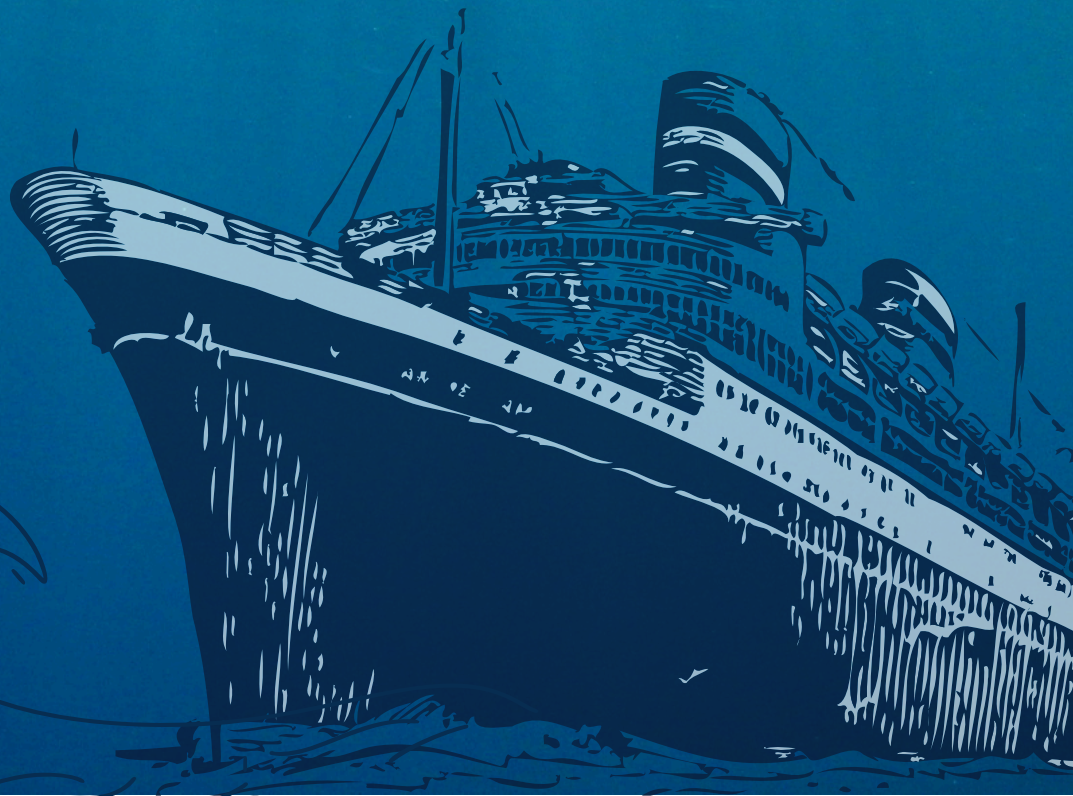




Shipping Forecasts:

Scoring the decarbonisation proposals under the International Maritime Organisation's market-based measures (MBM) shipping strategies

EXECUTIVE SUMMARY September 2024





A new greenhouse gas strategy for international shipping

International shipping is responsible for [approximately 3% of global greenhouse gas \(GHG\) emissions, and this could increase by 50% by 2050](#) without action. The International Maritime Organisation (IMO) updated its [GHG strategy in 2023](#), aiming for net-zero GHG emissions by or around 2050. This strategy includes targets such as a 20-30% emission reduction by 2030 and a 70-80% reduction by 2040, relative to 2008 levels. It also calls for a 5-10% uptake of zero-emission fuels by 2030. While representing a step forward, actions are [insufficient](#) to align the maritime sector with the Paris Agreement's goal of limiting global temperature rise to 1.5°C.


To enhance progress, economic or market-based measures (MBMs) have been proposed by various countries and international organisations to help the shipping industry achieve its decarbonisation goals.

In the context of the IMO's Marine Environment Protection Committee (MEPC) meetings in 2024 and 2025, these GHG pricing proposals will be crucial in shaping the future of shipping emissions reduction strategies.

Carbon Market Watch (CMW) assessed these proposals against key climate and equity [principles](#), based on a [methodology](#) developed by environmental consultancy CE Delft. Proposals were evaluated based on criteria including alignment with the 1.5°C target of the Paris Agreement (30 points), immediate emission reductions (30 points), support for vulnerable nations and workers (20 points), revenue use for R&D and infrastructure (10 points), effective monitoring and enforcement (4 points), GHG emissions scope (3 points), and is it complementary to regional and national efforts (3 points).

Overview of proposals: key findings

Proposed by

	Carbon pricing signal	Strengths	Weaknesses	To be improved
 <p>Austria et al. (EU/Japan)</p>	Positive, with room for improvement (\$100/tCO ₂ e levy)	<ul style="list-style-type: none"> • Strong monitoring system • Good support for Least Developed Countries and Small Island Developing States 	<ul style="list-style-type: none"> • Lack of detail on long-term targets • Insufficient allocation of funds for research and innovation (R&D&I) 	<ul style="list-style-type: none"> • Increase the levy to at least \$150/tCO₂e • Enhance support for R&D&I • Ensure the proposal is compatible with regional climate policies
 <p>Bahamas et al.</p>	Low (\$18.75/tCO ₂ e levy suggested)	<ul style="list-style-type: none"> • Funding to support workers and developing countries 	<ul style="list-style-type: none"> • Low price • Vague timelines • Lack of detail in revenue allocation 	<ul style="list-style-type: none"> • Set a more ambitious levy • Adopt a Well-to-Wake approach covering all GHG emissions • Provide clearer funding allocations for developing nations
 <p>Belize et al. (Paciffs)</p>	High (\$150/tCO ₂ e levy)	<ul style="list-style-type: none"> • Strong focus on immediate emission reductions • Support for vulnerable nations • Robust revenue-raising mechanisms 	<ul style="list-style-type: none"> • Lack of clear provisions for worker transition and further enforcement mechanisms 	<ul style="list-style-type: none"> • Strengthen worker transition plans
 <p>Canada</p>	Relatively high (\$130/tCO ₂ e levy)	<ul style="list-style-type: none"> • Commitment to introducing a substantial levy before 2030 	<ul style="list-style-type: none"> • Lack of concrete amendments to MARPOL Annex VI • No specified use of revenue for R&D • Insufficient attention to equity concerns 	<ul style="list-style-type: none"> • Increase long-term contribution targets • Provide detailed funding plans for R&D&I • Enhance the role of Port and Flag States in monitoring

The case of the Angola et al. proposal

This proposal combines a GHG fuel standard (GFS) with a flexibility compliance mechanism (FCM), allowing ships to purchase "remedial units" if they exceed the GHG fuel intensity limits. However, it fails to function as a robust MBM, as it disincentivises decarbonisation by covering only the GHG emissions of ships above the required GHG fuel intensity. The potential revenue raised under this system would be insufficient to support equitable transition and decarbonisation, and thus it is not considered a viable MBM.

This [analysis](#) published by Transport & Environment demonstrates that only a small share of GHG emissions from shipping would be priced when applying GFS with a flexibility compliance mechanism, which goes against the polluter-pays principle and does not raise the required funds. This reinforces the case for an actual economic measure such as a levy on top of a GFS+FCM, rather than only the latter.

Conclusion & recommendations

To meet the IMO's decarbonisation targets, MBMs need to be ambitious, with a substantial levy to incentivise the shift towards zero-emission technologies and to generate sufficient funds. Proposals should ensure immediate emission reductions, support vulnerable nations, and trigger significant revenues for decarbonisation research and infrastructure.

Aligning with the Paris Agreement's 1.5°C goal requires higher levy values and stronger enforcement mechanisms. Proposals that incorporate equitable transition for vulnerable countries and workers and ensure regional and national policies are not undermined will have the best chance of driving meaningful change in the shipping industry.

Check out the full CMW assessment [here](#).

