

The path to

MARITIME NET-ZERO

Key Outcomes of the 20th IMO Intersessional Working Group on
Greenhouse Gas Reduction



OVERVIEW OF ISWG-GHG 20

Maintaining Momentum Amidst Uncertainty

The 20th Intersessional Working Group on GHG Reduction (ISWG-GHG 20) convened with a clear mandate: to advance the technical architecture of the IMO Net-Zero Framework in line with the 2023 IMO GHG Strategy. The session's progress was framed by a significant strategic challenge, the one-year adjournment of the decision on the MARPOL Annex VI amendments, which created a climate of regulatory uncertainty.

Despite this delay, the Group achieved a cautious but constructive outcome, deliberately prioritising consensus on the technical 'how' of future regulations while deferring the more contentious political 'what' and 'who pays' questions for a later date. This strategic choice to advance the development of technical guidelines was aimed at maintaining critical momentum, providing much-needed clarity to the industry and Member States, and ensuring that future decisions by the Marine Environment Protection Committee (MEPC) will be better informed.



KEY OPERATIONAL OUTCOMES



✓ **Advancement of Technical Guidelines**

The Group reached a consensus to proceed with the development of technical guidelines despite the pending adoption of the overarching framework. This pragmatic decision was framed as a necessary step to build mutual understanding and enable more informed decision-making when formal deliberations resume.

✓ **Foundational Document Agreement**

Significant progress was made by agreeing to use specific submitted documents as the official basis for future work. This includes key proposals on the Sustainability Certification Framework (ISWG-GHG 20/2/30) and the Fuel Lifecycle Label (ISWG-GHG 20/2/29), signalling convergence on core technical details.

✓ **Deferral of Impact Discussions**

In a move reflecting a sequenced and pragmatic approach, the Group agreed to defer detailed discussions on the potential negative impacts of proposed measures until greater clarity is achieved on the framework's governance and financial mechanisms.

FOUNDATIONAL PRINCIPLES

Pillars of the Future Framework

Establishing shared principles is strategically vital, as they form the guiding philosophy for the technical regulations and are crucial for the framework's global acceptance and effectiveness. Across the diverse and complex agenda items, a broad consensus emerged around three critical, cross-cutting principles that will serve as the bedrock of the IMO Net-Zero Framework.

Guided by these principles, the working group made tangible progress in defining the core technical components of the future regulatory regime:

1

Technology & Feedstock Neutrality

This principle represents a firm commitment to performance-based regulations grounded in a fuel's comprehensive Well-to-Wake (WtW) GHG intensity. By avoiding prescriptive lists of approved fuels or technologies, the framework intends to foster broad-based innovation, prevent the creation of stranded assets in specific technologies, and allow for diverse regional energy transition pathways.





2

Just & Equitable Transition

A persistent and central theme, particularly emphasized by delegations from African states, Small Island Developing States (SIDS), and Least Developed Countries (LDCs), was the imperative for a just and equitable transition. This principle, rooted in the concept of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC), demands that the framework's financial mechanisms—specifically the IMO Net-Zero Fund and its reward structures—are designed to address the unique vulnerabilities and capacity-building needs of developing nations.



3

Transparency & Environmental Integrity

The Group consistently underscored the need for robust, credible, and verifiable systems to ensure the environmental integrity of the entire framework. This was evident in discussions on a unified fuel certification framework, the rigorous application of Life Cycle Assessment (LCA) guidelines, and addressing the significant environmental integrity risks associated with complex Chain of Custody (CoC) models, particularly the deep divisions over the viability of 'book-and-claim' systems.

TECHNICAL MEASURES

Building the technical measures of the regulatory machinery

While final decisions remain pending, ISWG-GHG 20 made significant strides in shaping the technical architecture of the IMO Net-Zero Framework. The discussions moved key regulatory components from abstract concepts toward concrete proposals, building out the machinery needed for implementation:

- A. Fuel Lifecycle Framework (Certification, Labelling, and LCA)
- B. Economic and Compliance Mechanisms (GFI, Registry, and ZNZ Rewards)
- C. The IMO Net-Zero Fund

While the technical machinery of the framework is taking shape, several high-stakes issues requiring political consensus remain unresolved.



FUEL LIFECYCLE FRAMEWORK

Sustainability Certification Framework (SFCF)

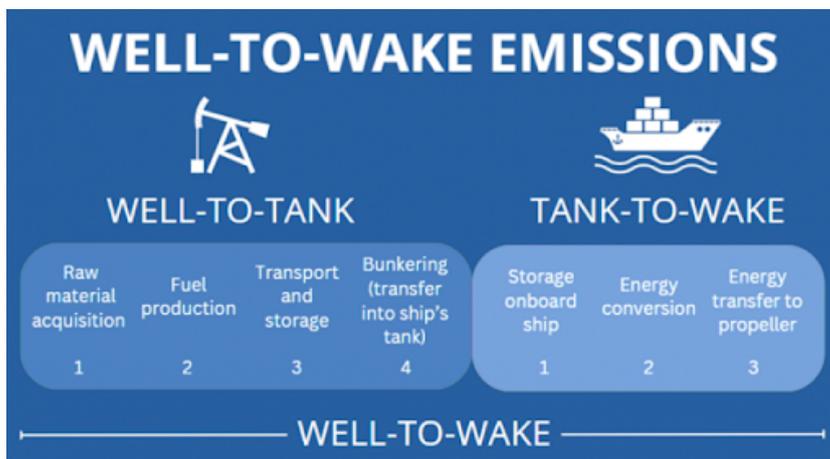
There was broad agreement to use document ISWG-GHG 20/2/30 as the basis for a unified SFCF. A notable convergence emerged favouring a direct application model (Option 1), where scheme owners apply directly to the IMO, though many delegations remained open to exploring hybrid approaches that combine efficiency with national oversight. This preference signals a strategic move to streamline bureaucracy and lower entry barriers for global schemes, potentially accelerating fuel verification but placing a greater due diligence burden on the IMO itself.

Fuel Lifecycle Label (FLL)

The proposed Well-to-Tank (WtT) template received near-unanimous endorsement as a sound foundation for further work. The Group also formally supported the development of a dedicated set of guidelines for the FLL, ensuring alignment with the broader LCA methodology.

Life Cycle Assessment (LCA) Methodology

An extensive debate took place on refining the LCA Guidelines. Key areas of focus included integrating broader sustainability themes (e.g., indirect land-use change, biodiversity), clarifying ISO standards application, and developing methodologies for complex issues like Carbon Capture and Storage (CCS), all while navigating a contentious debate on how to implement these themes without placing a disproportionate technical and economic burden on fuel producers in developing nations.



Source: GESAMP

ECONOMIC AND COMPLIANCE MECHANISMS

GFI Calculation & Compliance

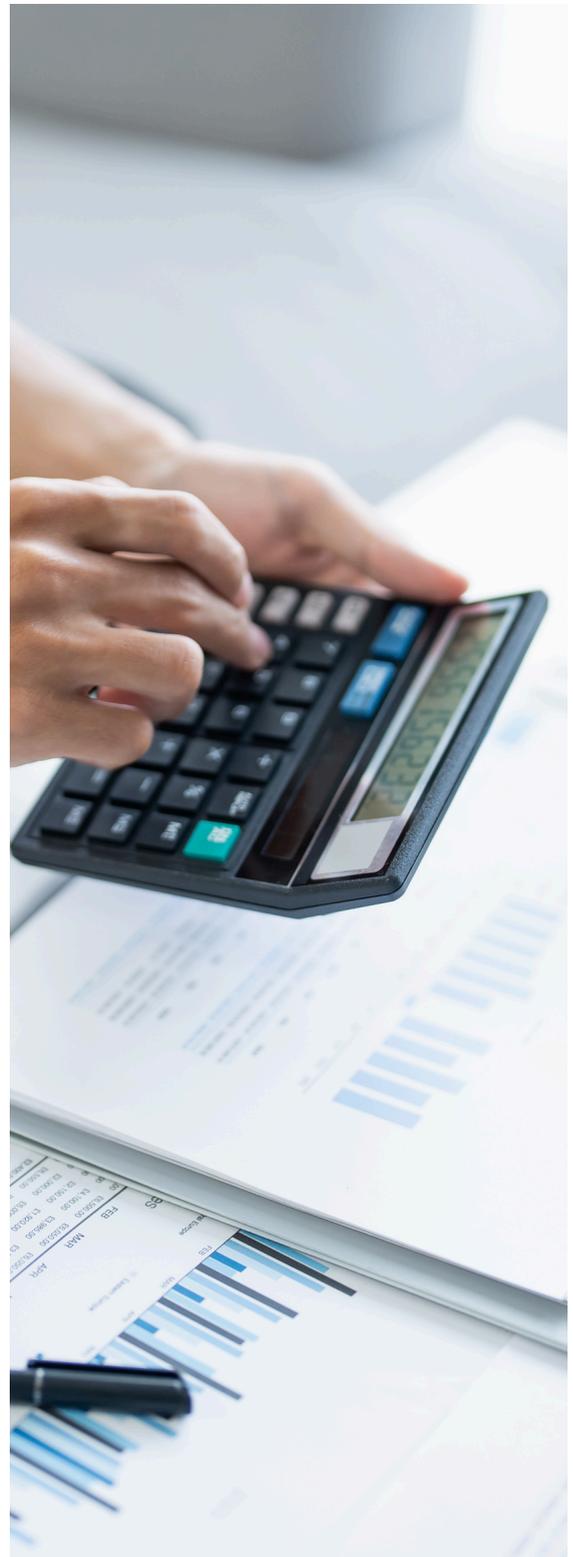
There was strong support to use the document ISWG-GHG 20/2/6 as a starting point for the GHG Fuel Intensity (GFI) calculation guidelines. A critical point of agreement was the need to accurately account for energy inputs from wind, solar, and shore power to maintain technology neutrality and avoid penalising investments in direct renewables.

GFI Registry

The Group clarified that the GFI Registry is a data and attestation platform, not a trading platform. This is a fundamental decision that keeps the IMO's role focused on regulatory oversight and data verification, deliberately avoiding the creation of an IMO-managed carbon market, which would introduce immense political and financial complexity. In a key decision, the Secretariat was authorised to commence preliminary preparatory work, with Singapore offering to develop a small-scale pilot project.

ZNZ Fuel Rewards

While no single reward mechanism was selected, discussions revealed a broad preference for a phased, hybrid approach. Such a model would combine the predictability of fixed-rate rewards in the early years to provide investor certainty, later transitioning to more market-based mechanisms (like auctions) to enhance economic efficiency.

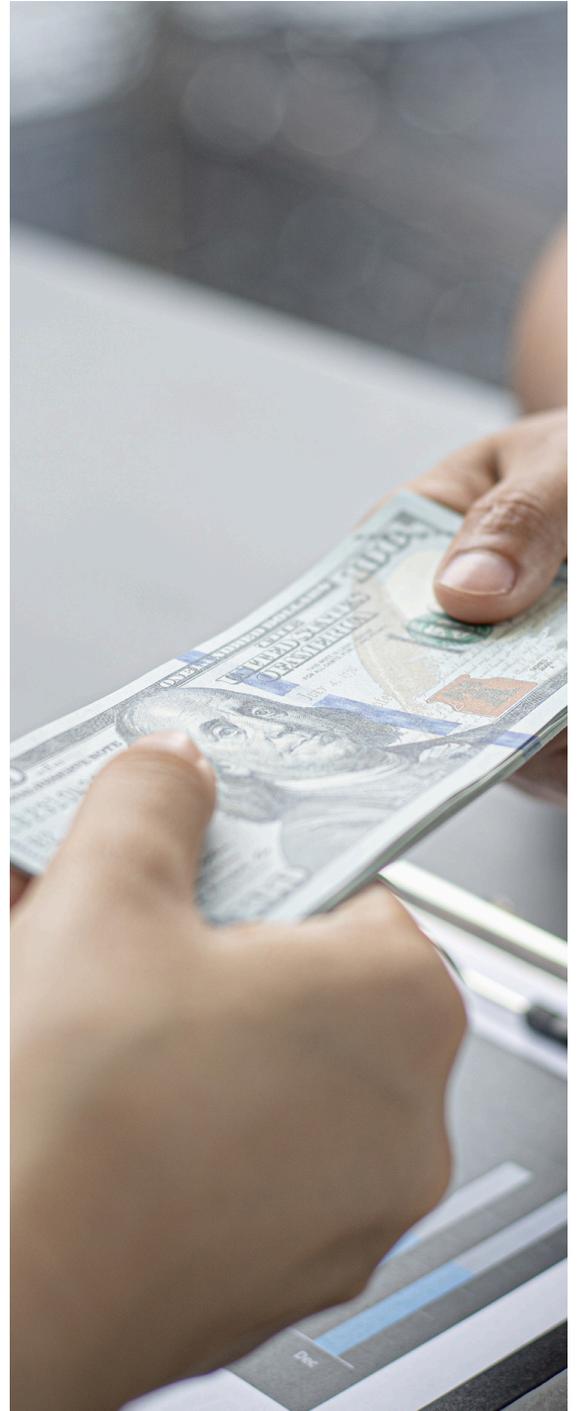


IMO NET-ZERO FUND

The governance of the IMO Net-Zero Fund

The governance of the IMO Net-Zero Fund was a central point of deliberation. It was reaffirmed that the Fund's establishment falls under the mandate of MARPOL Annex VI, Regulation 40. Delegations articulated a clear vision for its governance, emphasising principles of equity and accountability.

There were strong and persistent calls, particularly from the African Member States, for a geographically and gender-balanced Governing Board to ensure fair representation. The absolute necessity for transparency in its operations and equity in the disbursement of revenue was highlighted as essential to supporting a just transition for all Member States, especially developing countries, SIDS, and LDCs.



THE PATH FORWARD

Major unresolved issues and the path forward

ISWG-GHG 20 successfully laid significant technical groundwork, advancing the blueprint for the IMO Net-Zero Framework. However, the session also brought into sharp focus the major political and technically complex decisions that remain unresolved. The path forward will require a combination of focused intersessional work, dedicated expert workshops, and intensive debate at upcoming MEPC and ISWG-GHG sessions to bridge these divides.

The most critical points of contention and the agreed-upon steps to address them are summarised below:

The most critical points of contention and the agreed-upon steps

High-Stakes Debates Requiring Consensus	Agreed Next Steps
<u>Chain-of-Custody (CoC) Models:</u> The fundamental disagreement on the viability of "book-and-claim" systems versus the strongly supported "mass balance" approach as the standard.	Invite intersessional work to evaluate CoC models against the criteria of traceability, environmental integrity, and equity.
<u>ZNZ Reward Mechanism:</u> The final design of the reward structure (fixed, auction, CfD, or hybrid) and its financial impact on the Net-Zero Fund.	Request further technical modelling of fund impacts and the specific parameters for various reward systems.
<u>LCA Sustainability Criteria:</u> The debate over qualitative vs. quantitative metrics for themes like ILUC and the potential economic burden on developing nations.	Encourage submission of specific proposals to MEPC 84 on integrating quantitative metrics and protecting against high-ILUC risk fuels.
<u>IMO Net-Zero Fund Governance:</u> Finalizing the composition of the Governing Board and the precise mechanisms for revenue allocation to ensure a just transition.	Schedule a GHG Expert Workshop to benchmark against other international funds and revisit the matter at MEPC 84.
<u>Fifth IMO GHG Study:</u> The debate centered on expanding the Study's scope to include harmful non-GHG substances from new fuels and mandating greater data disaggregation, versus concerns over the added complexity and time required for completion.	Adopt the draft terms of reference as a 'work in progress' for further discussion and finalization at ISWG-GHG 21.

Ultimately, ISWG-GHG 20 succeeded in advancing the detailed technical blueprint for shipping's decarbonization. The ultimate success of the IMO Net-Zero Framework, however, now hinges on achieving the necessary political consensus on these critical unresolved issues in the sessions ahead.

THANK YOU.

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