF fuel production and uptake. This allows early adopters to build out their business cases around specific fuel options and for the mass market to plan transitions around gradually increasing market information about which options will be competitive in the future.

This outcome would be significantly undermined by a single-tiered GFS. As discussed in the previous section, revenue generation would be uncertain and volatile. This significantly weakens the potential for effective ZNZ rewards and the business case for SZEFs, especially for early adopters. A 2025 report analysing various measure frameworks highlighted how "a fuel standard and flexibility mechanism alone is unlikely to start an e-fuel transition before 2040". This late start would have a significant impact on the mass market as well: by the time these actors are required to move, the fuels capable of the required GHG reduction scalable enough to meet the demand would not be ready or available at scale. Any SZEF transition progress pre-2040 would be dependent on regional policy to remedy the risks created for mass market transition.

Under a scenario without an IMO economic measure and weak enforcement, near-term (i.e., pre-2035) SZEF fuel production and use would be almost entirely dependent on regional and national policies. This would significantly limit opportunities for early adoptions, as there is no viable business case for fuels that are significantly more expensive than conventional alternatives. The transition would be driven by a small number of voluntary first movers and/or those with strong national or regional support, while the majority of the fleet would delay action.

Just and equitable transition

Enabling a just and equitable transition relies on both the architecture's ability to minimise negative impacts on developing countries, particularly small island developing states and least developed countries, and its ability to mitigate future impacts.

The feasibility of supporting a just and equitable transition is highest under the current 'as is' scenario, as the NZF specifies the disbursement of revenue for the purpose of "promoting a just and equitable transition in States" ([Regulation 41](#)). Because this was a core component of [many Member States' negotiations up to and at MEPC 83](#), retaining the NZF's revenue levels and disbursement details is likely to remain important. Their retention can contribute to support for the measures amongst lower-income countries, especially if relevant guidelines are developed to further clarify specifics that make the disbursement of revenue more tangible and assessable.

A single-tiered GFS is much less likely to enable such an outcome. The [revenues will likely be very constrained](#). With expected competition for any ZNZ reward revenue, there would likely be less stable, less predictable, and lower-magnitude revenue to support a just and equitable transition. At the same time, the existence of both a technical and an economic measure [would still drive disproportionate negative impacts on lower-income states](#). Furthermore, an escalation of regional frameworks (by high-income countries, e.g., sustained EU policies) as described in the section below may also likely negatively impact low-income countries. Economic measures may be imposed on their shipping routes, and these countries are unlikely to reap the benefits of regional revenues generated within, for example, the EU, potentially driving up their maritime transport costs.

Finally, a scenario without an economic measure will lack a dedicated funding stream to support a just and equitable transition, or even an effective incentive structure for transition more generally. This will create strong political justifications for national and regional regulations, particularly by wealthier countries with high administrative capacity, in turn generating less equitable outcomes for lower-income countries and more exposed segments of the industry. A lack of enforcement will also mean a significant risk that targets will not be met, exacerbating climate impacts on already climate-vulnerable states.

Wider consequences of different IMO regulatory scenarios

The different regulatory scenarios would have wider consequences beyond their direct impact on shipping's energy transition. Appeasing some Member States' desire for a lower ambition policy for the sake of political compromise can, for example, have knock-on effects on the ability to deliver the GHG mitigation stipulated by the IMO's 2023 Revised Strategy and on the potential for regional fragmentation of regulations.

GHG emissions and consistency with the IMO's 2023 Revised Strategy

The IMO's 2023 Revised Strategy set GHG reduction targets, including interim checkpoints in 2030 and 2040. Discussions in the lead-up to MEPC 83 concluded that those checkpoints should inform the GFI trajectory of the measures. These were also used in the IMO's [comprehensive impact assessment](#) work in 2024 to estimate the costs and impacts on states.

However, the compromise required to secure agreement in principle on the measures at MEPC 83 resulted in GFI targets that are less ambitious than those used in the IMO's assessment. This already undermines the NZF's ability to meet the IMO's checkpoints, even in combination with other frameworks such as the CII. For example, [estimates at the time of agreement](#) showed that the NZF's expected absolute GHG reduction in 2030 is around 10%

below 2008 levels, whereas the Revised Strategy calls for a 20% reduction for that year, with a stretch goal of 30%.

The consideration of any policy weaker than the NZF likely reinforces shortcomings in the IMO's ability to fulfil its Revised Strategy's ambition and intent. This, in turn, creates industry challenges by reducing the certainty and reliability of any adopted policy, as revisions would be necessary to address those shortcomings at an unpredictable point in the future. The closer the final framework is to the set ambitions, the more certainty that regulatory requirements will not be further revisited.

Regional interplay

Shipping is a truly global sector and a transition that is effective and equitable requires a level global playing field. A regional patchwork of regulations is generally more likely to put financial and administrative burdens on the sector. Yet in the absence of effective IMO policy, regional regulations on the GHG emissions from international shipping, such as the EU's Emission Trading System (ETS) and FuelEU, have developed. To date, these policies have not triggered any significant SZEf early adoption, but the mechanisms include future intentions for e-fuel sub-quotas, which have the potential to stimulate early adoption on at least those voyages covered by the regulations.

The combined technical measures and revenue-generating economic measure in the NZF 'as is' arguably duplicate the function and stringency found in those two EU frameworks. With the EU's commitment to review its policies in 2027 in light of IMO developments, the adoption of the NZF in 2026 would reduce the justification for the continuation of the bloc's regional policies in their current form. A modification or removal would also reduce the justification for other frameworks, including the UK's ETS or carbon markets for shipping in other regions.

Conversely, a scenario without an economic element at the IMO and, consequently, a weaker technical measure due to a lack of effective enforcement, provides no justification for the EU to modify any of its current policy packages. In fact, existing investments in transitional and zero-emission fuels may benefit from a continuation of EU regulation, provided these stay in place to provide some support for their initial investments.

A scenario with a single-tier or weakened GFS has less clear implications for regional regulations. A single-tier GFS representing today's "base" targets would be very similar to FuelEU Maritime. Yet the removal of the direct compliance targets and the revenue collection stability that creates could still justify the inclusion of international shipping in the EU ETS. Uncertain revenue generation also undermines the IMO's reward mechanism, which could in turn justify the retention of the FuelEU and its sub-quota for renewable fuels of non-biological origin. In this scenario, the IMO's ability to contribute to a just and equitable transition would also be undermined. This may increase the need for other regional carbon pricing mechanisms to collect and manage funds, including to support the transition.

Even if the precise response of regional policies remains uncertain, any perception that IMO regulation has been weakened would reinforce the rationale for maintaining or expanding national and regional measures, increasing fragmentation and further complicating the investment landscape.

Political backing

An attempt to move away from the NZF 'as is' would presumably be driven by the need to secure more political backing. At the point of agreement, the NZF had the explicit support of **88% of MARPOL signatories**. Although no vote on adoption was taken in October 2025 at MEPC.ES2, many countries that had supported the agreement in principle voted in support of deferment **in light of a changed political landscape**.

A single-tiered GFS might be perceived as a compromise for countries concerned about the cost to shipowners and the IMO's ability to manage a fund of significant size. While this may be sufficient to increase support for adoption in some countries, the combined effect of increased cost and limited and unpredictable revenue income to support first movers and most impacted countries may mean losing the support of countries with a preference for a strong IMO-led transition, as well as low-income countries counting on the IMO's Net-Zero Fund to help mitigate the high impacts of both climate change and the transition itself. This would also likely be an insufficient compromise to bring the US and Saudi Arabia on board, given their concern with the existence of an economic measure per se, regardless of the GFI architecture design.

The scenario without an economic measure could be more likely to get the support of the US and Saudi Arabia. Such an outcome would align with the preferences of Member States ideologically opposed to regulations consistent with the Revised IMO GHG Strategy or the general application of market-based measures by the IMO. However, a policy without the ability to incentivise the transition would face strong opposition from a broad group of Member States, including those prioritising emissions reductions and those seeking access to revenues generated through an IMO fund.

Re-opening the NZF text would likely re-ignite the debate on a universal GHG levy, particularly among Member States that viewed the NZF as insufficient relative to the Revised Strategy and only supported adoption subject to explicit acknowledgement of its shortcomings. Bringing levy-based concepts back onto the table would likely reproduce the same fault lines between countries seeking greater ambition and those seeking to limit economic measures, risking a return to the political deadlock that the NZF compromise was designed to overcome.

Conclusion

The postponement of the NZF adoption has widened the range of plausible transition pathways for shipping at a time when long-term investment decisions cannot easily be deferred. Three primary options exist, each with different features and implications, as summarised in Table 1 (below).

Scenario	No economic element	Single-tiered GFS and/or weakened stringencyGFS	NZF 'as is'
Description	GFI targets without credit- trading, any carbon price, fund or reward mechanism, compliance market, or levy	One GFI trajectory combined with credit- trading	Two-tiered GFI combined with credit- trading above direct compliance and below base compliance
Expected entry into force	Higher likelihood of delayed entry into force	Higher likelihood of delayed entry into force	Likely fastest entry into force as re- negotiation is not needed
Enforcement	No effective enforcement mechanism	Enforcement through fees for non- compliance	Enforcement through fees for non- compliance
Revenue generation	No generation	Limited/unreliable generation	More robust and reliable generation
ZNZ fuel production & uptake	Relies on national/regional or voluntary industry action	Likely delays SZEf to 2040s, driving an incremental transition	Potential support for a more accelerated transition
Just and equitable transition (JET)	No transition, no support for JET, no addressing of climate impacts	Less stable and lower revenue, severely limiting JET revenue availability with negligible change in negative impacts relative to NZF	Stable revenue to support JET, at a modest initial value, with the potential to increase revenues at the point of review
GHG emissions reduction	Least able to deliver on the IMO's Revised GHG Strategy, more uncertainty on policy reliability/ predictability	Less able to deliver on the IMO's Revised GHG Strategy, more uncertainty on policy reliability/ predictability	Likely to deliver significant emissions reductions but still fall short of the IMO's Revised GHG Strategy targets
Regional interplay	Reinforced justification for regional policy	Reduced justification for regional technical policy (FuelEU), but does not remove justification for regional economic policy (e.g., ETS)	Least justification for additional regional measures
Political backing	Unlikely to attract support from ambitious and most lower- income states	Unlikely to attract support from a number of lower- income states, and those opposing an economic measure	Could garner enough support if confidence in its feasibility and implementation is built

Table 1: Scenarios for the NZF and likely implications for shipping

Heightened policy uncertainty poses an increased risk for early adopters, mass-market participants, and the transition as a whole.

For both early adopters and mass-market actors, the central challenge is not a lack of IMO ambition in principle. The IMO's 2023 GHG Strategy clearly sets out the sector's long-term direction. Rather, the difficulty lies in the absence of a sufficiently stable and credible policy framework aligned with that ambition, and in the heightened uncertainty on both the timing and stringency of IMO policy. Any misalignment between a policy eventually agreed at the IMO and the ambition in the strategy would itself perpetuate uncertainty, particularly around whether and how the framework might subsequently be revised to accelerate the transition.

This uncertainty is compounded by the increasingly complex interplay between global and regional regulation. The widening range of plausible regulatory scenarios, ranging from a strong global framework to fragmented regional approaches, complicates investment decisions for all actors. Different regulatory outcomes are likely to generate materially different transition dynamics, with significant implications for the timing of investments, the geography of least-cost compliance strategies, fuel availability, and ultimately the resilience of the sector's decarbonisation pathway. In such a context, policy frameworks that narrow uncertainty are essential to enabling rational decision-making.

Crucially, these dynamics are not confined to first movers. Mass-market participants depend on early and credible signals that scalable zero-emission fuels will be available, competitive, and supported at scale. Those signals can only emerge through early adopter activity. If early investments are delayed or weakened by policy uncertainty, the mass market is likely to default to short-term compliance strategies for longer. This risks storing up future challenges, both for individual actors and for the transition as a whole, as short-term perspectives on long-term challenges may increase the likelihood of technology lock-in and a more disorderly transition.

Adopting the NZF 'as is' in 2026 is the most effective way to minimise the risks that have arisen.

In the face of the uncertainty, complexity, and risk created by MEPC.ES2 in October 2025, the clearest and fastest way to minimise these risks is to adopt NZF 'as is' without modification. The benefits and opportunities of this include:

- NZF 'as is' is the only option that does not incur further delay in clarifying the IMO's role in the transition, restoring confidence that the IMO will ensure implementation of a strategy in a certain and predictable manner.
- NZF 'as is' has already received broad support from IMO Member States and MARPOL Annex VI signatories, despite the strong opposition from the US and Saudi Arabia. There is little evidence that reopening the framework would succeed in achieving a broader consensus as long as it includes an economic measure, a component that has been ideologically opposed by the US.
- Any compromise that leaves out the economic measure undermines the transition as a whole. Removing this would not produce any credible demand signal for SZEF nor any business case to further invest in production and infrastructure.
- The generation of sufficient revenues is critical to support the transition through the ZNZ rewards, as well as to ensure a just and equitable transition. Of the scenarios considered, only the NZF 'as is' retains a clear and stable fund structure, which is critical to securing the support of low-income countries.
- NZF 'as is' is likely to significantly reduce the need to extend EU and other regional regulation. Compromising ambition or architecture increases the need for countries or regions to show leadership, producing a complex and less investable patchwork of regulation rather than a global level playing field.