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The IMO Net-Zero Framework: Legal and Non-Legal Challenges for the GHG Pricing Component

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The IMO Net-Zero Framework: Legal and Non-Legal Challenges for the GHG Pricing Component

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Abstract

In April 2025, the International Maritime Organization (IMO) approved the IMO Net-Zero Framework – a key global measure that is expected to drive reductions in the greenhouse gas (GHG) emissions produced by international shipping. The framework includes a pricing mechanism, which is embedded in a global fuel standard. This chapter analyzes key reasons why the inclusion of a GHG pricing mechanism in the IMO Net-Zero Framework has been one of the most contentious points of debate at the negotiations. The chapter highlights that GHG pricing mechanisms can be used to achieve different aims (e.g., flexibility, emissions reductions, revenue raising). Differences in proposals submitted for consideration to the IMO seem based at least in part on a preference for one aim over another. These differences in views on what GHG pricing should aim to achieve seem to have been at the core of the disagreement between states. In addition, there are various (potential) challenges related to implementing an IMO GHG pricing mechanism. This chapter looks at both legal (compatibility with MARPOL and WTO law) and non-legal challenges (e.g., impacts on states, revenue use, and the availability of alternative fuels) and discusses some potential ways forward to improve the IMO Net-Zero Framework.

Keywords: Carbon pricing; International Maritime Organization; Shipping decarbonization; Equity; Carbon revenues; MARPOL

1. Introduction

In April 2025, the International Maritime Organization (IMO) approved the IMO Net-Zero Framework – a key global measure that is expected to drive reductions in the greenhouse gas

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(GHG) emissions produced by international shipping. The framework includes a pricing mechanism, which is embedded in a global fuel standard. The IMO has a long history of working on the adoption of a greenhouse gas (GHG) pricing mechanism. Early discussions at the IMO concerning GHG pricing date back more than 20 years.[2] However, for a long time the adoption of such type of GHG measure has been politically unfeasible. It is only with the adoption of the revised IMO GHG Strategy in July 2023 that IMO member states agreed to include in the basket of mid-term measures to decarbonize international shipping a GHG pricing mechanism.[3] Despite this agreement, analysts who have attended meetings at the Marine Environment Protection Committee (MEPC) and the Intersessional Working Group on the Reduction of GHG Emissions from Ships (ISWG-GHG) are likely to agree that the adoption of a GHG pricing instrument has been one of the most contentious parts of the negotiations.

This chapter discusses key reasons for this contentiousness of the adoption of a GHG pricing mechanism in IMO negotiations. The focus is on recent negotiations, i.e., from the adoption of the Initial IMO GHG Strategy in 2018[4] to the approval of the IMO Net-Zero Framework at MEPC83, in April 2025.

The chapter starts by highlighting that GHG pricing instruments can achieve different aims (e.g., flexibility for compliance, incentivize emission reductions, raise revenues), and can be designed to deliver more on one aim than another. Different political views on what the aim(s) of an IMO GHG pricing mechanism should achieve are likely to be at the core of tense negotiations at the IMO. Indeed, some proposals submitted for consideration by IMO Member States and other IMO stakeholders focused more on achieving one aim, while others favored the achievement of competing aims.

The chapter then analyzes key non-legal barriers for the adoption of an IMO GHG pricing mechanism, focusing on: its (perceived) impacts on states; the use and management of GHG revenues, and the availability of alternative fuels. Finally, the chapter focuses on some of the

[2] For the IMO Assembly resolution A 23/Res.963, from 2004 urges the Marine Environment Protection Committee to consider the adoption of GHG policies to limit or reduce GHG emissions from shipping, including "market based solutions" IMO Assembly, 'IMO Policies and Practices Related to the Reduction of Greenhouse Gas Emissions from Ships - A 23/Res.963' at 1d.

[3] International Maritime Organization, '2023 IMO Strategy on Reduction of GHG Emissions from Ships' (International Maritime Organization 2023) Resolution MEPC.377(80) para 4.5.1. Please note that throughout the history of the IMO, GHG pricing mechanisms have been called in different ways. Sometimes they are referred to as "market-based measure", or "economic measure" or "GHG pricing". In this chapter I will use the latest term used, i.e., GHG pricing.

[4] International Maritime Organization, 'Initial IMO Strategy on Reduction of GHG Emissions from Ships' (International Maritime Organization, Marine Environment Protection Committee 2018) Resolution MEPC.304(72).

(perceived) legal barriers to the adoption of a GHG pricing mechanism. The chapter first focuses on potential legal barriers deriving from international legal regimes outside of the IMO, and then focuses on potential constraints internal to IMO rules.

The remainder of the chapter is structured as follows: Section 2 discusses the potential aims of a GHG pricing mechanism, and how different proposals seem to favor the achievement of one aim over another. Section 3 looks at non-legal barriers. Section 4 analyzes legal barriers. Section 5 concludes.

2. The Potential Aim(s) of an IMO GHG Pricing Mechanism

A GHG pricing mechanism can be used to achieve different aims within the decarbonization of international shipping. This section discusses these key aims and highlights how different proposals submitted by IMO Member States and other stakeholders put forward GHG pricing mechanisms that seem to favor the achievement of one aim over another. Ultimately, these differences in viewpoint may be the crucial reason GHG pricing was a highly contentious measure at the IMO.

GHG pricing mechanisms can be used to provide *flexibility* in compliance to regulated entities, with the aim of reducing overall abatement costs.[5] Under GHG pricing, regulated entities face the choice between reducing emissions or paying a price. As long the marginal cost of reducing emissions is higher than paying the price, regulated entities are expected to prefer paying the GHG price.[6] Since marginal abatement costs normally vary across regulated entities (e.g., due to differences costs of adopting technologies and existing know-how),[7] it is expected that any entities that prefer paying the price would be those facing higher abatement costs. This applies also in the international shipping industry, in the sense that companies may face different barriers to decarbonization. For instance, some types of vessels are less costly to retrofit than others, and the availability of alternative fuels is likely to vary depending on the areas of operation of vessels.[8] Thus, including a GHG pricing mechanism in the policy mix to

[5] Andrea Baranzini and others, 'Carbon Pricing in Climate Policy: Seven Reasons, Complementary Instruments, and Political Economy Considerations' (2017) 8 WIREs Climate Change e462 <https://onlinelibrary.wiley.com/doi/abs/10.1002/wcc.462> accessed 19 July 2022.
[6] Goran Dominioni and Christy Ann Petit, 'Carbon Pricing for International Shipping and Border Carbon Adjustment Mechanisms: A Case for Regulatory Cooperation' [2025] European Journal of Risk Regulation 133-148 https://doi.org/10.1017/err.2024.59. ibid.
[7] Baranzini and others (n 5).
[8] Goran Dominioni, 'Towards an Equitable Transition in the Decarbonization of International Maritime Transport: Exemptions or Carbon Revenues?' (2023) 154 Marine Policy 105669 https://doi.org/10.1016/j.marpol.2023.105669.

decarbonize international shipping can help to reduce compliance costs compared to relying exclusively on GHG policies that mandate regulated entities to adopt particular technologies or to achieve a particular GHG profile (e.g., through a GHG fuel standard).

This flexibility can be achieved both by incorporating the GHG pricing mechanism in other policies, or by implementing a standalone GHG pricing mechanism. An example of the former is a GHG fuel standard that requires vessels that do not meet a benchmark to pay a GHG price for compliance.[9] A standalone GHG pricing mechanism can instead take the form of, for instance, a GHG levy[10] or a cap-and-trade system.

A GHG pricing mechanism can also help to close the price gap between fossil-based bunker fuels and zero- and near-zero GHG technologies (e.g., alternative fuels).[11] A GHG pricing mechanism can help to close this gap in two ways, which are not necessarily mutually exclusive. On the one hand, by making the release of GHGs more expensive, it increases the cost of using conventional fossil-based fuels. On the other hand, if revenues are collected through the GHG pricing mechanism, they can be used to subsidize zero- and near-zero GHG technologies.[12] This subsidization can be done through a feebate scheme that rewards the use of zero-GHG fuels[13] or through an active management of these revenues, whereby revenues are used to support the uptake of zero- and near-zero fuels and other technologies through projects/programmes financed by a fund or facility.[14]

Some types of GHG pricing mechanism, such as GHG levies, can also achieve emissions reductions by incentivizing energy efficiency improvements and the adoption of operational measures (e.g., slow steaming).[15] This can help to achieve GHG targets without having to rely exclusively on the availability of alternative fuels (I will come back to the importance of this

[9] For an example of a mechanism proposed at the IMO in recent negotiations, see Argentina and others, 'Proposal to Establish an International Maritime Sustainability Funding and Reward (IMSF&R) Mechanism as an Integrated Mid-Term Measure' (International Maritime Organization, Intersessional Working Group for the Reduction of GHG emissions from Ships 2022) ISWG-GHG 12/3/9.
[10] For a proposal for an IMO GHG levy see Marshall Islands and Solomon Islands, 'Proposal for IMO to Establish a Universal Mandatory Greenhouse Gas Levy. MEPC 76/7/12' (IMO 2021).
[11] These include bunker fuels that are produced from zero-GHG sources (e.g., green electricity) or that are made net-zero due to the removal of GHGs from the atmosphere during the production phase. On zero-GHG fuels see, Dominik Englert and others, 'The Potential of Zero-Carbon Bunker Fuels in Developing Countries' (World Bank 2021) <https://openknowledge.worldbank.org/handle/10986/35435> accessed 21 July 2022).. Examples of these fuels include, for instance, green ammonia and green methanol.
[12] Domagoj Baresic and others, 'Closing the Gap: An Overview of the Policy Options to Close the Competitiveness Gap and Enable an Equitable Zero-Emission Fuel Transition in Shipping' (UMAS 2022).
[13] Ian Parry and others, 'A Carbon Levy for International Maritime Fuels' (2022) 16 Review of Environmental Economics and Policy 25 <https://www.journals.uchicago.edu/doi/10.1086/717961> accessed 18 April 2023.
[14] Goran Dominioni and Dominik Englert, 'Carbon Revenues from International Shipping: Enabling an Effective and Equitable Energy Transition – Technical Paper' (World Bank 2022), http://hdl.handle.net/10986/37240.
[15] Parry and others (n 13).

in section 3.3). This is an advantage compared to relying exclusively on a GHG fuel standard to decarbonize the sector.

GHG levies and cap-and-trade systems can also be a good *complement* to energy efficiency policies.[16] A risk of energy efficiency policies is that they can reduce the operational cost of running vessels, thereby incentivizing their use. This is often referred to in the scholarship as "rebound effect", and it has been shown to reduce GHG abatements significantly in other sectors.[17] A GHG pricing mechanism that increases the cost of bunker fuels –such as a GHG levy or cap-and-trade system– can mitigate the risk of rebound effects.[18] In addition, a GHG pricing mechanism on international shipping can also help to reduce the reliance on international shipping for long-distance trade. For instance, by making goods transported more expensive, it can incentivize domestic production or shorter supply chains.[19]

Lastly, a GHG pricing mechanism can be implemented to raise revenues. Historically, the revenue generating potential of GHG pricing mechanism has been a key driver for the adoption of these mechanisms in various countries.[20] The revenue raising potential of an IMO GHG pricing mechanism has attracted significant attention within negotiations at the IMO. Existing evidence indicates that an IMO GHG pricing mechanism could raise up to 40-60 billion US dollars per year up to 2050.[21] As suggested in a World Bank study, this revenues could be used to achieve various aims, including additional climate change mitigation outcomes and address equity-related concerns expressed by IMO stakeholders.[22] I will come back to this in Section 3.2.

Throughout the rounds of negotiations at the IMO, proposals for an IMO GHG pricing mechanism have highlighted different roles for this instrument within shipping decarbonization. Some proposals put *more emphasis* on the role of GHG pricing as a flexibility mechanism that reduces the cost of compliance with a GHG fuel standard.[23] Other proposals emphasize the role of GHG pricing in closing the price gap with alternative fuels, and the

[16] ibid.
[17] Paul E Brockway and others, 'Energy Efficiency and Economy-Wide Rebound Effects: A Review of the Evidence and Its Implications' (2021) 141 Renewable and Sustainable Energy Reviews 110781 <https://www.sciencedirect.com/science/article/pii/S1364032121000769> accessed 20 December 2024.
[18] Baranzini and others (n 5).
[19] Parry and others (n 13).
[20] Jakob Skovgaard, Sofía Sacks Ferrari and Åsa Knaggård, 'Mapping and Clustering the Adoption of Carbon Pricing Policies: What Polities Price Carbon and Why?' (2019) 19 Climate Policy 1173 <https://doi.org/10.1080/14693062.2019.1641460> accessed 13 November 2023.
[21] Dominioni and Englert (n 14).
[22] Dominioni and Englert (n 14).
[23] Argentina and others (n 9).

revenue raising potential of the instrument.[24] These differences reflect divergent interests among IMO member states and other stakeholders regarding the primary aim(s) of the GHG pricing mechanism.

3. Non-Law Related Challenges and Opportunities

As highlighted in the previous section, a key factor that makes the adoption of a GHG pricing mechanism at the IMO a complex matter are the diverging views among member states on the aims the instrument should pursue. In addition to this, the implementation of a GHG pricing mechanism poses a number of challenges of legal and non-legal nature. The challenges add to the complexity of the negotiations at the IMO.

This section discusses challenges of non-legal nature. In particular, it focuses on challenges related to the potential impacts of a GHG pricing mechanism on states, the availability of alternative fuels, and the use and management of revenues that can be raised via a GHG pricing mechanism. As it will be highlighted below, some of these challenges are *not unique* to GHG pricing, but are instead common across GHG policies to decarbonize international shipping. Nonetheless, often IMO discussions on these challenges have focused on GHG pricing.

3.1 Impacts on States

One of the key challenges for the implementation of a GHG pricing mechanism at the IMO relates to the potential negative impacts on states of this type of measure (e.g., in terms of GDP). This section discusses existing evidence on these potential impacts and related concerns raised by various delegations. I will come back to some of the proposed solutions to address these impacts in sections 3.2 and 4.1.

Decarbonizing international shipping will require adopting new technologies — such as wind-propulsion, alternative fuels, and new hull technologies— and lower emission operational practices, such as slow steaming. These technologies are often more expensive than those in use today,[25] or at least require new investments to retrofit the existing fleet and new land-based infrastructure, such as port bunkering facilities and the production of energy

[24] Marshall Islands and Solomon Islands (n 10); Austria et al., 'Proposal on a Combination of a GHG Fuel Standard and a Universal GHG Contribution' (2024) ISWG-GHG 17/2/2.
[25] Baresic and others (n 12).

sources.[26] The adoption of more expensive/newer technologies to decarbonize international shipping will increase transport costs for some countries and lead to potential reductions in import and export opportunities for some countries.[27] These potential impacts have featured prominently in the IMO work on the adoption of the Initial IMO GHG Strategy in 2018 and its revised version adopted in 2023.

In the 2023 IMO GHG Strategy, IMO member states have agreed that these impacts need to be assessed and that disproportionately negative impacts need to be "assessed and addressed, as appropriate"[28]. The reference to *disproportionately* negative impacts is included in this text because it is expected that impacts on states (e.g., in terms of trade opportunities, GDP, and food security risks) will not be homogenous among countries. For instance, countries less connected, with smaller trading volumes, and with lower quality maritime infrastructure are expected to be more exposed to negative impacts of shipping decarbonization policies.[29] Many of these countries tend to be developing countries, including Least Developed Countries (LDCs) and Small Islands Developing States (SIDS).[30]

A significant part of IMO negotiations on mid-term measures focused on how to identify and address the (disproportionate) negative impacts on states. Despite the potential of both a GHG fuel standard and a GHG pricing mechanism to have negative impacts on states, a significant part of the negotiations on the impacts on states from mid-term measures focused on the GHG pricing mechanism. Many countries —including Argentina, Brazil, and China— expressed concerns for the impacts of a GHG levy on their trade.[31]

These concerns led to the creation of a Steering Committee to supervise the completion of a comprehensive impact assessment (CIA) on the impacts of IMO mid-term measures on states. The work was led by UNCTAD and resulted in the submission of a study with 22 scenarios to

[26] ibid. Note that the vast majority of these investments are expected to be land-based, to produce and distribute alternative bunker fuels, with only around 10-15 percent of these investments being vessel-specific, see Randall Krantz, Kasper Søgaard and Tristan Smith, 'The Scale of Investment Needed to Decarbonize International Shipping' (2020) <https://www.globalmaritimeforum.org/news/the-scale-of-investment-needed-to-decarbonize-international-shipping> accessed 21 July 2022.
[27] Isabelle Rojon and others, 'The Impacts of Carbon Pricing on Maritime Transport Costs and Their Implications for Developing Economies' (2021) 132 Marine Policy 104653 <https://www.sciencedirect.com/science/article/pii/S0308597X21002645> accessed 21 December 2024.
[28] International Maritime Organization (n 3)., paras 4.10 and 4.13.
[29] Rojon and others (n 27) 9.
[30] Rojon and others (n 27).
[31] Joe Lo, 'Latin America Leads Resistance to Global Shipping Emission Tax' (*Climate Home News*, 29 June 2023) <https://www.climatechangenews.com/2023/06/29/shipping-imo-brazil-tax-levy-emissions-shipping/> accessed 28 December 2024.

MEPC81.[32] Each scenario tests the impacts on states of a different policy mix. Overall, the results indicate that the impacts of mid-term measures on states will be relatively small globally — between -0,08 percent and -0,16 percent of global GDP in the long term.[33] However, some states will be impacted more than others. These tend to be developing countries, including some LDCs and SIDS.[34] In addition, these results indicate that impacts from GHG pricing are unlikely to be much different from that of a fuel standard alone. If anything, in the long run, scenarios where the fuel standard is complemented with a standalone GHG levy indicate lower impacts on average.[35]

It is not uncommon for GHG pricing mechanisms to face harsh opposition from both the public and businesses. Sometimes, this opposition is linked to misconceptions regarding the effectiveness and distributive impacts of GHG pricing mechanisms.[36] It is unclear whether similar concerns have animated opposition from some of the IMO member states, or if other concerns are at the basis of this opposition. I will return to this, below in Section 3.2, when discussing potential revenue uses.

3.2 Revenue Use and Management

A key feature that distinguishes GHG pricing mechanisms from many other GHG policies, is the potential for the former to raise revenues. The potential to raise revenues through a policy implemented at the IMO raises new opportunities but also new challenges. This section discusses some of the key challenges that have emerged in IMO negotiations in relation to the use and management of revenues raised from an IMO GHG pricing mechanism.

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[32] IMO Secretariat, 'Report of the Steering Committee on the Comprehensive Impact Assessment of the Basket of Candidate GHG Reduction Mid-Term Measures Executive Summary of the Report on Task 3 (Impacts on States)'.

[33] MEPC, 'MEPC 82/7/4: Report of the Steering Committee on the Comprehensive Impact Assessment of the Basket of Candidate GHG Reduction Mid-Term Measures (Including the Outcome of the Tenth and Eleventh Meetings)' (IMO 2024) MEPC 82/7/4 16.

[34] ibid 19.

[35] ibid.

[36] For instance, a common misconception is that carbon pricing is regressive. While this is unlikely to apply in various countries, especially developing ones, the use of revenues can often rectify this. IMF, 'Fiscal Policies for Paris Climate Strategies - From Principle to Practice' (IMF 2019) IMF Policy Paper <https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/05/01/Fiscal-Policies-for-Paris-Climate-Strategies-from-Principle-to-Practice-46826> accessed 1 August 2023; Goran Dominioni and Dirk Heine, 'Behavioural Economics and Public Support for Carbon Pricing: A Revenue Recycling Scheme to Address the Political Economy of Carbon Taxation' (2019) 10 European Journal of Risk Regulation 554 https://doi.org/10.1017/err.2019.44 accessed 8 November 2023; Kian Mintz-Woo, 'Carbon Pricing Is Not Unjust' (2024) 8 Global Challenges 2300089 <https://onlinelibrary.wiley.com/doi/abs/10.1002/gch2.202300089> accessed 3 February 2025.

Many types of GHG pricing mechanisms can raise revenues. For instance, this includes carbon levies/taxes as well as cap and trade systems where allowances are sold.[37] Other types of GHG pricing instruments can raise revenues as well, but the revenue raising component is a less central feature of the mechanism. For instance, the proposal by Argentina et al. allows regulated entities that do not meet a GHG fuel intensity benchmark to purchase "remedial units" from a fund as an alternative compliance mechanism.[38] In this case, it is uncertain whether and to what extent revenues will be raised. For instance, if all vessels meet the GHG fuel intensity benchmark, no revenues would be raised under this proposal. In addition, if vessels are allowed to buy credits from over-compliant vessels, revenues raised are likely to be lower still.

The approved IMO Net-Zero Framework aligns with this approach, as vessels that do not meet the target GHG fuel intensity need to buy Remedial Units from the IMO GHG Fund (for Tier 2 compliance there is also the option to buy Surplus Units).[39] The requirement to buy Remedial Units for Tier 1 compliance creates greater certainty on revenue raising. The mechanism is expected to raise between 10 and 15 billion US dollars per year in the first years of its functioning.[40]

The revenue raising capacity is a key advantage of GHG pricing mechanisms compared to so called "command and control" measures. As mentioned above, significant revenues could be raised from a GHG pricing mechanism in shipping — with the World Bank estimating that up to 40-60 billion US dollars could be raised per year up to 2050.[41] To put this in context, annual public international climate finance paid from developed to developing countries was about 73 billion USD in 2021.[42] Thus, a revenue-raising IMO GHG pricing mechanism can play a key role in creating new sources of finance, which allow for new spending opportunities. This has created a significant debate among IMO member states and other stakeholders in relation to: how to *spend* this money and how to *manage* this money.[43] I turn to these two issues below.

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[37] Dominioni and Englert (n 21).
[38] Argentina and others (n 9).
[39] Reg 36 IMO Net-Zero Framework, (MEPC 83/J/9).
[40] Smith, T, Frosch, A., Fricaudet, M., Majidova, P., Oluteye, D., Baresic, D. & Rehmatulla, N. (2025) An overview of the discussions from IMO's 83rd Marine Environment Protection Committee,
[41] Dominioni and Englert (n 14).
[42] 'Climate Finance and the USD 100 Billion Goal' (*OECD*) <https://www.oecd.org/en/topics/climate-finance-and-the-usd-100-billion-goal.html> accessed 21 December 2024.
[43] See, for instance, Dominioni and Englert (n 14); Fiji et al., 'A Just and Equitable Disbursement Framework for Revenues Generated by Mid-Term Measures Combinations and Associated Draft MARPOL Annex VI, Chapter 5 t' (2024) ISWG-GHG 17/2/13; Austria et al. (n 24); Republic of Korea, 'Considerations for

A key question within IMO negotiations is how to use the revenues raised with a GHG pricing mechanism. Many IMO member states and other stakeholders supported using revenues to finance the energy transition of international shipping.[44] This can include subsidizing or de-risking investments in vessel retrofits and new vessels, investments in the production and distribution of alternative fuels, and capacity building activities (for instance related to handling new alternative bunker fuels). Such investments can help to achieve the IMO GHG targets with less stringent GHG policies, thereby reducing potential negative impacts on states.[45] They can also address some of the market barriers that the energy transition faces, such as helping to close the gap between conventional fuels and the more expensive zero- and near-zero ones.[46]

Other IMO stakeholders have highlighted that, while using a share of carbon revenues from shipping to support the energy transition of the sector is worth considering, there is an argument in favor of using a share of revenues beyond maritime transport.[47] This argument has three components.

The first argument relates to *climate change mitigation* effectiveness. It is unlikely that all the most cost-effective opportunities to mitigate GHGs relate to international shipping. Thus, using a share of the revenues beyond maritime transport may deliver greater GHG abatements overall.[48] A potential counterargument to this line of reasoning is that using all carbon revenues from shipping to reduce emissions from maritime transport may unlock economies of scale that enable deeper emission reductions.[49] Thus, from a GHG mitigation perspective, the argument to use some revenues beyond maritime transport depends on how much revenues are raised and how much international public financing is needed to support the decarbonization of international shipping.[50] In this respect, it is important to stress that not all investments need to be covered with public finance. Instead, this finance should aim to mobilize private investments.

Establishing the IMO Net-Zero Fund' (2024) ISWG-GHG 17/2/3; World Maritime Merchants Forum, 'Exploring The Possibilities: Insights into Candidate Elements for IMO Net-Zero Framework' (World Maritime Merchants Forum 2024).

[44] See, for instance, Fiji et al. (n 42); Austria et al. (n 24); Argentina and others (n 9).

[45] Dominioni and Englert (n 14); Baresic and others (n 12).

[46] Dominioni and Englert (n 14).

[47] ibid.

[48] ibid.

[49] ibid.

[50] Note, in this respect that, ideally, carbon revenues from shipping will be used to mobilize private finance — thus it is not to be expected that carbon revenues cover all the investments needed: Dominioni (n 8).

The second, and arguably more compelling, argument to use a share of carbon revenues from shipping beyond maritime transport relates to supporting a *just and equitable transition*. In particular, as highlighted by World Bank research, using all carbon revenues from shipping within international maritime transport may leave some countries with little opportunities to access this revenue, including many SIDS and LDCs.[51] To understand why, consider that in 2022, 60 SIDS and LDCs combined (excluding Singapore and Bermuda), account for less than 1% of the global fleet for ownership.[52] Similarly, ship building capacity is limited in many SIDS and LDCs.[53] In addition, while some SIDS and LDCs are expected to be well-positioned to produce zero-GHG fuels, many are not.[54] The consequence of this is that spending carbon revenues only on supporting shipping decarbonization is likely to provide fewer opportunities for some lower income developing countries and SIDS to be recipients of carbon revenues. Relatedly, many countries would receive little carbon revenues if these are distributed exclusively through a feebate scheme.

Some of the countries that are expected to be particularly negatively impacted by IMO GHG policies tend to be particularly vulnerable to climate change and have marginally contributed to global GHG emissions. Leaving these countries with fewer opportunities to access revenues may not align with conceptions of an *equitable transition* of the sector that *leaves no country behind*, as provided in the 2023 IMO GHG Strategy.[55]

The approved IMO Net-Zero Framework includes language stating that revenues will be used "within the boundaries of the energy transition of shipping"[56]. This suggest that using revenues beyond maritime transport will not be allowed. However, it also lists among revenue uses the addressing of "disproportionately negative impacts on States, including food security"[57]. These are not necessarily easy to reconcile. So, it remains to be seen whether some revenues will be used beyond the maritime transport sector.

The third argument to use some of the revenues raised beyond maritime transport relates to the alignment of revenue use with the 2018 (and 2023) IMO GHG Strategy. The World Bank has developed a taxonomy of the potential uses of carbon revenue from shipping and tested it

[51] Goran Dominioni and others, 'Distributing Carbon Revenues from Shipping' (World Bank 2023) http://hdl.handle.net/10986/39876 accessed 17 July 2023.
[52] UNCTAD, 'Merchant Fleet by Country of Beneficial Ownership, Annual.'
[53] Dominioni and others (n 50).
[54] ibid; Englert and others (n 11).
[55] The 2023 IMO GHG Strategy states "When developing candidate mid- and long-term GHG reduction measures, due account should be taken to ensure a just and equitable transition that leaves no country behind, including supportive measures." International Maritime Organization (n 3) 5.3.
[56] Reg 41(1.2), IMO Net-Zero Framework.
[57] Reg 41(1.2.5), IMO Net-Zero Framework.

against principles included in the Initial IMO GHG Strategy and other desirable key features, such as delivering climate and development outcomes.[58] As indicated in this analysis, using a share of carbon revenues beyond maritime transport is well aligned with principles of the Initial IMO GHG Strategy and the delivery of the highest climate and development outcomes.[59] Arguably, the use of carbon revenues beyond maritime transport is even more aligned with the 2023 IMO GHG Strategy, as it sets out in the vision that the "IMO remains committed to reducing GHG emissions from international shipping and, as a matter of urgency […] while promoting […] a just and equitable transition"[60] and that "mid-term GHG reduction measures should effectively promote […] a just and equitable transition".[61]

Another key point of discussion in IMO negotiations relates to the *governance and management* of carbon revenues from shipping. In this respect, a key question is whether revenues should be managed by an entity created under the auspices of the IMO, or an external entity. IMO delegations and stakeholders have expressed diverging opinions on this point.[62] In practice, the issue may be particularly complex, as the governance and management of carbon revenues from shipping may entail different functions — such as deciding which projects/programmes are to be funded, who executes these projects, who holds the revenues collected before they are disbursed, etc. Different entities may be best placed to carry out each of these functions. Thus, the governance and management of carbon revenues from shipping may require cooperation between different entities whit different competences, and setting up adequate legal arrangements to enable this cooperation.

A related topic of discussion is whether a new fund (or even multiple new funds) need to be created to disburse carbon revenues from shipping. An advantage of establishing a new fund (whether under the IMO or outside its governance structure), is that it would allow to shape it to the needs and preferences of the IMO. However, a downside of creating a new fund is that it may require many years to be set up and become operational – at least from looking at the experience of climate funds created under the UNFCCC process.[63] This can be a problem if revenues are to be disbursed quickly to address financing needs (within or outside the maritime transport sector).

[58] Dominioni and Englert (n 14).
[59] ibid.
[60] International Maritime Organization (n 3) 2.
[61] ibid para 4.5.
[62] See, for instance, World Maritime Merchants Forum (n 42) 31; Republic of Korea (n 42); Austria et al., 'Outline of Basic Functions of a Fund in the Context of the IMO Net-Zero Framework' (2024) ISWG-GHG 17/2.
[63] Dominioni and Englert (n 14).

The approved IMO Net-Zero Framework provides for the creation of an IMO Net-Zero Fund,[64] but many of the governance and operational details of its functioning remain to be decided.

3.3 Availability of Alternative Fuels

While energy efficiency improvements and operational actions can reduce GHG emissions from shipping up to a certain point, the remaining abatements towards the net-zero target will rely on alternative fuels. A key challenge of decarbonizing international shipping is the uncertainty of the availability of zero- and near zero-GHG fuels.[65] This section discusses how concerns among IMO stakeholders for the availability of these fuels have been a challenge for the adoption of a GHG pricing mechanisms at the IMO.

Currently, it is unclear which alternative fuel or mix of fuels will become predominant in the energy transition of international shipping. Key candidate fuels include ammonia, methanol, and hydrogen.[66] But each of these fuels faces a set of barriers related to production, distribution, and use on vessels — such as higher costs of production compared to conventional fuels, lack of infrastructure for distribution, and (for some fuels) safety concerns related to their use.[67]

Uncertainty on which fuel(s) will dominate the shipping market in the future makes it an uneasy situation for shipping companies, which may be reluctant to invest in vessels that run on alternative fuels and have a life span of over 20-25 years. The mirror consequence of this, is that producers of alternative fuels may slow down investments due to lack of demand (the so-called chicken and egg problem).[68] Indeed, some IMO member states and other stakeholders have expressed concerns about the availability of alternative fuels.[69] Looking at orders of new

[64] Reg 40, IMO Net-Zero Framework.
[65] On the availability of zero- and near-zero-GHG fuels, see Joel Ong, 'Decarbonizing International Shipping at the IMO: Are Alternative Fuels The Way Forward?' (2024) 17 Carbon & Climate Law Review 207 <https://cclr.lexxion.eu/article/CCLR/2023/4/5> accessed 15 February 2025; Levent Bilgili, 'A Systematic Review on the Acceptance of Alternative Marine Fuels' (2023) 182 Renewable and Sustainable Energy Reviews 113367 <https://www.sciencedirect.com/science/article/pii/S1364032123002241> accessed 22 December 2024.
[66] The GHG emission profile of these fuels varies significantly depending on the method of production, use of carbon capture and storage technologies, and whether upstream emissions are included in the analysis Lloyd's Register and UMAS, 'Fuel Production Cost Estimates and Assumptions.' (Lloyd's Register and UMAS 2019)..
[67] Bilgili (n 61).
[68] Dominioni and Englert (n 14).
[69] See, for instance, BIMCO, 'GHG Emissions Reductions through Mitigating the Operational and Commercial Practice of Sail Fast Then Wait' (MEPC 82/INF32 2024); Argentina, Brazil, India, 'Biofuels as a Short-

vessels, recent figures indicate some investments in vessels powered by alternative fuels. For instance, 54 methanol-dual-fuelled vessels are reported in operation in 2024, with additional 342 on order.[70] However, the bulk of on-order vessels remain on conventional fuels.[71]

Concerns for the unavailability of alternative fuels can translate to resistance to an IMO GHG pricing mechanism. If alternative fuels do not become available at scale, the GHG pricing mechanism risks becoming a mere revenue raising instrument that creates costs for international trade, but delivers GHG emissions reductions only via energy efficiency improvements (for GHG pricing mechanisms that have this property). As discussed in the previous section, some delegations and shipping stakeholders have opposed the view that the IMO GHG pricing mechanism should play a key role in the raising of revenues.[72] So, concerns on the availability of alternative fuels translated in resistance to climate ambitious GHG pricing policies.

The paradox of this situation is that the fear of alternative fuels not being available in the future may lead to the adoption of less stringent GHG policies, including a less ambitious GHG pricing mechanism. However, if the GHG policies adopted are not sufficiently stringent, they may not be able to drive the uptake of alternative fuels. This may transform a GHG pricing mechanism into a primarily revenue-raising instrument. This risk was not highlighted frequently in IMO negotiations.

4. Law Related Challenges and Opportunities

The previous section discussed key non-law related challenges and opportunities related to the implementation of an IMO GHG pricing mechanism as part of the IMO Net-Zero Framework. This section focuses instead on law-related challenges. As I will discuss below, this is an aspect that often receives less attention in scholarship, despite its practical relevance in negotiations.

Medium- and Long-Term Pathway: Overcoming Emission Reduction Challenges in the Current Fleet for Maritime Industry Decarbonization and Beyond' (ISWG-GHG 17/3/6 2024). Barriers to upscaling the adoption of alternative fuels are acknowledged also in the 2023 IMO GHG Strategy, see International Maritime Organization (n 3) 5.4.

[70] Lucy Hine, 'LNG Gathers Momentum in 2024's Strongest Month for Alternative Fuel Orders, DNV Says' (*TradeWinds | Latest shipping and maritime news*, 5 November 2024) <https://www.tradewindsnews.com/gas/lng-gathers-momentum-in-2024-s-strongest-month-for-alternative-fuel-orders-dnv-says/2-1-1734763> accessed 22 December 2024.

[71] ibid.

[72] World Maritime Merchants Forum (n 42) 25.

The section distinguishes two layers of potential legal challenges. The first derives from the interaction of the IMO regime with other international regimes, such as the UNFCCC and the World Trade Organization (WTO). In particular, below I focus on the relationship between the IMO and WTO law. The second layer relates to constraints deriving from within the IMO regime.

4.1 IMO GHG Pricing Mechanisms and WTO Law

A recurring question in scholarship[73] is whether an IMO GHG pricing mechanism would violate WTO law. Within IMO negotiations, the issue was raised explicitly in 2012 by India and Saudi Arabia, which highlighted potential incompatibilities between such an instrument and various provisions of the General Agreement on Tariffs and Trade (GATT) and the General Agreement on Trade in Services (GATS).[74] This triggered a request by the IMO Secretariat to the WTO Secretariat, which replied with a list of potential WTO law provisions that can be relevant for the implementation of an IMO GHG pricing mechanism.[75]

In identifying potential constraints that WTO law poses to the implementation of an IMO GHG pricing mechanism, it is important to stress that WTO law does not apply to IMO conventions *per se*. However, national or EU measures adopted by WTO member states in implementing or enforcing an IMO convention will be subject to WTO law.[76] This includes legislation adopted nationally (and EU legislation), as well as regulations and administrative practices.

It is possible that these measures might be found in violation of WTO rules, but this may hinge on the details of their design. For instance, it has been highlighted that a GHG pricing mechanism designed so that payments are made directly from vessels to a fund is less likely to

[73] Aldo Chircop, Meinhard Doelle and Ryan Gauvin, 'International Law and Policy Considerations for Shipping's Contribution to Climate Change Mitigation' (Centre for International Governance Innovation 2018) <https://digitalcommons.schulichlaw.dal.ca/reports/16>; Tatiana Falcao, 'Taxing Carbon Emissions from International Shipping' (2019) 47 Intertax <https://kluwerlawonline.com/api/Product/CitationPDFURL?file=Journals\TAXI\TAXI2019085.pdf> accessed 19 December 2023; Dominioni (n 39); Saiful Karim and Felicity Deane, 'Proposed MBMs for Reduction of Greenhouse Gas Emissions from International Shipping and the WTO Rules' [2014] Lloyd's Maritime and Commercial Law Quarterly 370.

[74] India and Saudi Arabia, 'Possible Incompatibility between the WTO Rules and Market-Based Measures for International Shipping' (International Maritime Organization, Marine Environment Protection Committee 2012) MEPC 64/5/3.

[75] 'World Trade Organization's Views on Document MEPC 64/5/4 Submitted by India and Saudi Arabia' (International Maritime Organization, Marine Environment Protection Committee 2013) Note by the IMO Secretary-General MEPC 65/INF.18.

[76] Dominioni (n 39) 22.

violate various GATT provisions compared to a mechanism where the price is collected by port states.[77] In addition, a GHG pricing mechanism applied universally –such as a global levy– is less likely to violate WTO law compared to GHG pricing mechanisms that apply exclusively to certain vessels, such as under a feebate mechanism,[78] or when route-based exemptions are applied in favor of some countries.[79]

In practice, the risks of a successful challenge of measures adopted at the national of EU level to implement or enforce an IMO GHG pricing mechanism are limited for at least two reasons. First, these measures, even if found in violation of GATT and GATS rules, could still be justified under Article XX GATT and Article XIV GATS, which provide justifications on public policy grounds for violations of GATT and GATS rules.[80]

Second, only some countries may be able to challenge EU or national measures adopted to implement or enforce a GHG pricing mechanism. This will depend on the procedure used at the IMO to adopt the GHG pricing mechanism. In general, it is expected that countries that ratify a multilateral convention cannot successfully challenge national measures implemented to comply with the convention.[81] As the IMO Net-Zero Framework has been approved as an amendment of Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL Annex VI), countries that have ratified this convention will not be well-positioned to challenge the GHG pricing mechanism.[82] Countries that have not ratified MARPOL Annex VI will still have their vessels and exports subject to the GHG pricing mechanism because the IMO tends to operate on the basis of the NMFT principle.[83] According to the NMFT principle, port states of members of an IMO convention can apply rules from that convention to vessels flagged in states not part of the convention. These third countries can potentially challenge the IMO GHG pricing mechanism. However, in practice, this possibility may be limited, and increasingly so. This is because the number of countries that has ratified MARPOL Annex VI is increasing.[84] In addition, bringing a challenge to the WTO requires typically significant resources, which may dissuade some countries from engaging in such disputes. Thus, the practical risks of a WTO law challenge may be limited.

[77] ibid.
[78] ibid 24.
[79] ibid 27.
[80] ibid 25–26.
[81] Daniel C Esty, *Greening the GATT: Trade, Environment, and the Future* (Peterson Institute for International Economics 1994).
[82] Dominioni (n 39) 23.
[83] ibid.
[84] In the last year alone, the number of countries that ratified MARPOL Annex VI has increased from 105 to the current 109, see https://www.imo.org/en/About/Conventions/Pages/StatusofConventions.aspx.

The analysis above indicates that, overall, despite having been flagged as a potential issue by IMO member states, the GATT and the GATS are unlikely to be a major barrier for the adoption and national implementation of a GHG pricing mechanism at the IMO. However, some design features, such as broad exemptions, can increase the possibility of a successful challenge. It remains to be ascertained whether other areas of WTO law, such as the Agreement on Subsidies and Countervailing Measures poses limits to some uses of carbon revenues raised through the instrument.

4.2 IMO GHG Pricing Mechanisms and the IMO Regime

Some IMO stakeholders have questioned whether some types of GHG pricing mechanism would be compatible with the IMO mandate and with MARPOL.[85] In particular, questions have been raised with regards to a GHG levy[86] and any type of GHG pricing mechanism that is not of "technical nature".[87] A 2021 submission by Norway identified flexibility mechanisms for a fuel intensity standard and cap-and-trade systems as "technical instruments" that fall within the remit of MARPOL.[88]

The question of the compatibility of a GHG levy with the IMO mandate has been addressed in academic literature[89] and grey scholarship.[90] This research argues that the IMO's mandate, defined in the IMO Convention does not pose any substantial barrier to the adoption of GHG measures. In particular, Article 1 of the IMO Convention defines one of the purposes of the organization as facilitating "the general adoption of the highest practicable standards in matters concerning [. . .] prevention and control of marine pollution from ships"[91]. Similarly, Article 2 of the IMO Convention also does not seem to pose barriers to the type of measures that can be adopted as it only states that the IMO can "provide for the drafting of conventions, agreements, or other suitable instruments, and recommend these to Governments and to intergovernmental

[85] World Maritime Merchants Forum (n 42) 25.
[86] ibid.
[87] China, South Africa and United Arab Emirates, 'Detailed Design Proposals for Key Elements of the International Maritime Sustainable Fuels and Fund (IMSF&F) Mechanism' at 36-37.
[88] Norway, 'A Discussion of Different Principles Behind Carbon Pricing Models. ISWG- GHG 10/5/4' (IMO 2021) at 14 to 16 and 25.
[89] Hillary Aidun, Daniel Metzger and Michael Gerrard, 'Principles of International Law and the Adoption of a Market-Based Mechanism for Greenhouse Gas Emissions from Shipping' (Columbia Law School 2021) <https://scholarship.law.columbia.edu/faculty_scholarship/2749>.
[90] Aoife O'Leary and Jennifer Brown, 'The Legal Basis for IMO Climate Measures' (Sabin Centre for Climate Change Law, Columbia Law School 2018).
[91] United Nations, 'Convention on the International Maritime Organization' (1948) Article 1.(Emphasis added).

organizations, and convene such conferences as may be necessary"[92]. It has been highlighted that this language is sufficiently broad that it is unlikely to pose a barrier to the adoption of an IMO GHG levy.[93]

Similar conclusions have been reached regarding the compatibility of an IMO GHG levy with MARPOL.[94] While up to now MARPOL and its Annexes have included technical and operational measures, the language of the convention itself does not exclude the inclusion of a GHG pricing mechanism, even in the form of a levy.[95]

In this respect, it is also important to stress that the distinction between GHG levies and other forms of GHG pricing mechanisms is often quite blurred: many of the current GHG pricing mechanisms implemented worldwide are a hybrid between GHG taxes/levies and cap-and-trade systems.[96] Thus, it is not fully clear why a GHG levy would be incompatible with MARPOL, while the same obstacles would not apply to other forms of GHG pricing. Following the distinction highlighted in the submission made by Norway in 2021, cap-and-trade systems and flexibility mechanisms linked to a fuel standard are of a technical nature because the payment is due only for a failure to comply with an environmental standard. Note, however, that a GHG levy (or contribution) can also be understood as a payment due for a failure to meet the highly stringent environmental standard.[97] For instance, a GHG contribution that applies to all GHG emissions can be seen as a payment due to a failure to meet the environmental standard "no GHG emissions".[98] A less stringent form of GHG levy would apply to emissions above a certain threshold, whether defined in absolute GHG emissions (e.g., above 20 tonnes of GHG per year) or as a GHG fuel standard.

The approval of the IMO Net-Zero Framework in April 2025 confirms this view. As discussed above, it includes the requirement for vessels that do not comply with the Direct compliance but meet the Base compliance target to buy Remedial Units of 100 US dollars per tonne of GHG deficit from the IMO Net-Zero Fund.[99] This payment, while not being a traditional levy, does mimics its functioning very closely.

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[92] ibid Article 2.
[93] O'Leary and Brown (n 87).
[94] ibid 14.
[95] ibid.
[96] Goran Dominioni and Michael Faure, 'Environmental Policy in Good and Bad Times: The Countercyclical Effects of Carbon Taxes and Cap-and-Trade' (2022) 34 Journal of Environmental Law 269 <https://doi.org/10.1093/jel/eqac003> accessed 21 July 2022. As mentioned above, cap-and-trade has been classified as a "technical instrument" in a Norway submission that contests the possibility to use MARPOL to introduce a levy on the basis that the latter is not a technical instrument.
[97] Goran Dominioni, [unpublished manuscript], (2025).
[98] Ibid.
[99] Reg 36, IMO Net-Zero Framework.

A separate but related question is whether MARPOL can accommodate the inclusion of a GHG pricing mechanism that raises revenues to be used beyond international shipping, for instance, to support climate change mitigation and adaptation activities in other sectors. As discussed in Section 3.2, this is one of the most contentious points of debate in IMO negotiations. This issue was also raised by a letter sent by the Trump administration to some London-based embassies during MEPC83, to discourage IMO member states from using revenues beyond shipping.[100] The compatibility of using revenues beyond shipping with MARPOL may arise because this type of revenue use would not be related to directly addressing pollution from ships. With an important recent exception,[101] this question has not received significant scholarly attention so far.

A recent analysis suggests that the use of carbon revenues beyond maritime transport would not be incompatible with MARPOL and its Annex VI.[102] Article 16 of MARPOL states that amendments of MARPOL Annexes "shall relate to the substance of that Protocol or Annex and shall be consistent with the articles of the present Convention"[103]. If the GHG pricing mechanism is adopted through an amendment of MARPOL Annex VI the consistency of the amendment with the annex can be ensured by the amendments themselves. In relation to making the amendments consistent with MARPOL, Article 1 of this convention indicates that the aim of MARPOL is to "prevent the pollution of the marine environment by the discharge of harmful substances or effluents containing such substances in contravention of the Convention"[104]. As noted by Sheeran, the implementation of a GHG pricing mechanism with the primary purpose of reducing GHG emissions from shipping is unlikely to be incompatible with this aim, even if a share of revenues are used beyond maritime transport.[105] I second this conclusion.

Currently, many MARPOL Annexes provisions strike a balance between addressing environmental pollution and other interests. Using a share of carbon revenues to address equity concerns would therefore be only one example of the kind of balancing of interests (i.e.,

[100] Richard Meade, Last Minute US Intervention at IO Threatens to Derail Climate Negotiations, Lloyd's List, 2025, available at: https://www.lloydslist.com/LL1153137/Last-minute-US-intervention-at-IMO-threatens-to-derail-climate-negotiations
[101] Blánaid Sheeran, 'The Legality of Revenue Disbursement from an Economic Measure Agreed at the International Maritime Organization for Purposes Other than the Decarbonisation of International Shipping' [2024] Sabin Center for Climate Change Law gap <https://scholarship.law.columbia.edu/sabin_climate_change/239>.
[102] ibid 17–20.
[103] MARPOL, Article 16.
[104] MARPOL, Article 1.
[105] Sheeran (n 94) 17–18.

addressing equity concerns vs reducing GHG emissions from ships) that is common within MARPOL Annexes.[106]

The alternative reading would seem to suggest that the only possible aim of any MARPOL Annex would be to reduce pollution from ships without accounting for any other potential interests. However, it is clear that many provisions included in MARPOL Annexes balance the need to reduce pollution from ships with other interests (e.g., economic and other trade interests, security interests, interests in safety, ensuring adequate standard of living for maritime workers). Examples of this include, for instance: i) exceptions to pollution prevention rules that apply to "warship, naval auxiliary or other ship owned or operated by a State and used […] on non-commercial service"[107], ii) provisions that create exceptions to pollution prevention rules that apply to securing safety at sea,[108] iii) provisions that allow the Administration to temporarily exempt some vessels from changing their equipment to align with new environmental protection rules if this is "unpracticable"[109]. More generally, the balancing of different (non-environmental) interests in MARPOL is reflected in the fact that for many pollutants from ships, MARPOL Annexes do not require zero pollution but only the control of types of pollutants (e.g., rules on the discharge of noxious liquid substances for category Y and Z).[110] These provisions can only be understood by considering the balancing of interests between environmental pollution and non-environmental considerations.[111]

These examples indicate that MARPOL and its Annexes are able to accommodate provisions that balance the need to address pollution from ships with other competing interests.[112] When this line of reasoning is applied in the context of using carbon revenues from shipping, it can be argued that any use of revenues that pursue other interests than directly addressing pollution from ships is compatible with MARPOL.[113]

Zooming out from the issue of how to use revenues beyond maritime transport, many proposals for a GHG pricing mechanism balance the achievement of environmental outcomes with other interests (e.g., flexibility), with some putting more emphasis on these other interests than others, as highlighted in Section 2. If MARPOL does not allow the pursuit of aims other

[106] Dominioni (n 93).
[107] MARPOL, Article 3.3.
[108] E.g., MARPOL Annex II Reg. 3.1.1; MARPOL Annex III Reg. 8.1.
[109] E.g., MARPOL Annex II, Reg. 4.1.
[110] See MARPOL Annex II, Regulation 6. This is far from an exception in environmental regulation, as many environmental policies aim to balance environmental interests with other interests.
[111] Dominioni (n 93).
[112] Ibid.
[113] Ibid.

than reducing pollution from vessels, one could question whether these proposed measures are compatible with MARPOL (regardless of how revenues are used).[114]

5. Conclusions

The IMO has been working on the adoption of a GHG pricing mechanism for over 20 years. Despite a recent agreement among IMO member states that a GHG pricing mechanism will be part of the basket of IMO measures to decarbonize shipping, the adoption of this instrument remains highly contentious.

The chapter analyzes various key reasons for the contentiousness of a GHG pricing mechanism in deliberations at the IMO. The analysis suggests that there are some legal and non-legal challenges related to the implementation of a GHG pricing instrument, but many are not exclusive to a GHG pricing mechanism, but rather apply to GHG policies more broadly. In addition, those related to WTO law compatibility and compatibility with MARPOL do not seem unsurmountable. Ultimately, some IMO stakeholders seem to have different views on what the main aim of a GHG pricing mechanism should be. These divergent views on these aims seem to have been central to the difficulties in adopting a GHG pricing instrument.

[114] Ibid.