GLOBAL MARITIME FORUM

FRAMING PAPER

Decarbonisation policy

Critical window for setting the course to net zero

Between now and spring 2025, many decisions will be made about the policies that will deliver shipping's decarbonisation. The most important of these decisions will be at the International Maritime Organization (IMO), which will craft a set of regulations and incentives that rapidly stimulate the uptake of future fuels and technologies while ensuring a just and equitable transition. In parallel, national governments have a vital role in creating new markets and bridging the cost gap between hydrogen-based e-fuels and today's fossil fuels. National and international policy developments will need to complement industry action and ensure that the actions of first-mover companies align with the trajectory needed to fully decarbonise the global maritime sector by 2050.

Policy's vital role in decarbonisation

The formulation, agreement, implementation and enforcement of policy will be the single most important factor in shaping the decarbonisation of global seaborne trade. While the industry has shown a willingness to take voluntary actions, policy measures are needed to turn these efforts into the emission reductions required to bring shipping in line with international climate goals.

Many of the fuels and technologies that are expected to unlock full decarbonisation have yet to be commercialised, and government policy has an important role to play in enabling and accelerating the commercialisation process. Many of these solutions, even when they are commercially available, will face a significant and persistent cost disadvantage against fossil fuels. Only policy can close this gap and ensure that the industry adopts the zero-emission solutions it needs at the necessary pace.

The IMO at the helm

The IMO has the most important role to play in closing the competitiveness gap and ensuring the adoption of decarbonisation solutions at speed and scale. As shipping's global regulator, the IMO is responsible for regulating a range of environmental issues through its Marine Environment Protection Committee (MEPC), but none of the environmental challenges it has previously tackled compares to the scale, complexity, and cost of the sector's transition to a zero-emission future.

The IMO began to lay the foundation for this decarbonisation journey last year by revising its greenhouse gas (GHG) strategy. The 2023 IMO Strategy on Reduction of GHG Emissions from Ships provides a robust foundation for the industry's transition, with several important cornerstones:

- A goal of net zero greenhouse gas emissions by or around 2050
- Interim checkpoints of 20% (striving for 30%) well-to-wake emissions reductions by 2030 and 70% (striving for 80%) by 2040[1]
- An ambition to achieve 5% (striving for 10%) use of zero- or near-zero emission fuels by 2030

1 Compared to 2008 levels

The strategy also indicates that the regulatory framework for achieving these reductions should include both a technical element (a requirement to use lower-emission fuels) and an economic element (a mechanism for pricing greenhouse gas emissions) and that these measures should promote an effective, just, and equitable transition to new energy sources. The focus of international negotiations between now and the MEPC meeting in April 2025 will be on how to develop these measures so they can achieve the established decarbonisation goals.

The IMO's revised greenhouse gas strategy calls for "a just and equitable transition that leaves no country behind" and the creation of a "level playing field". The inclusion of this language acknowledges that shipping's decarbonisation policies and the effects of climate change have disparate impacts on different states and that the energy transition will affect jobs and livelihoods.

Ensuring a just and equitable transition could include several elements, such as addressing the disproportionately negative impacts of policy measures by considering factors such as transport costs and geographical distances to major trading partners.

The negotiating process has begun with assessments of impacts on regions and states. These assessments will inform a discussion on how to use revenues collected via the economic element to ensure an inclusive and equitable transition for the countries most affected. The same discussions will also fundamentally influence the choices ahead of the industry. For example, the pricing mechanism's design could redirect generated revenues directly to the users of zero-emission fuels, or more indirectly to projects that help unlock countries' zero-emission fuel production potential. A combined approach would provide certainty to investors in both new fuel value chains and zero-emission vessels.

While the dual objectives of a technology transition and just and equitable outcomes are sometimes framed as competing for the same funds, there is hope that some complementary and even synergistic elements can be established, for example by funding technology transfer and supporting the production of new fuels in the Global South. Ensuring that equity and effectiveness are given equal footing in the negotiations will be essential to establishing the political consensus to back policy measures that can deliver on the promise of the IMO's revised strategy.

National governments and the bridge to the IMO

The policy measures adopted by the IMO must underwrite a rapid, mass-market shift from today's fossil-fuel-based shipping to a zero-emission future. However, many of the technologies likely to be necessary, such as hydrogen-based e-fuels and the vessels and infrastructure that can use them, have yet to be commercialised. While first movers have begun to act on these technologies, national governments have an important role in supporting industry action and accelerating the commercial availability of zero-emission technologies and infrastructure.

The use of national government policy to drive developments in international shipping has long been centred around governments' strategic interests, and the same is likely to be true in the case of decarbonisation. Individual countries can use national funding and innovation policy to future-proof the portfolios of their domestic industries; current and potential bunkering hubs can develop infrastructure that helps secure market share in future fuels; and perhaps most importantly, countries with the renewable energy potential to produce future fuels can use policy to build advantages in green fuel production.

Over the past two years, many countries have progressed from developing hydrogen strategies to implementing policies designed to stimulate the production of green hydrogen, usually with significant funding attached. These production subsidies have yet to bridge the gap between supply and demand in the nascent market for hydrogen-based e-fuels, and there is now an emerging consensus that building a hydrogen economy will require demand-side support. Some mechanisms that support the use, and not just the production, of hydrogen-based fuels are already available – notably H2 Global, an independent body set up by the German government with funding from multiple nations to "make

markets" by running subsidised double-auctions for supply and demand.

This kind of support for bridging the cost gap and creating new markets will be the most impactful incentive that national governments can provide in the coming years. While IMO policies have the job of creating an enduring, level playing field for zero-emission fuels, national governments can build a bridge to that future by directly supporting and de-risking the actions of first movers. Conversely, IMO policy must take national actions into account so that the pioneering investments by first-mover companies and governments have a sustainable path to follow in the early years of global regulation.

Industry in support of decarbonisation policy

In addition to the first-mover actions of individual companies (see accompanying brief 'What zero-emission shipping needs to break through'), several industry associations have actively shaped the direction of policy discussions. By representing the interests of their members, groups like the International Chamber of Shipping, the World Shipping Council, and BIMCO, among others, have produced specific proposals to support the zero-by-2050 goal.

The Global Maritime Forum also plays an active role in connecting the maritime value chain to policy developments, particularly through the Getting to Zero Coalition's facilitation of dialogue between industry leaders and government negotiators ahead of key IMO meetings. The goal of these dialogues and the policy analyses that underpin them is to ensure that the industry has a strong basis from which to support an ambitious set of mid-term policy measures that keep the goals of technology advancement and a just and equitable transition in balance.

The Getting to Zero Coalition has also put forward detailed cases for national action in support of first movers on future fuels. Green corridor initiatives have been key arenas for advancing strategic policy support from governments. Global Maritime Forum teams working on both the Australia-East Asia Iron Ore Green Corridor and the Singapore-Rotterdam Green Corridor have produced policy recommendations and arranged public/private dialogues with officials from the Australian government and the European Union.

The timeline for policy action is compressed. At the IMO in particular, the decisions made in April will require careful framing, long-term thinking, and compromise. Likewise, for national governments to seize the advantages of early action, they will have to make key decisions to stimulate markets in the next year. The voice of industry in support of urgent action has rarely been more important.

Key questions

- What does the industry need from the IMO to be able to deliver on the ambitious decarbonisation goals of its revised greenhouse gas strategy?
- How can industry opportunities be aligned with and support a just and equitable transition?
- What kind of support from national governments can complement the business case for first movers in international shipping?
- What are the most important messages the industry can send to national and international policymakers to advance desired outcomes at the upcoming IMO negotiations?

Further reading

- **Unravelling IMO policy measures towards a just and equitable energy transition** (Global Maritime Forum, 2024)
- **National and regional policy for international shipping decarbonisation** (Global Maritime Forum, 2023)
- **National and regional policy for green shipping corridors** (Global Maritime Forum, 2023)

- **Assessing impacts of EU and US policies on accelerated deployment of alternative maritime fuels** (Mærsk Mc-Kinney Møller Center for Zero Carbon Shipping, 2024)
- **Supporting the establishment of the Australia-East Asia iron ore green corridor** (Global Maritime Forum, 2024)