



SEMAPHORE

Newsletter of the Maritime Law

Association of Australia and New Zealand



Latest NZ Maritime Legal Developments

Agreement on Shipping Emissions

In April the International Maritime Organization (IMO) Marine Environment Protection Committee adopted draft amendments to the International Convention for the Prevention of Pollution from Ships (MARPOL) Annex VI to regulate greenhouse gas emissions from ships.

Shipping accounts for 3% of global emissions and these emissions aren't covered by the Paris Agreement. The 108 states parties to MARPOL Annex VI account for 97% of the world's merchant shipping tonnage.

The IMO Net-Zero Framework aims for net-zero emissions from shipping by or around 2050. The framework includes a fuel standard for ships and a global pricing mechanism for greenhouse gas emissions. They will apply to ships over 5000 gross tonnage. These ships emit 85% of the carbon dioxide emissions from shipping.

The global fuel standard will require ships to reduce their greenhouse gas fuel intensity over time. Greenhouse gas fuel intensity measures how much greenhouse gas ships emit per unit of energy used. This is measured on a "well-to-wake" approach, which considers emissions over the whole lifecycle of a fuel – from production (the well) to use on ships (the wake).

The pricing mechanism is termed the "global economic measure". Ships that produce emissions about the greenhouse gas fuel intensity standard will have to acquire remedial units to balance their deficit emissions, while there will be financial rewards for ships with zero or near-zero greenhouse gas emissions.

There will be both a base target and a direct compliance target. Ships that meet the direct compliance target will be able to earn surplus units. Ships that fail to meet the base target will have to balance their emissions deficit in one of three ways:

- transferring surplus units from other ships
- using surplus units that they have already banked
- using remedial units that they have acquired through contributions to the IMO Net-Zero Fund

The IMO Net-Zero Fund will collect the revenue from the pricing mechanism. It is expected to raise about US\$10 billion per year. The fund will be used to:

- reward low-emission ships
- support innovation, research, infrastructure and just transition initiatives in developing countries
- fund training, technology transfer and capacity building to support the IMO Greenhouse Gas Strategy
- mitigate negative impacts on vulnerable states, such as small island developing states and least-developed countries

The draft amendments have now been circulated to IMO member states. They will then be formally adopted at an extraordinary session of the Marine Environment Protection Committee in October. Detailed implementation guidelines will be approved in early 2026. The amendments are expected to enter into force in 2027, 16 months after they are adopted (as provided by MARPOL).

The vote on the amendments wasn't unanimous, with Saudi Arabia, Russia, the United Arab Emirates and other fossil fuel states opposing the deal. The United States had pulled out of negotiations.

New Zealand abstained in the vote on the draft amendments. The Ministry of Transport stated that New Zealand was reserving its position "while officials undertake further work to analyse the draft resolution" and that it would give advice to ministers before the vote to formally adopt the amendments in October.

Many Pacific Island nations – including, Fiji, the Marshall Islands, the Solomon Islands, Tuvalu, Vanuatu and Palau – also abstained in the vote, but for different reasons. They believed the agreement was not strong enough and had put forward an alternative proposal for a universal levy on greenhouse gas emissions, along with other states including the United Kingdom, the Seychelles and Caribbean, Central American and African nations.

Their proposal was designed to steeply-reduce shipping emissions, ensure a just and equitable transition, and provide predictable financing for states that suffered the most from climate impacts. Pacific leaders vowed to return in October to continue the fight for stronger action.

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