

TRANSITION PERSPECTIVE:

Outcomes and Implications of MEPC 77, expanded analysis

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This document is the third in a series of insight briefs following the publication of the recent report [A Strategy for the Transition to Zero-Emission Shipping](#). This brief reviews the proceedings and outcomes of the 77th session of the International Maritime Organization's Marine Environment Protection Committee (MEPC77), which was the first opportunity for the IMO to react to the many developments of national, plurilateral and industry initiatives on shipping decarbonisation launched or announced at COP26. This brief considers how MEPC77 can be understood in light of the IMO's role in the shipping sector's transition to SZEF.

Summary:

Recent developments at COP26 have highlighted the importance of national, plurilateral and industry action to shipping's decarbonisation. The International Maritime Organisation (IMO), however, remains the single most important body developing decarbonisation measures, and the recent meeting of its Marine Environmental Protection Committee (MEPC77) was seen by many as a key test for the IMO's ability match the momentum developing in these other arenas.

While the MEPC77 meeting did not debate on all the potential levers of change that the IMO could enable¹, it did spend significant time on a number of key issues:

- **Clear signals emerged regarding the IMO's long-run intentions;** a majority of Member States that spoke at MEPC77, expressed support of zero GHG emissions by 2050 (of 65 Member States who spoke, 40 supported zero or net zero by 2050, 34 specifically supported zero by 2050). While the resolution² on this was not adopted, the meeting's report 'recognized the need to strengthen the ambition of the Initial IMO GHG Strategy during its revision process.'³
- The IMRB proposal to collect funds for use in research and development⁴ was not approved, but will be considered again at the 12th Intercessional Working Group on GHGs (ISWG GHG12) in May 2022 alongside more comprehensive mid-term measures which seek to **enable First Movers** with support for deployment of scalable, zero-emission fuels (SZEF). This increases the likelihood that the objectives of the IMRB could be integrated in more comprehensive proposals rather than an R&D policy being approved as a standalone measure. This creates a greater need for first movers and innovation systems to be activated through

¹ <https://www.globalmaritimeforum.org/content/2021/10/A-Strategy-for-the-Transition-to-Zero-Emission-Shipping.pdf>

² Submission MEPC 77/7/3 co-sponsored by Kiribati, Marshall Islands and Solomon Islands proposed adoption of a resolution 'that international maritime transport must reach zero GHG emissions no later than 2050'.

³ Para 7.21 in MEPC 77 WP.1 (Draft Report of the MEPC on its 77th session)

⁴ This is a proposal to establish an International Maritime Research Board and accompanying Fund. The proposal puts a mandatory fee of \$2 per tonne of fuel consumed to generate funding for R&D for shipping's transition.

national, plurilateral and industry action – at least until around 2025.

- While no agenda item specifically sought to provide the **granular signals of long-run intent** that will be needed for the broad adoption of SZEf, these mid- and long-term measures were prioritized for future meeting agendas. Among the issues needing clarification, the concept of an equitable/just/fair transition was prominent in the discussions and is likely to remain a key issue in 2022 and beyond. ISWG GHG12 and MEPC 78 meetings will be important for understanding IMO's ability to enable this concept.

Introduction:

Accounting for around 3% of global CO₂ emissions, shipping is essential to global trade and development. If shipping is to play its part in helping to avert the worst outcomes of climate change, the sector needs to reach zero emissions GHG by 2050 at the latest through a pathway of rapid GHG reduction. **A Strategy for the Transition to Zero-Emission Shipping** estimates that a very rapid reduction in GHG emissions, based on the adoption of zero-emission vessels and fuels, will be needed from around 2030. Investment in research, development and deployment (RD&D) from the shipping industry, energy sector and ports is needed immediately.

Global regulations from the IMO for the decarbonisation of shipping will take years to develop due to the complexity of the IMO's process and need to achieve consensus. It is no easy task the IMO faces – to develop a robust, globally binding regulation (or more likely, a basket of measure⁵) that can accelerate the reduction of GHG emissions, support SZEf supply, drive market demand and leave no country behind in what needs to be an equitable transition. More than 170 autonomous members must collectively select specific measures, conduct comprehensive impact assessments of measures and draft detailed regulations while applying complex and sometimes conflicting principles. All the while, the Members will be working to a plan which sees selection of measures between Spring 2022 and Spring 2023 and no target date for finalization.ⁱ While it is not necessary for the IMO to singlehandedly stimulate the emergence phase of the transition, there are, nevertheless, areas where the IMO can support the transition. **A Strategy for the Transition to Zero-Emission Shipping** details levers that are particularly associated with the transition's emergence phase (approximately the 2020s) and diffusion phase (approximately the 2030s). The table below considers

⁵ A basket of measures being the most likely solution to transition shipping was largely supported by members at the 10th intercessional working group meeting (ISWG GHG 10).

these levers and their relationship to MEPC77.

Lever	Description	Was there pertinent discussion at MEPC 77?
1	Unambiguous signals of long-run intent	Yes – this was a key topic of debate, with discussion of a resolution proposal to clearly establish an IMO ambition of zero GHG by no later than 2050.
2 & 3	Bringing together the innovation system, incentivising first movement	Yes – the IMRB policy proposal, a mechanism to collect and disburse funding for R&D in shipping, was further debated (continuation of a debate started at MEPC76). ⁶
4	Improving efficiency and reducing volume of fuel needed	No – there were no policy measures tabled for discussion on this as short-term measures (on efficiency) were the focus of the previous meeting (MEPC 76).
5 & 6	Granular signals of long-run intent, including equity dimensions; strong incentives to drive asset investment and coordination	Yes – there was a debate on mid-term policy measure proposals, criteria for their review and an assessment of progress relative to the workplan (the timetable for work on mid-term measures)

Lever 1: Unambiguous signals of long-run intent

While the adoption of the Initial IMO GHG Strategy in 2018 created an initial signal that has driven much of the action from the shipping sector since, its stated ambition remains somewhat unclear and is now out of sync with external national and international targetsⁱⁱ. The Strategy states both the intention to be aligned to the Paris Agreement temperature goals and an absolute GHG reduction target, yet when the GHG reduction target is taken as a minimum ambition (e.g., a 50% reduction in absolute GHG), it is not aligned to the Paris Agreement. There is scope to reduce this ambiguity, either through the clarification of ambition or through the revision of the initial strategy, or both.

That ambiguity is one of the reasons why the recent [Call to Action for Shipping Decarbonization](#), which now has over 200 signatories

⁶ Additionally and outwith the main discussion the IMO has some initiatives related to innovation and R&D for example the Blue Solutions Project, NextGEN (Next Green and Efficient Navigation), IMO CARES (Coordinated Actions to Reduce Emissions from Shipping) initiative and longstanding efforts to support long-term technology cooperation and capacity building between Members.

across the entire maritime value chain, demonstrated their own desire for a clear target of zero by 2050.ⁱⁱⁱ

There were two key proposals that relate to this lever:

- MEPC 77/7/3 – Resolution on zero emissions no later than 2050
- MEPC 77/7/15 – Revision of the IMO Strategy on Reduction of GHG emissions from ships

The adoption of a resolution (MEPC 77/7/3), which did not happen, would have meant IMO made a clear commitment and strong signal at this point in time. The initiation of the revision of the strategy, which did happen, means IMO agreed to start a process that would be expected to produce clarity in several meetings time (MEPC80 in 2023).

The debate on these two proposals, among other commenting submissions, gave Member States the opportunity to express their thoughts generally, as well as state whether they explicitly supported the resolution or the content of 77/7/15 (including the need for zero GHG emissions no later than 2050, strengthening of ambition for 2030 and introduction of a new level of ambition for 2040). Besides commenting on these proposals, many member states used the debate to show their commitment to international shipping reaching zero GHG emissions by 2050.

In interventions made, there were different phrasings used regarding long-run intent: The clear majority of Member States who took the floor echoed the essence of MEPC 77/7/3 (whether or not they supported the resolution), i.e. ‘that international maritime transport must reach zero GHG emissions no later than 2050.’ A small number of countries used the terminology “net zero.”⁷

The analysis of the debate⁸ shows the following:

On 22nd and 23rd November 2021 at MEPC 77, the proposals related to the 2050 level of ambition and the revision of the Initial IMO GHG Strategy were discussed. Of the 175 Member States, there were 101 attendees⁹, 65 of which took the floor on this issue. The responses are

⁷ The term ‘net’ introduces the concept that the GHG reductions are not just achieved through international shipping, but could also be achieved through out of sector GHG reductions (e.g. offsetting).

⁸ The analysis was carried out by two UMAS researchers based on detailed notes of the meeting audio.

⁹ This number is based on who joined the official IMO virtual negotiation platform Kudo on day 1. The official participant list yet to be published.

categorised below¹⁰:

Ambition Level

- 40 delegations expressly used the terms ‘zero’ or ‘net zero’ by/ no later than 2050 with regards to shipping. The remainder of the delegations were either silent on this or did not mention exact terms.
34 Member States specifically expressed support for an ambition/ target of zero by 2050.
1 Member State was against zero by 2050.
- 5 Member States specifically mentioned a net zero by 2050 ambition/target.¹¹

Adoption of Resolution in 77/7/3

The chair’s consensus (e.g. representing all member states who spoke) summary of the debate is included in the appendix. The following delegations made interventions that discussed the resolution in terms of being for it or against it.¹²

- 14 Member States expressly supported the adoption of the resolution.
- 1 Member State aligned with interventions that had expressly supported the adoption of the resolution, amongst other content.

> Total Member States that could be considered clearly supportive of adopting the resolution by combining the above: 15
- 16 Member states were expressly against the adoption of the resolution but supportive of strengthening ambition. Of these 16, 14 expressed specific support for achieving zero by 2050. Some of these member states preferred not to discuss a resolution further at the expense of other discussions, especially those on the development of mid-term measures. As such, even within the 16 against, there was positivity towards the substance of the resolution.
- 15 Member states were aligned with a Member State that was expressly against the adoption of the resolution.

¹⁰ The numbers here include only speakers and not Members that co-sponsored submissions with these terms but that did not speak during the session.

¹¹ These are in addition to, and separate from, the 34 listed above.

¹² Additionally, 1 Member State had unclear audio when stating its position on the resolution, 1 Member State could consider the resolution with iteration.

> Total Member States that could be considered as against the resolution: 31

- It is noteworthy that among these positions, 29 (15+14) supported the substance of the resolution (zero by 2050) versus 17 that could be considered opposed.

Submission 77/7/15

- 23 Member States expressly supported this submission and/or interim decarbonisation targets.
- 8 Member States supported an intervention which expressly supported this submission and/or interim decarbonisation targets.

> Total Member States that could be considered clearly supportive of this submission and/or interim decarbonisation targets: 31

- 5 Member States were expressly against the submission and/or interim decarbonisation targets.

While adoption of the resolution on ambition level would have reduced ambiguity even further, the following developments at MEPC77 amount to a strengthening of the signals of the IMO's intent:

- The IMO debate showed a clear majority of Member States that spoke were in support of zero by 2050.
- The debate also showed that the large majority of speakers used the language zero and not net-zero (e.g. legitimising offsetting).
- There was significant support for the revised strategy including greater granularity and interim targets.
- Even though numbers supporting the resolution were not enough to secure a majority, a much larger number than those supporting the resolution (35) countries gave their support to a statement that used the language of the resolution within the report, reflecting the significant support for the ambition of zero by 2050.

In combination, the points above can still be read as a clear signal to the market that the IMO, in its revised strategy, is likely to change the current levels of ambition to zero by 2050 at the latest, and that existing 2030 targets will also be strengthened.

Levers 2 and 3: Bringing together the innovation system, incentivising first movement

The report [A Strategy for the Transition to Zero-Emission Shipping](#) suggests that much of the action on bringing together the innovation system supporting First Movers could be championed at the national, regional and industry levels. However, there are MEPC policy proposals that could also play a meaningful role. These include:

- MEPC 77/7/6 – Establishment of an International Maritime Research and Development Board and an IMO Maritime Research Fund
- MEPC 77/7/4 and 76/7/12, among other proposals (e.g. ISWG-GHG 10/5/8) – mid-term policy options that include RD&D spending

The MEPC77 meeting finalised a debate which started at MEPC76 on the IMRB, as well as a debate on the outcome of ISWG-GHG 10 – an IMO working meeting held in October that considered a number of candidate policies, some of which included mechanisms to incentivise first movement.

The IMRB (MEPC 77/7/6) puts a mandatory fuel consumption contribution in place, and thus represents a mechanism for generating and deploying revenue. However the co-sponsors of the proposal emphasise that it is not a Market Based Measure (MBM) and should not be considered as such. The co-sponsors further acknowledge that the mechanism is not intended to change market behaviour as a carbon pricing system would, and that the development of an MBM would be a separate line of work for MEPC. The mechanism also lacks the capacity to support an equitable transition as it is focused on funding R&D, much of which will likely take place in developed countries and with no potential to contribute to technology transfer or wider (e.g. outside the shipping sector) climate impact mitigation. Additionally, the focus of this proposal is funding for R&D but is an unlikely vehicle for support of full value chain demonstration projects, which as noted in the [Call to Action](#) are urgently needed in this emergence phase of the transition.

In the debates at MEPC76 and now MEPC77, a mixture of different positions was taken in support/rejection of the IMRB. Many of those expressing support did so conditionally to various proposed adjustments. Therefore, unable to approve the proposal, the Chairman concluded that the proposal would be forwarded to the ISWG-GHG 12 meeting (expected in May 2022). At ISWG-GHG 12, IMRB will be considered under the general mid-term measures agenda item, not

a standalone agenda item in which it could progress at a different speed (e.g. earlier adoption). On mid-term policy options (including carbon levies, ETS and fuel standard proposals), the meeting was not planned to be an important decision point. Nevertheless, many views and support for different proposals were expressed showing the level of interest in this topic.

These two outcomes are important for timescales and process that indicate what may happen next with both IMRB and mid-term policy measures. The IMO is on track to conclude 'phase 1' of the workplan at MEPC 78 which is expected to be held in June 2022. Phase 1¹³ refers to the collation of and initial consideration of proposals so that a number of proposals are taken forwards for deeper discussion, more detailed assessment and selection in phase 2. The addition of the IMRB to the agenda at ISWG-GHG 12 is an important development because:

- It is now likely to move to adoption no faster than other mid-term measures, e.g. it will need to be considered alongside the workplan timescale that would adopt and see entry into force around the middle of the 2020s.
- The IMRB proposal was envisioned as a tool to promote innovation that could be adopted more quickly than proposals targeting the broader market (MBM). Now that the timeline for consideration of IMRB has been extended, its objectives may end up being integrated into proposals on MBMs with a broader impact.

This is consistent with the reasoning in the initial strategy that this lever is not easily implemented by IMO through policy. By association, it creates a greater need for first movers and innovation systems to be activated through national, plurilateral and industry action – at least until around 2025. Besides policy proposals the IMO do have some projects and initiative which may support this lever¹⁴. Additionally, there is now greater pressure on the adoption of mid-term measures, and with the IMRB less likely to be treated as a standalone measure, measures supporting research and development can be integrated with the essential tasks of full-scale demonstration and deployment. The adoption of a mid-term measures is far more of a key action for the IMO in the transition overall.

¹³ The workplan for the development of mid-term measures is described in GtZ Closing the competitiveness gap report (Full REF).

¹⁴ Blue Solutions Project, NextGEN (Next Green and Efficient Navigation), IMO CARES ((Coordinated Actions to Reduce Emissions from Shipping)

Lever 5 and 6: Granular signals of long-run intent (including equity dimensions); strong incentives to drive asset investment and coordination

While the emergence phase of the transition requires unambiguous signals of long-run intent from policymakers and industry, the diffusion phase to follow will need more granular signals to be in place. These can be thought of as more detailed descriptions of the transition pathway, including expected milestones and the development of policy measures to ensure they are achieved. Policy and industry roadmaps are examples of tools for communicating such signals; in the context of the IMO debates, elaboration of detail on mid- and long-term policy measures could pull this lever. Over time this elaboration will have to provide guidance about timelines, stringency, principles for assessment of progress, equity dimensions and other issues in order for investors to better understand how resources should be allocated.

With time short, and long timescales needed to reach the point of a new policy's implementation and impact on the market, the Organization needs to focus on the most substantive discussions on the most impactful measures, i.e. the mid- to long- term measures. Commitment to focus on mid- to long-term measures was an outcome of the MEPC77 meeting, with an agreement to hold further discussions developing and collating candidate mid-term measure options at ISWG-GHG 12 (expected in May).

While crucial questions about stringency, measurement, timelines etc. must be resolved by these measures, there is a growing recognition that MBMs, as the measures likely to drive mass mobilization of resources, must also explicitly address issues of equity and fairness. As demonstrated through a number of initiatives and declarations adopted at COP26, there is a growing rhetoric calling for the transition of shipping to be just, equitable, fair and to leave no country behind. Indeed, in 2018, the UN Committee for Development Policy released recommendations for UN Agencies and Member States to embed the concept of leaving no one behind in their strategic frameworks and implementation of these frameworks^{iv}. This builds on the commitment in the 2030 Agenda for Sustainable Development adopted in 2015.^v The exact terminology used in multi-stakeholder decarbonisation dialogues varies and the meaning behind just, equitable and leaving no one behind has yet to be defined.

The Initial GHG Strategy notes the need to be cognizant of the principle of common but differentiated responsibilities and respective capabilities (CBDRRC) enshrined in the UNFCCC, and

lays out the importance of assessing and addressing the needs of developing countries, especially Small Islands Developing States (SIDS) and Least Developed Countries (LDCs), in the adoption of decarbonisation measures.^{vi}

The topic of equitable transition was omnipresent at MEPC77. It was emphasised by all the Member States that rejected the justification for strengthening the IMO's ambition to zero GHG by 2050, because that resolution only considered and detailed the GHG emission aspect and justice and equity dimensions. It was also frequently referenced in the debates related to mid-term measures and as a concern relating to the IMRB's current design.

MEPC77 did not debate or therefore conclude design details of mid-term measures, so there is little that can be concluded at this point on these levers. There remains a tension around all issues of greenhouse gas regulation, both related to mitigation strategies narrowly defined and to their equity dimensions. The forthcoming ISWG-GHG 12 and the subsequent debate at MEPC78 (to conclude phase 1 of the workplan on mid-term measures), will be important signals towards which policy solution(s) are gaining momentum, and what their likely specifications will be.

Appendix

The following text is the consensus summary for the report (WP.1) of MEPC 77 (e.g. encompassing all member state views) of the debate on whether to adopt a resolution on zero by 2050.

“...In the course of the discussion, the Committee noted that a number of delegations stressed the need for the Organization to send a clear signal on its commitment to reduce GHG emissions from ships to achieve zero emissions by 2050, as stated by many, or net-zero emissions by 2050, as stated by others. Some delegations also suggested that the revision of the Initial Strategy should include revision or inclusion of possible intermediate targets to ensure a reduction pathway in line with the 1.5°C temperature goal. The Committee also noted that a number of delegations stressed that in the revision process, building upon the guiding principles of the Initial Strategy, due consideration should be given to impacts on States and scaling up action and support to developing countries, including finance, technology transfer and capacity-building to ensure a fair and just transition...”

i <https://www.imo.org/en/OurWork/Environment/Pages/Work-Plan-on-mid--and-long-term-GHG-reduction-measures.aspx>

ii <https://splash247.com/cop26-sailing-into-sync-with-global-ambitions/>

iii <https://www.globalmaritimeforum.org/content/2021/09/Call-to-Action-for-Shipping-Decarbonization.pdf>

iv Committee for Development Policy. (2018). Report on the twentieth session of the Economic and Social Council (E/2018/33). New York, United States: United Nations

v Reference: (United Nations, 2015, Resolution adopted by the General Assembly on 25 September 2015 A/RES/70/1)

vi See 3.2 https://unfccc.int/sites/default/files/resource/250_IMO%20submission_Talanoa%20Dialogue_April%202018.pdf