Graphical user interface

Description automatically generated

**The International Chamber of Shipping reaffirms commitment to 2050 net zero**

* The International Chamber of Shipping (ICS) sets out full details of ‘Fund and Reward’ proposal to the UN International Maritime Organization (IMO).
* The ICS Board met in London last week and unanimously supports the proposal for shipowners to make mandatory contributions per tonne of CO2 emitted to create a new IMO fund to be established by 2024.
* The fund will reward uptake by shipowners of low and zero-carbon fuels, and provide billions of dollars of funding annually for alternative fuel production and bunkering infrastructure in developing countries.

**15 February 2023, London**: The Board of the International Chamber of Shipping (ICS), which represents over 80% of the world’s merchant fleet, has submitted a revised proposal to the International Maritime Organization (IMO) that reaffirms the industry’s commitment to meet 2050 net zero carbon goals and sets out the full details of how this can be achieved via a ‘Fund and Reward’ system .

The Fund and Reward mechanism will be financed by a mandatory contribution by ships per tonne of CO2 emittedto an IMO fund, which will reward first movers for the CO2 emissions prevented by the use of alternative fuels such as methanol, ammonia and hydrogen, as well as sustainable biofuels and synthetic fuels plus new technologies including carbon capture.

In the new submission, ICS has set out details of how a mandatory flat rate (levy-based) contribution by ships will be collected by an IMO Maritime Sustainability Fund. Importantly, to achieve consensus among governments, ICS explains how the contribution by ships per tonne of CO2 emitted can be set by IMO at a relatively low level and still be sufficient to narrow the price gap between alternative and conventional fuels. The funds collected would be used to reward the uptake of alternative fuels by first movers, based on the CO2  emissions prevented, which will significantly reduce the price gap whilst minimising the additional cost of marine fuel to ensure that there will be no disproportionately negative impacts on trade, which is a legitimate concern among many developing economies.

In addition to funding the rewards programme for the uptake of low and zero-carbon fuels the contributions by shipping companies will generate billions of dollars annually to support the production of alternative marine fuels in developing countries. The fund will also be available to de-risk the rollout of the new bunkering infrastructure that will be required on an accelerated timescale.

**Simon Bennett, Deputy Secretary General of the International Chamber of Shipping commented:**

“The Fund and Reward mechanism put forward by ICS is intended to be as simple as possible for IMO to establish. With political will, it can be readily adopted via the existing IMO MARPOL Convention by 2024, so that our commitment to net zero by 2050 can remain plausible given the enormous challenge of transitioning the entire global industry to new fuels and technologies in less than 30 years.

“Our immediate goal is to ensure that some kind of levy-based global economic measure will be prioritised for rapid finalisation by the IMO Marine Environment Protection Committee at its next meeting in July. This critical meeting of governments is also expected to adopt a formal net zero target for shipping which will only be truly credible if a measure such as that proposed by the industry is taken forward immediately.”

The level of contributions to the IMO fund will be a decision for governments. However, ICS has suggested that total funds of about USD 10 billion per annum – which would require an initial contribution quantum of about US$50 per tonne of marine fuel oil consumed – could be sufficient to fund a rewards programme up until about 2030 whilst also providing tens of billion dollars to support maritime GHG reduction projects in developing countries. A previous [economic impact assessment](https://www.ics-shipping.org/wp-content/uploads/2022/04/ISWG-GHG-12-3-8-Initial-impact-assessment-on-States-of-a-carbon-levy-for-international-shipping-ICS.pdf), prepared by ICS in collaboration with Clarksons’ Research, suggested that contributions of up to USD 150 or more per tonne of fuel consumed would be unlikely to have significant impacts on States.

**Guy Platten, Secretary General of the International Chamber of Shipping added:**

“If we are to have a sustainable decarbonised future, governments need to support the shipping industry’s willingness to come forward with innovative measures that can incentivise first movers whilst also providing support to developing countries. I am pleased that the principle of a global contribution paid by shipowners into a fund is increasingly being recognised as the fairest and most effective method to create the funds and incentives required to catalyse the decarbonisation of our industry. Our board collectively and fully supports this proposal so that no one will be left behind in the transition to net zero fuels for shipping which can only succeed if implemented on a global basis.”

At the previous Marine Environment Protection Committee (MEPC 79) in December 2022, there was increasing support among governments for an economic measure which could provide the world fleet with the needed incentive to effectively accelerate the energy transition.

The latest ICS submission provides additional information to assist a decision at MEPC 80 in July 2023 about the GHG reduction measures to be prioritised for development, and explains the core elements of the mechanism that need to be finalised and the variables that will determine the initial quantum of the contribution by ships and the reward rate for the use of eligible alternative fuels. The submission also sets out a full regulatory package, including suggested amendments to MARPOL Annex VI, to demonstrate how the Fund and Reward mechanism can be adopted by IMO Member States by 2024.

Which alternative fuels might be eligible for rewards from the IMO fund will depend on the separate IMO Guidelines on carbon lifecycle assessment of marine fuels which are also scheduled to be adopted by the next MEPC meeting in July 2023.

***Ends***

**Notes to editors**

**About ICS**

The International Chamber of Shipping (ICS) is the principal international trade association for merchant shipowners and operators, representing all sectors and trades and over 80% of the world merchant fleet – [www.ics-shipping.org](https://www.ics-shipping.org/).

The full ICS submission to ISWG-GHG 14 (IMO London, 20-24 March 2023) can be downloaded [here](https://www.ics-shipping.org/wp-content/uploads/2023/02/ISWG-GHG-14-3-Further-information-about-revised-IMSFR-proposal-and-possible-draft-amendments-toMARPOL-A...-ICS.pdf).

The impact assessment prepared by ICS with the assistance from Clarksons Research can be downloaded [here](https://www.ics-shipping.org/wp-content/uploads/2022/04/ISWG-GHG-12-3-8-Initial-impact-assessment-on-States-of-a-carbon-levy-for-international-shipping-ICS.pdf).