



Implications of the Revised IMO GHG Strategy for national, regional and corporate action

Executive Summary

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Preface

This summary has been written by a team of experts from UMAS. The views expressed are those of the authors. The summary provides an initial analysis of the implications for national, regional and corporate actions from the Revised IMO GHG Strategy.

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Contact person

If you require any further information on this report please contact:

Dr Nishatabbas Rehmatulla
n.rehmatulla@ucl.ac.uk

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The IMO's Revised Strategy, adopted at MEPC 80, represents a major leap forward in ambition. It has brought the sector's required transition (from fossil fuels to scalable sustainable renewable fuels) into the decade of the 2030's: even at the lowest ambition interpretation of the strategy, the average ship's GHG intensity will need to have reduced by 86% by 2040. The era for any interim or transitional steps (many biofuels, blue fuels, onboard CCS, or other fossil fuels like LNG and LPG) that are not directly on the pathway to what the sector will need to look like in 2040, has been squeezed down to a handful of years - further undermining the likelihood of any viable business case.

The IMO MEPC outcome is an entirely avoidable surprise, as temperatures rise, disasters increase and pressure on those responsible to act increases. Yet the IMO's progress has now overtaken many of the national, regional and industry steps that were being taken in many cases in support of increasing IMO ambition, as well as to support the sector's transition in general. This raises several questions about the relevance and justification for those steps, and the aim of this paper is to provide an initial analysis of implications to such actions from the IMO outcome.

Generally, to remain relevant national, regional and corporate actions need to move to clear 1.5°C-alignment otherwise they will lag behind IMO's ambition and risk creating confusion, opacity, inaction and admin burden during the transition. But if these actions are strengthened and more carefully dovetailed into the nature of the transition IMO's Revised Strategy now signals, then there remains a key role to play for such actions to support and assist the sector, especially in the period to 2027-28 (before entry into force of further IMO regulation). **The IMO's Revised Strategy creates a very clear onus for a rapid and strong upwards revision of corporate, national and regional actions.**

The specific key findings are:

- Albeit not unambiguously 1.5°C -aligned, the IMO strategy's 2030 and 2040 targets (key guidance for investor's decision making) are in practice very close to the 1.5°C pathway targets (e.g. such as SBTi's guidance). The risk and opportunity space is now more strongly and clearly defined. But by association, it is now much easier for any actor or initiative to adopt a clear 1.5°C alignment, whilst remaining broadly aligned with the mass market's rate of change and transition. **Recommendation - do not be complacent that decisions made based on the IMO's 2018 initial strategy are sound, understanding and factoring in the new strategy's targets - especially the 2030 and 2040 targets is crucial.**
- Looking for guidance from the IMO's Revised Ambition should not be done without also looking at all wider levers of change - which themselves are likely to now increase. Shipping's transition has never been just about what happens at the IMO, it is about the interplay between various public and private behaviour and levers. Opportunities and risks exist in each of these spaces and where they overlap, interfere or reinforce. **Recommendation - develop your own decarbonisation strategy factoring all the levers of transition e.g. how does IMO's revised strategy and future regulation, in**

combination with national/regional/corporate actions create opportunities and risks?

- Whilst many industry leadership efforts and initiatives have been ambiguous about fully aligning with the UN's guidance on how to avoid being labelled as 'greenwash', the pressure to align with 1.5°C is now even higher - otherwise what is being stated as leadership may be nothing more than compliance. Currently, none of shipping's existing corporate initiatives (including Poseidon Principles, Sea Cargo Charter, cargo owners for Zero Emissions Vessels), reference or align with the UN's guidance on integrity of voluntary net zero commitments. **Recommendation - apply and align with the UN's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities guidance on integrity (alignment with IPCC's science on 1.5°C, including all scopes (1-3), use of interim targets and disclosure).**
- The time window for national actions has been compressed, and their role/value is changing. There will always be a need for action on the domestic fleet (which is not covered by IMO regulation) so domestic maritime regulation remains important. For international shipping servicing a country, there is still a gap in legislative clarity until 2027/28 when IMO mid-term measures enter into force. So stimulating early adoption and first movers in that period remains important. Post 27/28, the IMO is likely to increasingly become the driver of the business case to invest, so relevance in that period can only be secured if actions significantly exceed the IMO's ambitions. This limits the period of relevance from national action hoping to 'kick-start' the sector's transition. Or seen from another angle, countries hoping to use policy to achieve a national strategic advantage in shipping's transition now have only a small window of time to do so before there will be much wider competition. **Recommendation - bring forward plans for national action to be particularly focused on the period from now to 2027/28, develop or align action on domestic shipping. Lower income countries with an opportunity in transition now have an urgent need to develop national strategies that can unlock the associated investment.**
- As we approach the second anniversary of the Clydebank Declaration, there have been many announcements of Green Corridors, but many of these remain in pre-feasibility or feasibility stages. Just as for other national actions that could be undertaken in advance of shipping's IMO-regulated transition, unless these are in place and running on zero or near-zero solutions significantly before 2030, the rationale and justification for such initiatives will no longer be valid as they will be making compliance steps. **Recommendation - bring forward public/private collaborations to ensure these have a chance of fulfilling their roles during the 2020's and establish a norm/definition that Green Corridors must have zero or near-zero GHG operation significantly before 2030.**
- The stringency and role of currently announced regional policies (e.g. inclusion of shipping in EU ETS, EU fuel standards), now appears of very low salience/relevance to business cases, relative to what should be anticipated from the IMO's mid-term measures. The partial coverage of a ship's annual fuel consumption (unless operating solely in EU), and the limited potential to incentivise zero or near zero emissions in advance of the IMO's regulations, all question their additionality in the transition. The EU ETS policy increases the inequity of the transition (increasing cost to developing country trade, whilst transferring these revenues to high income countries). **Recommendation: the policies need to be revised to much higher stringency and reconsidered in how they can more effectively integrate and support the IMO's Revised Strategy.**