

RMI welcomes growing consensus on shipping sector carbon price

13 May, 2022 - International shipping, a sector currently consuming over 1.5 billion barrels of oil per year and previously known as a climate laggard, is seeing broad consensus build in favour of policy that will drive a rapid shift to zero-emission energy sources such as fuels based on green hydrogen. It is vital, however, that a significant part of the future revenue generated through this measure is used for equitable transition.

The International Maritime Organization (IMO) finally appears ready to put a carbon price on international shipping, with the UN's shipping body set to discuss six separate revenue-raising proposals at next week's intersessional working group meeting (ISWG-GHG-12), ahead of next month's Marine Environment Protection Committee gathering (MEPC 78).

The similar set of proposals are backed by a diverse set of parties including G20 members Argentina, Brazil, China, Japan, South Africa, 55 climate vulnerable countries and the European Union. The measures would all use financial incentives to ensure the international shipping industry achieves the at least 50% decarbonization goal the IMO set in 2018 - a target it has already agreed to strengthen next year, with many parties insisting the sector must eliminate all shipping emissions, and therefore fossil fuel use, by 2050 at the latest.

For the Republic of the Marshall Islands and the Solomon Islands, which have long been advocating for putting a price on international shipping emissions, the emerging consensus is welcome, if long overdue. Their own proposed carbon levy scheme starts by putting a \$100/mt price on carbon in 2025, with price rises thereafter, and continues to shape the debate.

Following an initial informal presentation of the six proposals on May 12th, **H.E. Albon Ishoda, until recently Ambassador of the Republic of the Marshall Islands to Fiji and the Pacific Islands, now Ambassador-Designate to the Republic of Korea**, said: *“Even if long overdue, there can no longer be any doubt that a price on international shipping is coming. Countries must now work together to decide exactly how we do so. After listening closely to all the proposals, we continue to believe that our approach is the most straight-forward and effective way of driving the transition to zero-emission shipping while protecting the most vulnerable.”*

To respond adequately to the ever-worsening damage that climate change is causing, the IMO will need to ensure that its carbon pricing policy not only drives the uptake of zero-emission marine fuels and technologies, but that it also channels a substantial portion of the resulting revenue into helping climate-vulnerable countries cope with the impacts of climate change. To ensure an equitable transition, it will be essential that IMO delegates listen to their partners from climate-vulnerable, developing nations, like Small Island Developing States (SIDS) and Least Developed Countries (LDCs), when devising the final policy.

Momentum is building both within and beyond the IMO for carbon pricing. The World Bank recently released an important [report](#) highlighting the benefits and opportunities that carbon pricing can create for developing countries, both within and beyond the maritime sector. Industry has also long expressed strong support for carbon pricing that can drive investment

away from fossil fuels and to new solutions with suggestions on specifics coming from [Maersk \(\\$150/mt\)](#) and [Trafigura \(\\$250-300/mt\)](#).

While neither the United Kingdom or United States have put forward their own proposals, both are signatories to a [Declaration on Zero Emission Shipping by 2050](#), alongside 31 other states including important maritime nations like Panama, Cyprus, and the [Republic of the Marshall Islands](#).

Previous efforts to reach multilateral agreement at IMO on carbon pricing have seen concerns expressed about risks to trade and economic development. But with G20 emerging economies now backing this approach, including clear support from China, this signals a major shift on this concern, and makes the adoption of a carbon levy now seem inevitable.

The leadership of some of the poorest and most vulnerable maritime dependent countries has also been critical. **Ambassador Ishoda** added: *“The Republic of the Marshall Islands is one of the world’s states most dependent on international shipping. We understand first-hand the profound challenges small island developing states face in this respect. Yet we are at the forefront of the movement to decarbonize shipping because we know we can protect SIDS and Least Developed Countries through this process - and that SIDS and LDCs can, and must, lead this transition.”*

While a global carbon price is important for tackling shipping’s climate impacts and for generating necessary revenues for climate-mitigation, more needs to be done in the short-term. New, additional, and more robust measures are needed to peak shipping’s outright emissions as soon as possible and achieve a full decarbonisation of the sector well before 2050.

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