

Summary of MEPC/ES.2:

Japan's approach to the IMO Net-zero Framework

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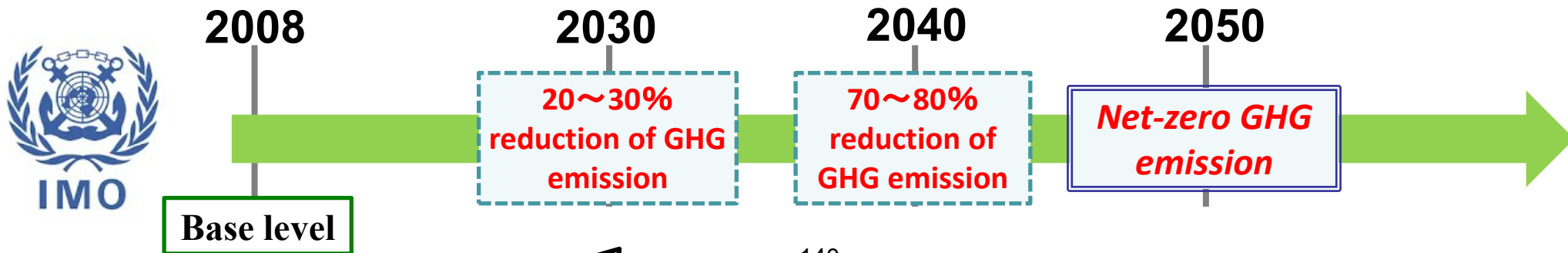
Director for Environment Policy

Ocean Development and Environment Policy Division

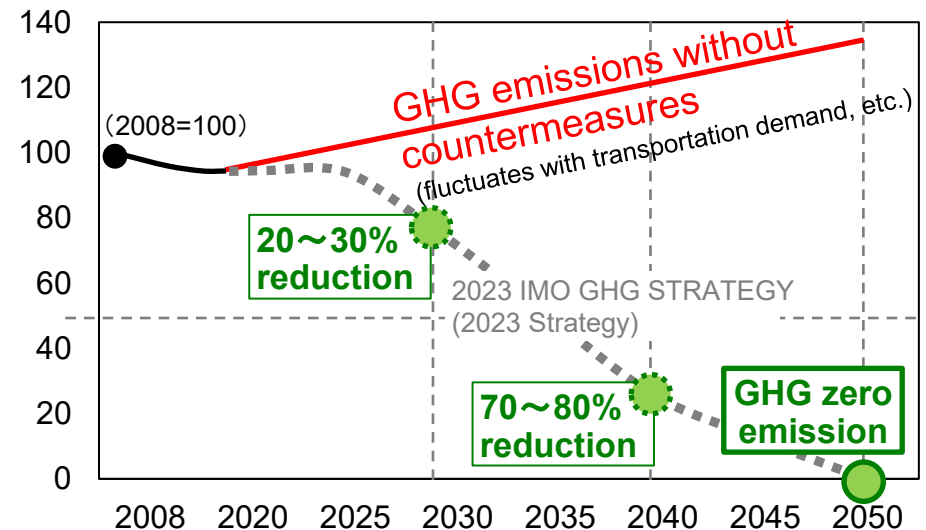
Maritime Bureau, MLIT

The IMO adopted the “**2023 IMO GHG Strategy**” to reduce GHG emissions from international shipping.

Targets of 2023 GHG reduction strategy

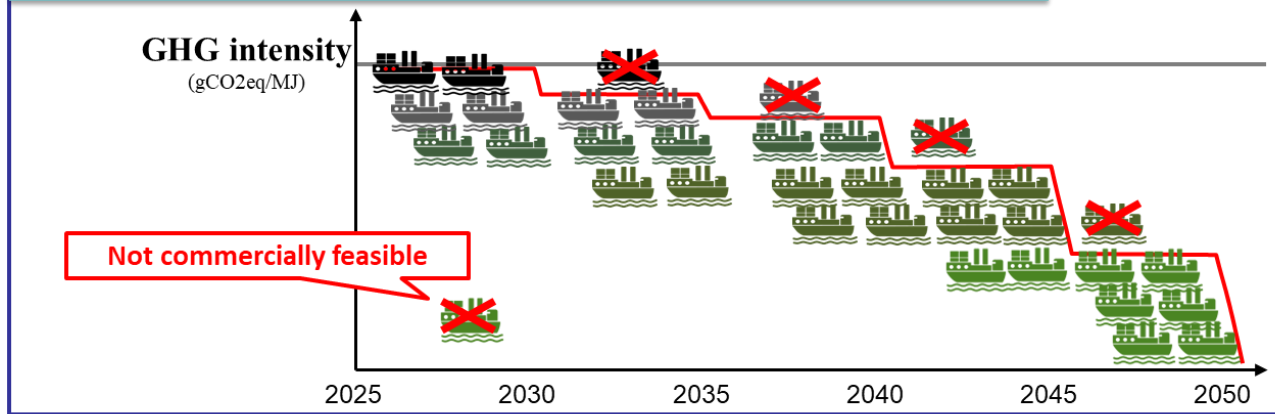


- ◆ 40% reduction of CO₂/ton-mile
- ◆ 5~10% up-taking zero or net-zero GHG emission fuels



*Based on the minimum transport demand assumed by the 4th IMO GHG Study

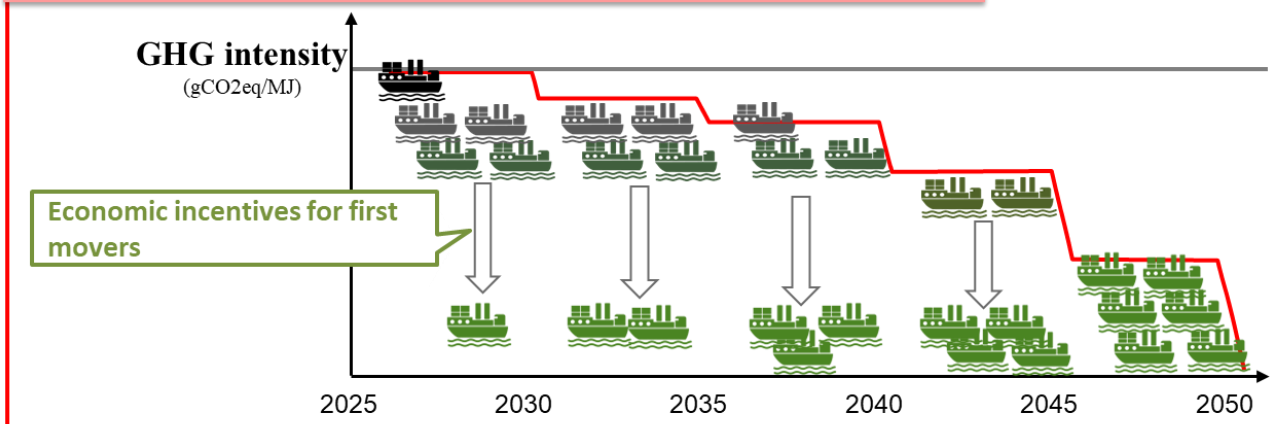
GHG fuel intensity (GFI) regulation (Fuel standard)



Fuel standard

- Gradual mandatory reduction
- Certain deadlines for phasing out
- Commercially unfeasible of ZNZ (Zero or Near-Zero) vessels

GFI pricing mechanism (Economic measure)

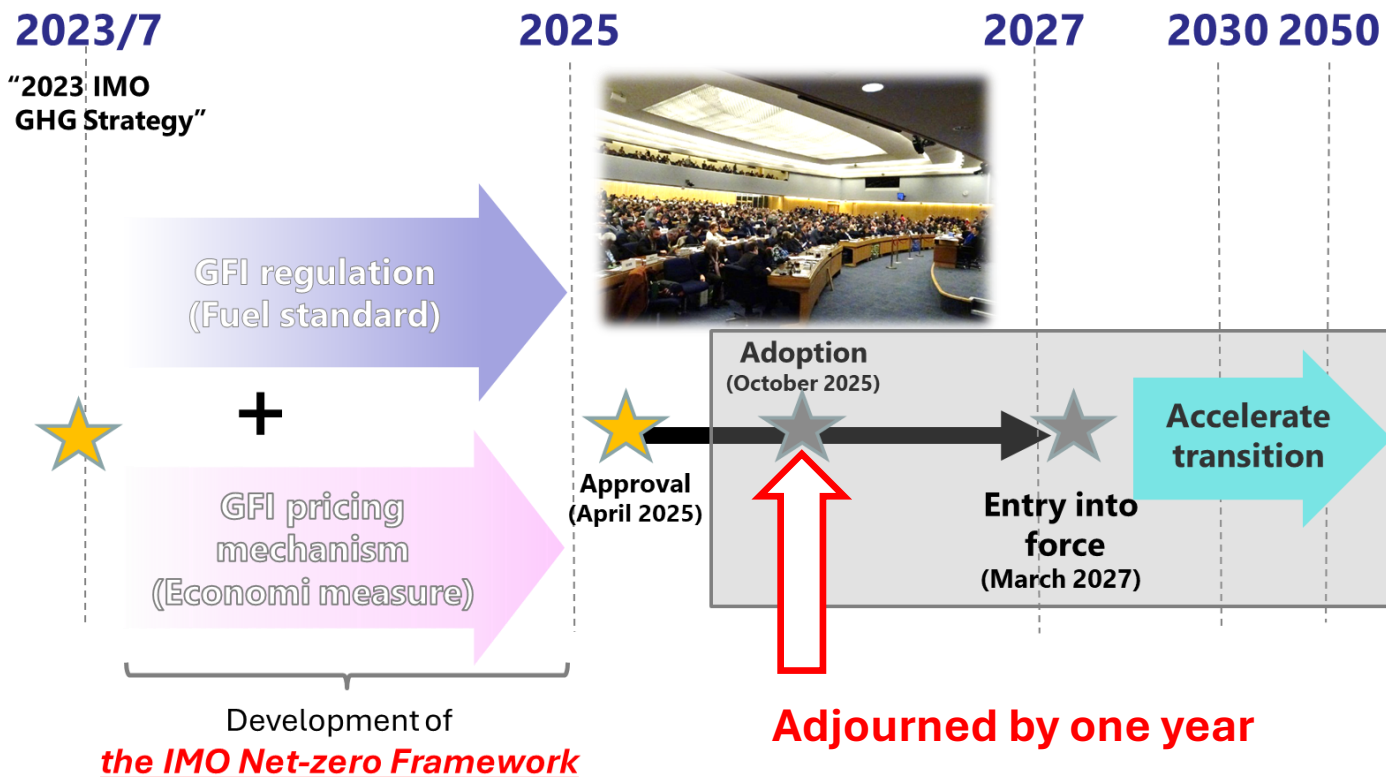


Economic measure

- Accelerate reductions in a commercially viable way
- Economic incentives for first movers

The IMO Net-zero Framework **was scheduled** for discussion to be adopted at **MEPC/ES.2 in October 2025**.

The Committee, however, **decided to adjourn the discussion by one year**.



The GFI standard is **too strict for any ship to achieve.**

The IMO NZF **precludes** the use of certain type of fuel, such as **LNG and biofuels.**

The IMO NZF raises a **serious economic impact** and **legal concerns.**

The IMO NZF is **premature** because key aspects remain undecided.

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The GFI standard **aligns with** the levels of ambition set out in the agreed **2023 GHG Strategy**

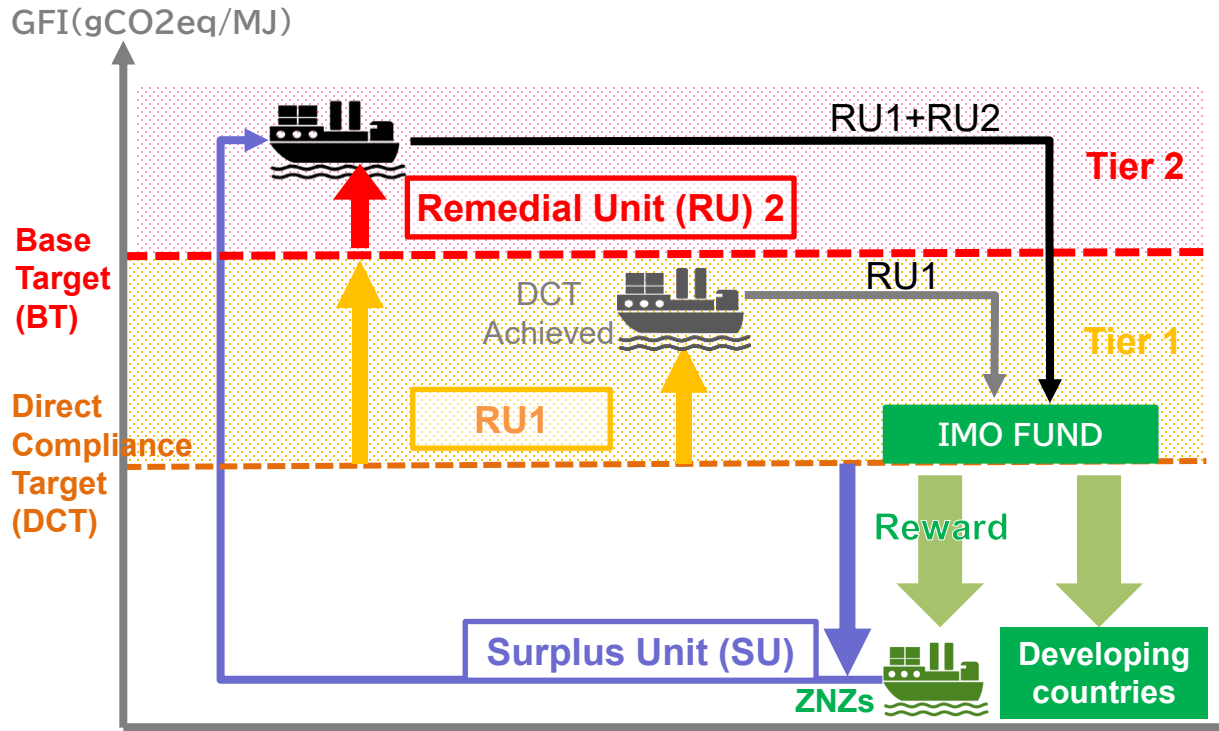
The IMO NZF would **not exclude any fuel or technology** from compliance

MEPC has considered many **technical, economic and legal aspects** up to now

The IMO NZF would mature further through the **development of implementation provisions.**

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Deep-dive into the IMO NZF



Ships in Tier 2

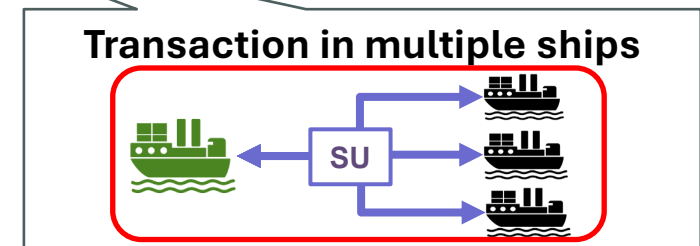
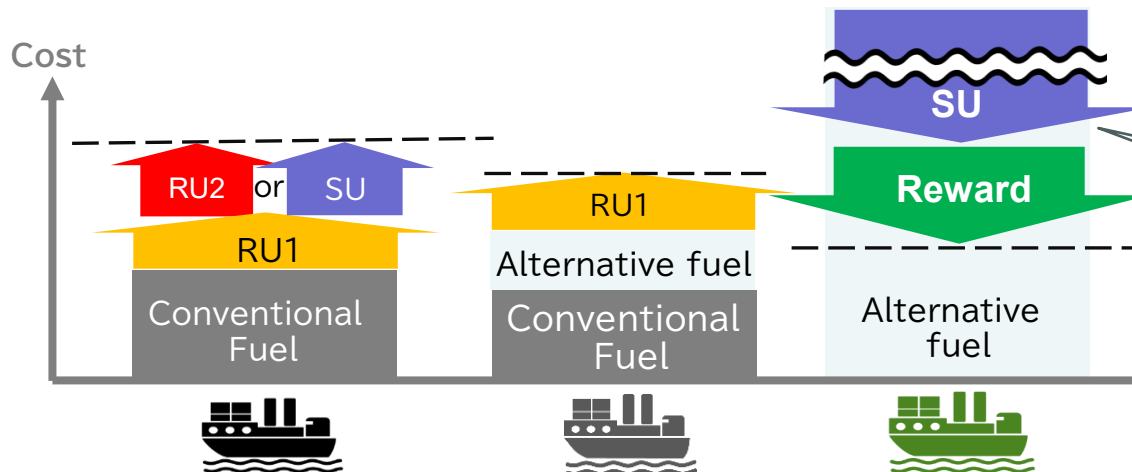
- Pay RU 2 (\$380/tGHG)
[Equivalent to \$150/ HFO(t) in 2030]
+ RU 1 (\$100/tGHG)
[Equivalent to \$49/ HFO(t)]
- Receive SUs from ZNZ ships; or
- Use banked SUs

Ships in Tier 1

- Pay RU 1 (\$100/tGHG)

ZNZs ships

- Provide SUs to Tier 2 ships; or
- Bank SUs to the next year



(Ref) What is a difference between RU1 and RU2?

RU1: USD100/tCO₂eq

- Equivalent to **\$49/ HFO(t)**
- **Lower** than using alternative fuels.
: Prefer to **pay for RU 1**

RU2: USD380/tCO₂eq

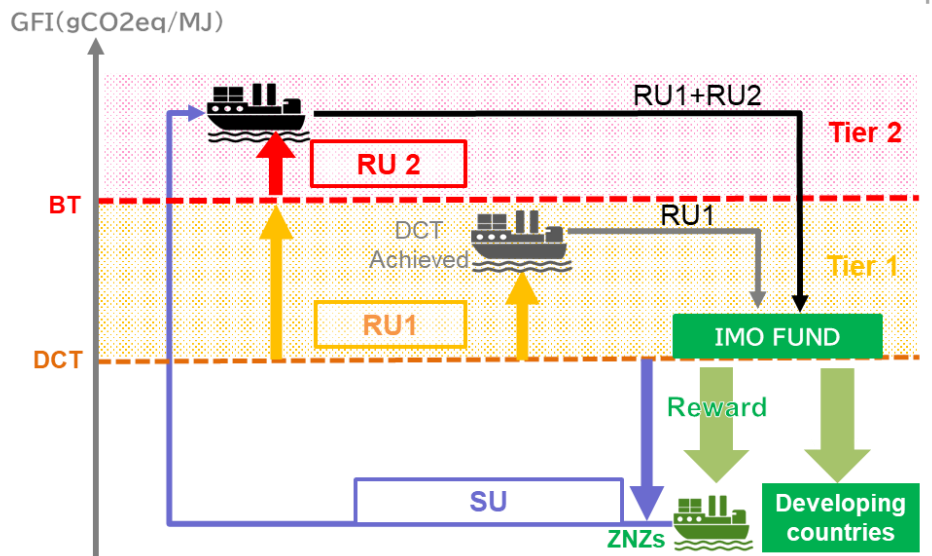
- Equivalent to **\$150/ HFO(t)** in 2030
- **Higher** than using alternative fuels
: Prefer to **use alternative fuels**

Reward: The details of the reward scheme is under the discussion in a guideline

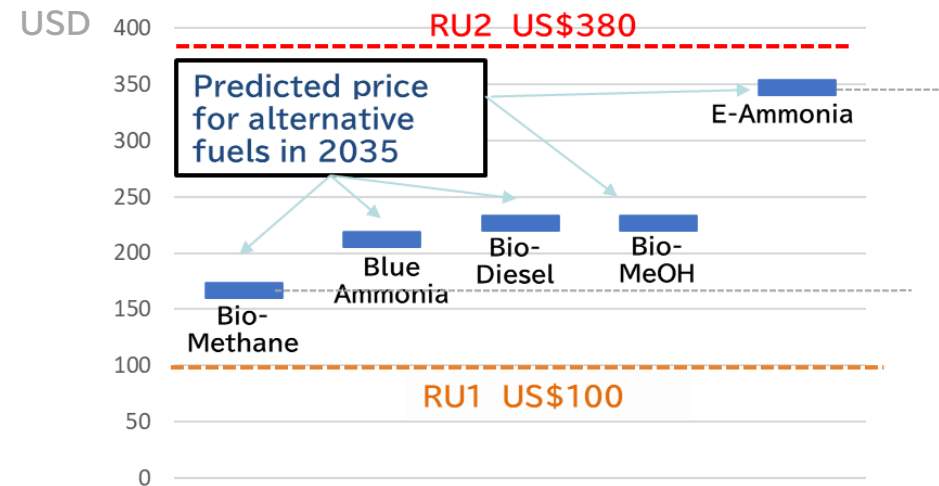
● **ZNZs subject to Reward**

2028~2034 : GFI \leq 19gCO₂eq/MJ

2035~ : GFI \leq 14gCO₂eq/MJ

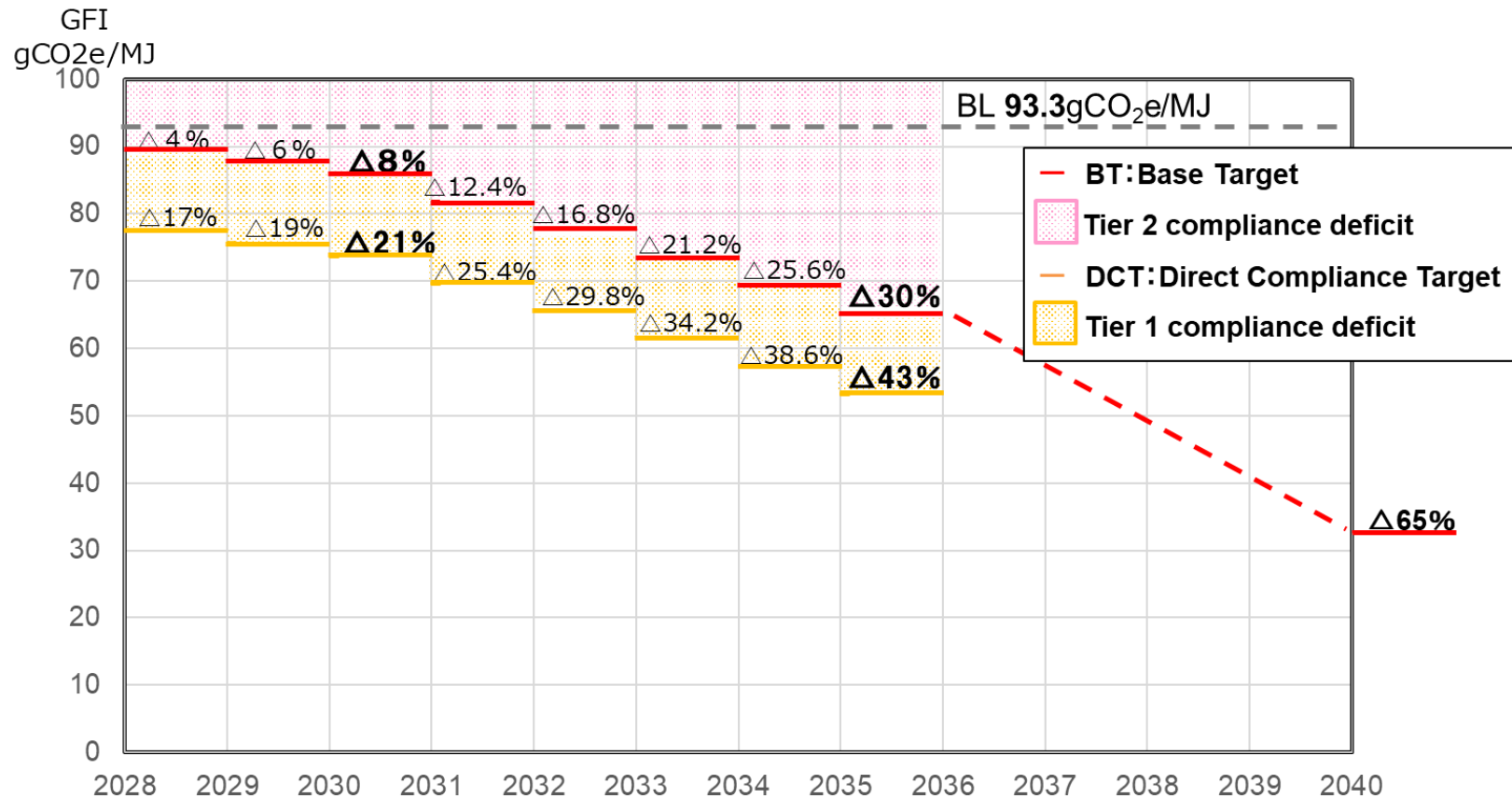


The cost of reducing GHG/t



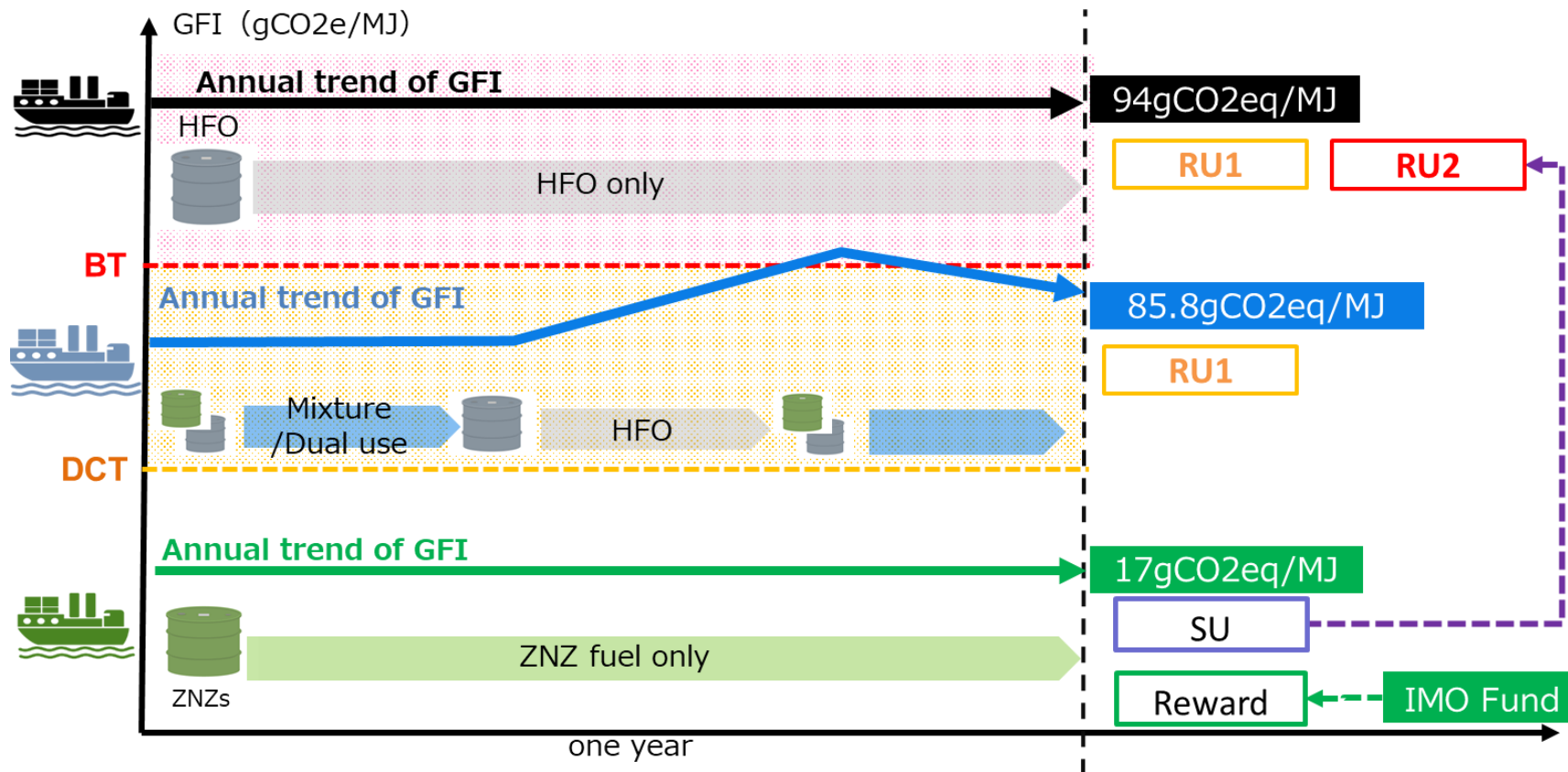
Source: MLIT based on a research report from the IMO.

The GFI targets (BT and DCT) are getting **stricter every year**. The current draft amendment sets out targets up to 2035. These standards recall **the 2023 IMO GHG Strategy**.



The GFI of a ship is determined by the type and amount of fuel used by the ship **in a year**. (i.e., **yearly average**).

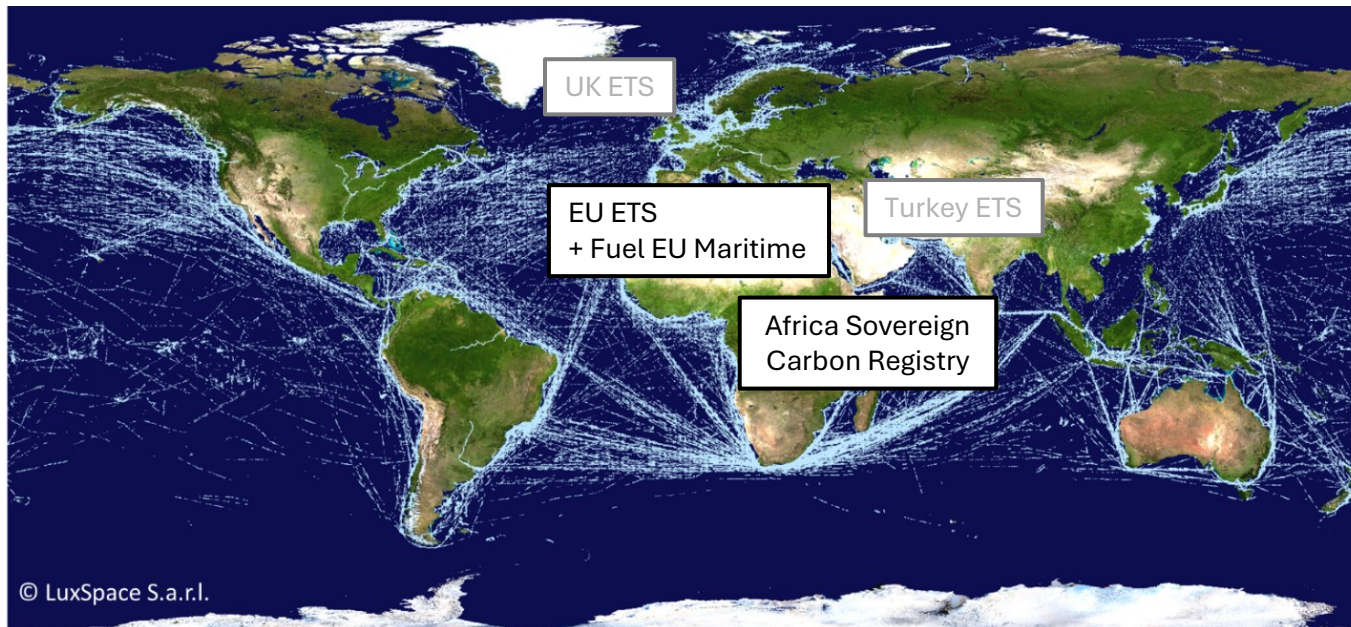
It should be noted that **GFI is neither a fuel specification standard nor a regulation on total fuel usage**.



Some regions have started to **implement the local-specific frameworks.**

Without the IMO NZF (i.e. a global framework), more regions may develop their own local frameworks.

=> This would **continuously stimulate demand for ZNZs vessels**, but would shipbuilders **need to build “Golden vessels”** that comply with all the regulations of each region?



Key action 1:

Dialogue with member countries for reconstruction

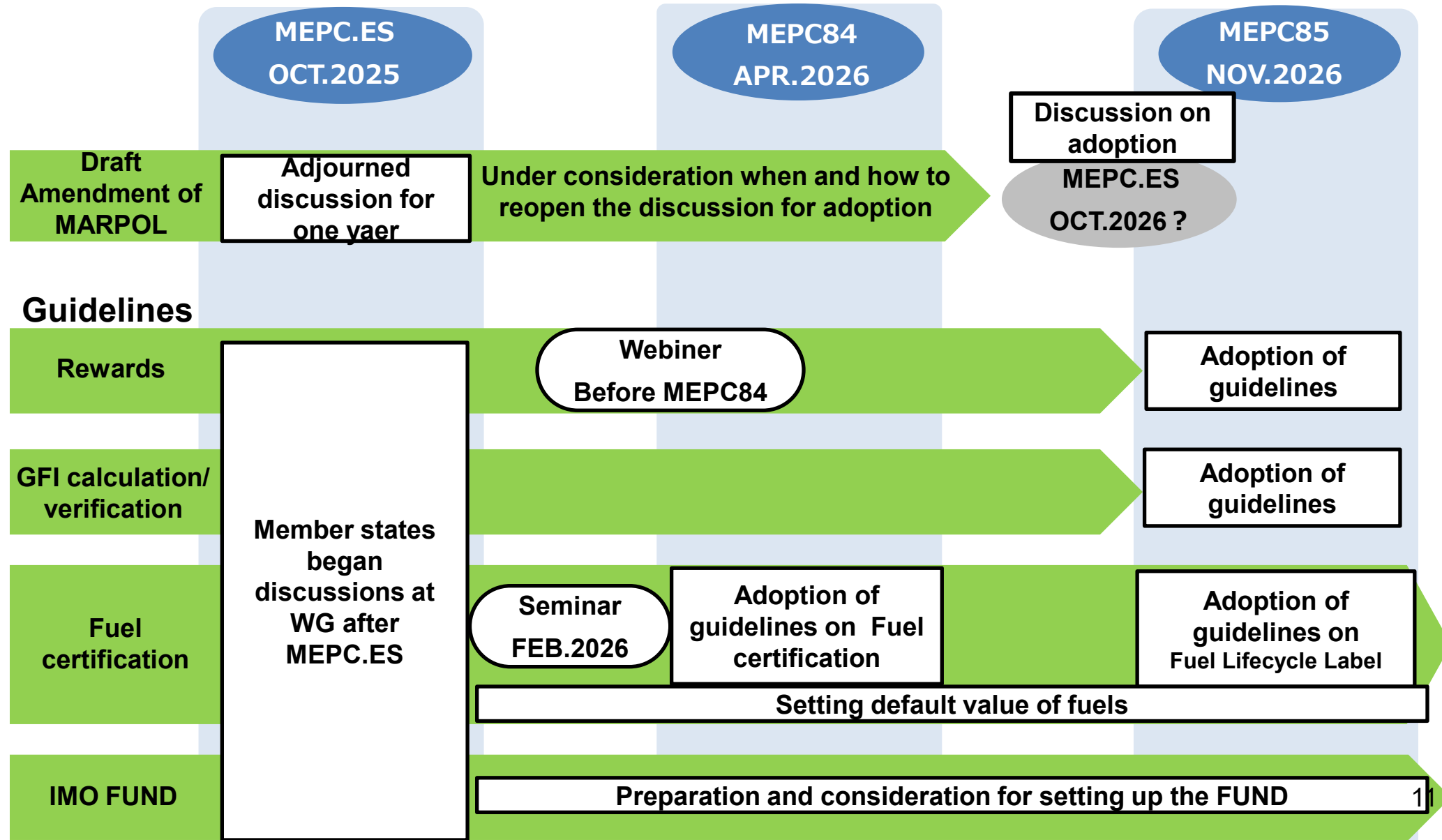
- MEPC/ES.2 showed a significant “division” among the member states. First of all, we need to **reconstruct the “unity” of the states**.
- This seems to stem from **a lack of understanding of the IMO Net-zero Framework**.
- By reopening MEPC/ES.2 next year, we should engage in **dialogue with a variety of member states**, particularly to address concerns about the IMO NZF.
- Naturally, G-to-G discussions are necessary. **B-to-B dialogues would also be the key initiatives**.

Key action 2:

Maintain and build on the momentum of discussion

- One of the main concerns on the IMO NZF is **the uncertainty of guidelines**.
- While the MEPC/ES.2 did not reach a conclusion on adoption, most of member states participated in discussions on the guidelines at the ISWG 20.
- We should **maintain and build on this momentum** of the discussion **and finalise the guidelines**.

(ref) Expected schedule



- At MEPC/ES.2, the Committee decided to **adjourn the discussion of the IMO Net-zero Framework by one year.**
- The Committee was “divided”, and we need to **reconstruct for “unity” as soon as possible.**
- The key is to **promote understanding of the IMO Net-zero Framework:**
 - too strict for any ship to achieve?
 - preclude the use of specific fuels?
 - raise a serious economic impact?
- Though discussion of the guidelines, we should **maintain and build on the momentum.**

Thank you for your attention.