



MARINE ENVIRONMENT PROTECTION
COMMITTEE
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Agenda item 7

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REDUCTION OF GHG EMISSIONS FROM SHIPS

Adopting the Net-Zero Framework "as is" keeps the just and equitable transition alive

Submitted by Fiji, Kiribati, Nauru, Palau, Tuvalu and Vanuatu

SUMMARY

Executive summary: This submission is made in support of document MEPC 84/7/28 and contains potential amendments to the IMO Net-Zero Framework which could be made by the co-sponsors in the event that the IMO Net-Zero Framework is not adopted "as is".

Strategic direction, if applicable: 3

Output: 3.2

Action to be taken: Paragraph 2

Related documents: MEPC 84/7/28; MEPC 82/INF.8/Add.1, MEPC 82/INF.8/Add.2; ISWG-GHG 17/2/5, ISWG 17/2/13, ISWG-GHG 17/2/14, ISWG-GHG 17/2/15; ISWG-GHG 18/2/6, ISWG-GHG 18/2/5; ISWG-GHG 20/INF.5; MEPC/ES.2/2, MEPC/ES.2/2/13 and MEPC/ES.2/3/3

Introduction

1 This document is in support of document MEPC 84/7/28 (Fiji et al.) and contains amendments to the Net-Zero Framework which would be proposed by the co-sponsors in such a case as laid out in document MEPC 84/7/28.

Action requested of the Committee

2 The Committee is invited to note the amendments to the Net-Zero Framework contained in the annex to this document.

ANNEX

CONTINGENCY AMENDMENTS PROPOSED BY CO-SPONSORS

Regulation 35

Target annual GHG fuel intensity (target annual GFI)

[...]

Table 4 – Annual GFI reduction factors (in percentage) for the target annual GFI relative to the GFI reference value¹

Year ¹	Z _T for Base target	Z _T for Direct compliance target
2028	4.0	100.0
2029	6.0	100.0
2030	8.0	100.0
2031	12.4	100.0
2032	16.8	100.0
2033	21.2	100.0
2034	25.6	100.0
2035	30.0	100.0

3 By 1 January 2032, the Committee shall determine the Z-factor (Z_T) for the Base target and Direct compliance target for the years 2036 to 2040. The 2040 Z_T for the Base target shall be set at 65%.

Regulation 36

Annual GFI compliance approaches

1 At the end of each calendar year, each ship shall determine its GFI compliance balance, as follows, taking into account guidelines developed by the Organization:

$$\text{GFI compliance balance (expressed in tonnes of CO}_2\text{eq)} = (\text{Direct compliance target annual GFI} - \text{Attained annual GFI}) \times \text{Energy}_{\text{total}}$$

¹ Table 5 under regulation 35.

2 If the GFI compliance balance is equal to or greater than zero, the ship shall be considered in direct compliance ~~and be eligible to receive surplus units for its positive compliance balance in accordance with paragraph 11 of this regulation.~~

3 If the GFI compliance balance is less than zero, the ship shall determine its compliance deficit in accordance with paragraph 4 of this regulation and shall achieve compliance by balancing its deficit in accordance with the GFI compliance approaches in paragraphs 5 and/or 6, as applicable, of this regulation.

[...]

Balance of the compliance deficit²

5 A ship shall balance its Tier 1 compliance deficit through ~~one or more of the following GFI compliance approaches,~~ remedial units acquired by means of GHG emissions pricing contributions to the IMO Net-Zero Fund priced at Tier 2 benchmark rates in accordance with paragraph 9 of this regulation, which shall be recorded on the ship account statement issued by the IMO GFI Registry in accordance with regulation 38.

6 A ship shall balance its Tier 2 compliance deficit through one or more of the following GFI compliance approaches, which shall be recorded on the ship account statement issued by the IMO GFI Registry in accordance with regulation 38.5, taking into account the guidelines developed by the Organization:

~~.1 surplus units transferred from other ships;~~

~~.2 surplus units banked from previous reporting periods; and/or~~

~~.3 remedial units acquired by means of GHG emissions pricing contributions to the IMO Net Zero Fund priced at Tier 2 benchmark rates in accordance with paragraph 9 of this regulation.~~

7 A ship that has fully balanced its compliance deficit in accordance with paragraphs 5 and 6 of this regulation, as applicable, shall be considered as being compliant with its target annual GFI, without prejudice to the ship to recover any costs incurred in the application of this regulation that relate to the operational responsibility of the ship. For the purpose of this regulation, operational responsibility of the ship means determining the fuel used or the cargo carried or the route or the speed of the ship.

Remedial units

8 For the reporting periods 2029 to 2031, the initial price of a Tier 1 remedial unit shall be \$300 per tonne of CO₂eq on a well-to-wake basis.

9 For the reporting periods 2029 to 2031, the initial price of a Tier 2 remedial unit shall be \$380 per tonne of CO₂eq on a well-to-wake basis.

² Continuation of regulation 36.

10 By 1 January 2029, the Committee shall determine the mechanism for reviewing and defining the price of a Tier 1 and Tier 2 remedial unit for the reporting periods from 2032 and onwards.

Surplus Units

~~11 The amount of surplus units a ship in direct compliance is eligible to receive shall be equal to its positive compliance balance, expressed in tonnes of CO₂eq, taking into account guidelines developed by the Organization.~~

~~12 A surplus unit, subject to paragraphs 6 and 15 of this regulation, credited to the ship account in the IMO GFI Registry may be used once for one of the following purposes, which shall be recorded in the IMO GFI Registry, taking into account guidelines developed by the Organization:~~

- ~~.1 transfer to another ship to balance that ship's Tier 2 compliance deficit;~~
- ~~.2 banked for use in the subsequent reporting periods; or~~
- ~~.3 voluntarily cancelled as a mitigation contribution.~~

~~13 A surplus unit shall only be transferred or cancelled once, but each one of a ship's surplus units may be used for any of the purposes provided for in paragraph 12 of this regulation.~~

~~14 An unassigned surplus unit shall be automatically banked. A surplus unit shall have a validity of two calendar years following the calendar year of its issuance from the IMO GFI Registry. A surplus unit not used by the ship in whose account it has been credited by its expiry date shall be cancelled by the IMO GFI Registry as a mitigation contribution.~~

[...]

Functionalities³

4 In accordance with regulation 36, the IMO GFI Registry shall in each ship account, as applicable:

- ~~.1 credit the amount of surplus units a ship in direct compliance is eligible to receive;~~
- ~~.2 record banked surplus units between reporting periods;~~
- ~~.3 record all transferred surplus units from one ship account to another ship account;~~
- ~~.4 cancel surplus units when:
 - ~~.1 used by a ship to balance its Tier 2 compliance deficit for a reporting period;~~~~

³ Regulation 38.

~~.2~~ voluntarily cancelled at the request of the ship; and/or

~~.3~~ expired; and

- ~~.5~~ credit remedial units to a ship account, equal to the amount and the tier type of remedial units acquired by means of GHG emissions pricing contributions to the IMO Net-Zero Fund, and cancel the remedial unit following proof of payment.
