INTERNATIONAL MARITIME ORGANIZATION

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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

Proposals and reflections supporting the effective implementation of the IMO Net-Zero Framework

Submitted by CESA

SUMMARY

Executive summary:	CESA welcomes the political agreement reached on the draft Revised MARPOL Annex VI 2025, set out in the annex to document MEPC/ES.2/2. Furthermore, it emphasizes the importance of its adoption during 2025 and the detailed, associated implementation guidelines as soon as possible thereafter. In line with the GHG workstreams presented in the draft work plan, set out in document MEPC/ES.2/3, in this document CESA outlines various reflections and proposals for the implementation guidelines.
Strategic direction, if applicable:	3
Output:	3.2
Action to be taken:	Paragraph 19
Related documents:	MEPC/ES.2/2 and MEPC/ES.2/3

Introduction

1 CESA welcomes the political agreement reached on the draft Revised MARPOL Annex VI 2025, set out in the annex to document MEPC/ES.2/2 (Secretariat). Furthermore, it emphasizes the importance of the adoption of the Revised MARPOL Annex VI during 2025, so that these amendments can enter into force in March 2027.

2 CESA is pleased that the IMO Net-Zero Framework will establish a global maritime GHG emissions pricing mechanism for international shipping, which will be uniform in application, fostering one global approach to maritime decarbonization. If this global approach replaces similar local/regional regulations, it would provide an opportunity to reduce administrative burdens and investment risk. The opportunity to provide long-term certainty and predictability should support the international shipping industry to make the necessary investments to achieve net-zero GHG emissions as soon as practicable, and in an efficient manner.

3 Furthermore, CESA members would like to express their interest to assist in promoting the development of technology, exchange of information and technical cooperation, provided that intellectual property rights (IPRs) are respected.

4 Even though the proposed amendments do provide further certainty to the maritime industry, supporting the wider uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources (ZNZs), the industry does not yet have the clarity and certainty it needs to make critical investment decisions. Substantial work on the IMO Net Zero Framework, especially on the detailed, associated implementation guidelines, should therefore be progressed and finalized as soon as possible.

5 To that end, in this document CESA presents reflections and proposals for consideration of the Working Group. Even though these reflections and proposals are grouped in line with the GHG workstreams presented in the Secretariat's draft work plan (MEPC/ES.2/3), these may be more appropriately discussed under a different workstream.

Proposals

GHG Workstream .2: Guidelines related to zero or near-zero GHG emission technologies, fuels and/or energy sources (ZNZs)

Decarbonization requires clean energy, energy-efficiency and emission abatement technologies

6 CESA believes that decarbonizing shipping requires not only a focus on clean energy but also strong support for energy-efficiency and emission abatement technologies. Solutions such as – but not limited to – digitalization, wind-assisted propulsion, hull coating, air lubrication, engine propulsion systems renewal and upgrades, fuel cell and onboard carbon capture systems have, as a whole, the potential to significantly reduce fuel consumption and emissions. These technologies complement renewable and low-carbon fuels and help accelerate the transition to greener shipping and reduce demand for ZNZs, which will remain costly and in scarce supply during the expansion phase. Since shipyards integrate a wide range of systems from different maritime equipment manufacturers, supporting a broad range of energy efficiency measures gives them the flexibility to build ships that are both innovative and environmentally efficient.

Rewards allocation to be based on the amount of GHG emissions avoided

7 In accordance with the adopted 2023 IMO GHG Strategy (resolution MEPC.377(80)), CESA strongly supports maintaining the amount of GHG emissions avoided as a basis for allocating rewards. This metric should ensure a technology and fuel-neutral approach that strengthens the base for innovation and technology developments. It is therefore recommended to discuss and agree on a science-based mechanism for allocating these funds.

Maintaining technology and energy neutrality

8 CESA supports the principle of technology and fuel neutrality, which means allowing all types of low-, near-zero and zero-emission GHG emission technologies, fuels and/or energy sources to compete fairly, based on the amount of GHG emissions avoided. This approach fosters innovation by encouraging the development of diverse clean and alternative fuel solutions and letting the best technologies succeed based on performance and suitability, while meeting and exceeding the fuel standard’s target values. CESA believes this is essential because shipyards act as system integrators, assembling complex ships using equipment and technologies from various maritime manufacturers. In summary: a technology-neutral policy

gives the flexibility to choose the most effective and sustainable solutions for each project, meeting and exceeding target values eventually reaching net-zero by or around 2050.

Addressing new builds as well as existing ships

9 The reward mechanism should support new-builds as well as retrofitting existing ships with ZNZs. Transitioning from a fleet mainly powered by fossil or biofuel mono-fuel engines to those using alternative fuels – such as liquefied natural gas (LNG), hydrogen, ammonia, and methanol – will require new or modified engine designs. Existing ships are often incompatible with these fuels, necessitating time- and cost-intensive fleet renewal and upgrade. This challenge is further evidenced by the 2024 OECD Report on the role of Shipbuilding in Maritime Decarbonisation: Impacts of Technology Developments and Policy Measures[*]: stating "Retrofits in selected energy saving technologies and fuel conversions more than doubled since 2020 but account for less than 1% of retrofits and repairs". The work on the detailed implementation guidelines should therefore specifically consider facilitating the transition of the existing fleet.

Reward mechanism and addressing uncertainty

10 The reward mechanism is a key element in the IMO Net-Zero Framework that needs to be developed as a matter of priority in order to provide information and improve investment certainty to the entire maritime sector, including shipowners, industry and investors.

11 The current lack of uptake of ZNZs is reflected in the mentioned 2024 OECD Report: "Fuel optionality in ships is preferred to one specific fuel choice. Fuel options in the orderbook point to increased diversification, with around 37% of vessels (by gross tonnage) being LNG capable, 9.7% methanol capable and 0.55% ammonia capable. Emerging technologies to reduce alternative fuel demand, such as battery, hybrid or nuclear propulsion, are also gaining traction for certain ship types but their uptake in the fleet remains relatively low (<1%)."

12 Deliberating on the necessary investment certainty, reducing investment risk and supporting the calculation of and improving business cases, CESA provides the following suggestions and considerations:

.1 the rewards should be based on the amount of GHG emissions avoided in accordance with the adopted 2023 IMO GHG Strategy;

.2 the rewards should support bridging the price gap for ships using ZNZs and address the need for long-term certainty;

.3 as investment decisions may need to be taken up to several years in advance of the reporting year, reliable information of the remedial unit prices to be paid and rewards to be received over time would be essential;

.4 the level of reward, potentially with a lower and upper boundary, set for instance one, two or three years in advance of the reporting year, would provide additional certainty and should therefore be considered;

.5 not allocating on an annual basis the full amount of annual contributions received, could provide the IMO Net-Zero Fund with some additional stability and predictability, especially in the start-up phase;

[*] https://www.oecd.org/en/publications/the-role-of-shipbuilding-in-maritime-decarbonisation_0c8362c0-en/full-report.html

.6 the aim of the reward mechanism is to promote the uptake of ZNZs and to facilitate reaching the 2030 targets; and

.7 the mechanism should support the cleanest projects, those capable of reducing GHG emissions at the least amount of costs, as well as new promising ZNZs, those that are likely capable of efficiently reducing those emissions in the future, for instance from TRL level 3 onwards.

GHG Workstream .5: IMO Net-Zero Fund

Allocation of the IMO Net-Zero Fund

13 CESA emphasizes that sufficient amounts of funds should be allocated to promoting a broad 2050 ZNZ energy/technology mix and the further scaling up and deployment of ZNZs in shipping.

14 From the shipbuilder's point of view, because not one solution fits all ship types in terms of green propulsion, the use of alternative fuels would mean developing a large number of prototype ships depending on the ship type or the shipowner's preferences, or designing the ships ready to accommodate an alternative fuel or more than one in the future.

15 The need to support ZNZs is further evidenced by the 2024 OECD Report referenced before, which highlights the following: "While the construction of alternative fuel capable ships is increasing, fleet uptake remains low. The maritime sector is shifting toward low/zero-emission solutions, with ships capable of using alternative fuels making up over 52% gross tonnage in the global orderbook. Yet only around 7% of the global fleet can currently operate with these technologies, and maritime GHG emissions continue to rise."

16 Though recognizing the political dimension and need to also dedicate parts of the fund to a just and equitable transition, promotion of the early uptake of ZNZs is key in order to achieve the GHG reduction goals of the Organization during the coming decades.

17 Sufficient amounts of revenues should be generated to reward the use of ZNZs in case the reward threshold is reached by a ship. This is essential to retain a reliable and predictable investment environment. In case the amounts of revenues generated do not suffice for a certain reporting year, reliable allocation of the rewards should be maintained regardless.

GHG Workstream .6: Further development of the IMO Net-Zero Framework, including determining the pricing mechanism for the reporting periods starting in 2031 and onwards

Participation of ships, which are currently out of the scope

18 In the near term, the Committee may want to further consider the participation of ships, which are currently out of the scope of the regulations, on a voluntary basis. Allowing ships, e.g. below 5000 GT, to participate, would support further reduction of maritime GHG emissions and development of ZNZ technologies.

Action requested of the Working Group

19 The Working Group is invited to note the information in this document, in particular the proposals contained in paragraphs 5 to 16, and to take action as appropriate.