

INTERNATIONAL ASSOCIATION OF PORTS AND HARBOURS (IAPH)

Report on the outcome of ISWG-GHG 15

Rhona Macdonald (Policy and IMO Liaison Officer) – 30 June 2023

15th session of IMO Intersessional Working Group on GHG Emissions (ISWG-GHG 15)

The 15th session of the Intersessional Working Group on reduction of GHG emissions from ships (ISWG-GHG 15) took place this week from 26 to 30 June. Joining Rhona Macdonald, Antonis Michail, Patrick Verhoeven and Takeshi Suzuki as part of the IAPH delegation was Caio Cunha (Port of Aç ), Sandra Kilroy (Port of Seattle), and Bruce Anderson (Starcrest). This week was critical for the revision of the Draft IMO GHG Strategy as Member States and International Organizations held lengthy deliberations on elements of the Strategy that will shape the future of international shipping.

For ports, **IAPH held a lunchtime presentation** reflecting on the progress made by ports on the action areas identified by the Ports Resolution (MEPC.366(79)). This included a broad overview of all IAPH initiatives and reflections from the Port of Seattle and the Port of Aç  on their respective projects on Green Corridors, Onshore Power Supply (OPS), and the wider energy transition.

Overall, the group agreed on a report on the status of its work to be submitted for further consideration at MEPC 80. However, numerous delegations expressed their deep concerns over the levels of ambition included in this report with work remaining to be done to finalize the 2023 Strategy next week.

The three main items on the agenda were:

1. Draft Revised IMO GHG Strategy
2. The development of the mid- and long-term measures
3. Finalization of the LCA guidelines.

1 FURTHER CONSIDERATION AND FINALIZATION OF THE DRAFT REVISED IMO GHG STRATEGY

1.1. Member States entered into lengthy deliberations over the various elements of the Revised Strategy with considerable time spent in between discussions to reach a landing zone and agree on a Revised 2023 IMO GHG Strategy that was acceptable to all. Overall, the vast majority of delegations emphasized the importance of agreeing on levels of ambition that are aligned with the 1.5 degree temperature goal of the 2015 Paris Agreement which was referenced in many interventions on this agenda item, however, there were differing view points on how this could be achieved.

GHG emissions from international shipping to reach net zero

1.2. The Chair noted that there was growing consensus towards a net zero target for the sector on a fuel life cycle, Well-to-Wake (WtW) basis to avoid shifting emissions up the value chain and to send the right signal to industry.

- 1.3. Whilst some delegations continued to argue for zero by 2050 target, including **Sweden, UK and the Pacific Island nations**, some also expressed a willingness to compromise and agree on alternative formulations to help establish a clear landing point.
- 1.4. With that said, these delegations further stressed that 'net zero' must be accompanied by a clear and unambiguous understanding that this must exclude out of sector offsets to avoid seriously undermining the efforts of the IMO to reach its decarbonisation goal and see meaningful progress in the sector.
- 1.5. Furthermore, whilst **Sweden** proposed to reference this in the Revised strategy, **China, Saudi Arabia and others** advocated for offsetting as an appropriate solution to provide flexibility to those nations who may require additional options to meet the agreed targets. Given this, offsetting was excluded in the draft Strategy but the Group noted that it could return to this issue at a later date.
- 1.6. On the end date, some delegations remained opposed to a quantum target of 2050 in preference of 'by mid-century' (**Brazil, India and Argentina**) to be in line with the UNFCCC and Glasgow Climate Pact language and to again provide for flexibility.

Consideration of proposed levels of ambition for 2030

- 1.7. Numerous delegations, including **France, UK, US, Germany, Marshall Islands and Republic of Korea**, in referring to documents ISWG-GHG 15/2/2 (Austria et al.) and ISWG-GHG 15/2/10 (Canada et al.), stressed the need to include an intermediate target for 2030 of at least 29% to 37% compared to 2008 to guarantee progress between now and 2050, and to provide certainty for investment decisions to increase the uptake and availability of new fuels.
- 1.8. In contrast, several others, namely, **China, Brazil and Argentina**, expressed caution about the achievability of these targets given the lack of available alternative fuels and preferred to keep the current 2030 target which could be reconsidered at the next periodic review of the Strategy.
- 1.9. With this divide, the Group included proposals to reduce GHG emissions 'by at least 20% [striving for 25%] in 2030' in the final report for the Committee to further consider.

Uptake of zero or near-zero GHG emission technologies, fuels and/or energy sources to increase

- 1.10. Regarding the inclusion of a new level of ambition expressed in terms of percentage of alternative fuels used in shipping, several delegations expressed their support for setting a quantified target of 5% or 10% of the sectoral energy demand which would stimulate the uptake of near-zero and zero GHG marine fuels in the short-term.
- 1.11. There were diverging opinions over the exact percentage. Whilst **ICS, UAE, Australia, India and others** opted for a 5% target, numerous Member States and International Organizations, including the **UK, IMarEST, Spain and Sweden**, stressed that the uptake of fuels must be higher to at least 10% by 2030, quoting document MECP 80 INF.10 and other industry studies which

maintained that even 12% was a feasible option. Ultimately, this will be further debated and agreed upon at MEPC 80 next week.

Consideration of proposed levels of ambition for 2040

1.12. Proposals for an intermediate checkpoint for 2040 ranged from 50% to 96% on a full life cycle, WtW basis to ensure the transition proceeds ambitiously and to avoid ending up with a steep and costly transition if action to encourage investment and uptake of new fuels is left too late. Although some delegations remained opposed to a 2040 target, discussions resulted in a compromise to reduce emissions 'by at least 70% [striving for 75%] by 2040', although this remains to be considered and finalized by the Committee.

Vision

1.13. On the overarching vision, many delegations urged the Group to consider including reference to the 1.5 degree temperature goal, whilst discussions on including a quantum target or a reference to 'net zero' or 'phasing out' emissions divided Member States. Additionally, the Group heard lengthy interventions stressing the importance of ensuring a just and equitable transition. The group was unable to conclude on this item which will be considered and finalized at MEPC 80.

Barriers and supportive measures; capacity building and technical cooperation; R&D

1.14. Under this section, IAPH made an intervention in support of a point raised by Argentina on infrastructure requirements. IAPH noted that the development and upscaling of port infrastructure, particularly in developing countries, would necessitate supportive measures to overcome existing barriers to implementation. This was noted by the Group and is referenced in the report to be considered by MEPC 80.

2 FURTHER CONSIDERATION AND FINALIZATION OF THE ASSESSMENT AND SELECTION OF CANDIDATE MID- AND LONG-TERM MEASURES

2.1. The Group recalled that at MEPC 79, The Committee reaffirmed its commitment to continue work on identifying the candidate GHG reduction measures to be developed as a priority as part of a basket of measures consisting of both technical and economic elements by MEPC 80. The Group also noted the outcomes of the recent Ad-Hoc Expert Workshop on comparative analysis of the candidate measures, as well as, the preliminary expert review by UNCTAD of the technical and economic elements, and their possible combinations, organised by the Secretariat to facilitate decision making at ISWG-GHG 15 and MEPC 80. The Chair had identified several indicative questions to assist the group in identifying concrete recommendations to the Committee:

Further consideration of the technical element

2.1.1. All delegations that spoke supported the further development of a goal-based fuel/energy standards (GFS) as the technical element which would mandate phased

reductions in the GHG intensity of marine fuels. Many delegations noted that this will be a voluntary mechanism to ease the transition and offer flexibility without reducing environmental effectiveness of the measure.

Further consideration of the economic element

- 2.1.2. Many delegations maintained that the GFS would be more effective when combined with a universal GHG levy as they considered it to be the simplest economic measure which would support closing the cost gap between conventional and zero-carbon fuels, whilst raising significant revenue as a by-product to support a just and equitable transition and reward early movers.
- 2.1.3. There remains a deep divide as several other delegations explicitly opposed the development of the GHG levy which would in their view have significant negative impacts on developing states, penalizing countries remote from their markets and countries with large trade volumes of low-value commodities, hinder growth and food security, and ultimately widen the gap between development and developing nations. These nations opted for the International Maritime Sustainable Fuels and Fund (IMSF&F) as proposed by **China** in Document ISWG-GHG 15/3/4.
- 2.1.4. Whilst others strived to find a landing zone by supporting a feebate mechanism as proposed by **Japan** (ISWG-GHG 15/3), the Group noted the diverging views and agreed to continue to review the economic proposals during Phase III of the Work plan.

Target dates for finalization

- 2.1.5. Numerous delegations in their interventions supported the adoption of the basket of mid-term measures in 2025 with an entry into force no later than 2027. This was in light of work carried out by UNCTAD which indicates that further delayed action will generate more economic impacts than the costs of implementing the measures themselves.
- 2.1.6. Others stressed that such a decision is premature given the time required to develop the measures and carry out the comprehensive impact assessment, thus the Group agreed to further consider whether to include a target date in the 2023 Strategy.

3 CONSIDERATION AND FINALIZATION OF THE DRAFT GUIDELINES ON LIFE CYCLE GHG INTENSITY OF MARINE FUELS (LCA GUIDELINES)

- 3.1. ISWG-GHG 15 considered the final report of the Correspondence Group on Marine Fuel Life Cycle GHG Analysis with a view to finalization of the LCA guidelines as set out in document MEPC 80/7/4 (**China et al.**).
- 3.2. All delegations that spoke expressed their support for the adoption of the LCA guidelines by MEPC next week underlining the overarching importance of the guidelines for the IMO's ongoing work to reduce GHG emissions, particularly, the development of the basket of measures.

3.3. Furthermore, there was general consensus to undertake a continuous scientific review of the LCA guidelines to address methodological elements that need further work, and to develop further guidance on certification schemes and sustainability aspects.

3.4. With this in mind, there were mixed views on how to execute this work. Several delegations supported the establishment of an ad-hoc expert panel with the appropriate level of expertise to review emission values, whilst others believed that the re-establishment of the Correspondence Group was more appropriate to reduce administrative burden.

Consideration of a draft MEPC resolution on biofuels and biofuel blends

3.5. Document MEPC 80/7/9 submitted **by India et al.** containing a draft MEPC resolution suggesting that biofuels certified to conform to the sustainability aspects of the LCA guidelines should be assigned a CO₂ emissions conversion factor of zero to facilitate the uptake of biofuels and biofuel blends.

3.6. This was met with concerns as several delegations (**France, Canada, UK, Sweden, WSC, Netherlands**) expressed caution that some biofuels would not be considered carbon neutral under a consistent LCA approach taking into account elements such as land-use and feedstock origin, therefore the proposed shortcut may risk incentivizing the use of unsustainable fuels.

3.7. Although there was understanding that this could potentially be used as an interim solution to incentivise the used of sustainable biofuels in the short-term, the Group recognized the need for additional clarity, and, accordingly, recommended that the Committee instruct the Working Group on Air Pollution and Energy Efficiency to further consider the use of biofuels under the CII framework.

4. CONCLUSION

4.1. The Chair agreed to forward on the finalized report of ISWG-GHG 15 to the Committee representing the status of its work to be further agreed and adopted. There were significant concerns expressed by numerous delegations, including the **Solomon Islands, New Zealand, Marshall Islands, Sweden, and international organizations** as to the levels of ambition that have been included, noting that these are not ambitious enough and recommends using this as a base document to be further reviewed at MEPC 80.