# IMO agrees on carbon fees for ships exceeding emission targets amid US opposition



Diplomats at the United Nations’ International Maritime Organization (IMO) have reached an agreement to impose fees on ships emitting carbon dioxide (CO₂) above set decarbonisation targets. The plan, passed on Friday by 63 member states, requires ships exceeding emissions benchmarks to pay a minimum of $100 per tonne of CO₂ emitted beyond the targets. This move comes despite a warning from the United States, which withdrew from negotiations this week and threatened retaliatory measures against any fees charged on its vessels.

The agreement marks a significant compromise amid divided international opinions on how to address shipping emissions. While some countries advocated for a straightforward levy on all emissions, others, including large energy exporters such as Saudi Arabia and the United Arab Emirates, opposed harsher penalties, leading to a more complex scheme. The latter group, which also included 16 countries voting against the deal and 24 abstentions, expressed concerns about the implications for the cost of goods, particularly food, due to potential increases in shipping expenses.

Under the deal, scheduled for formal adoption in October and implementation by 2028, ships with a volume exceeding 5,000 gross tonnes must meet two decarbonisation targets, which will progressively become more stringent. The stricter benchmark calls for a 17 per cent reduction in greenhouse gas fuel intensity by 2028 compared to 2008 levels, increasing to 21 per cent by 2030. A less demanding target requires reductions of 4 per cent and then 8 per cent for the same years.

Ships that fail to meet the tougher target will have to pay $100 annually for each tonne of CO₂ exceeding the limit, while those missing the weaker target face charges up to $380 per excess tonne. Payments can be made directly to the IMO or offset by purchasing credits from vessels that comply with both targets through the use of lower-carbon fuels.

Revenues generated from the fees will be directed towards supporting ships that adopt low-carbon fuels, advancing maritime decarbonisation initiatives, and mitigating adverse effects on food security. The plan explicitly states that investments will focus on the needs of developing countries, a provision that was opposed by the United States.

Environmental analysts, however, have expressed reservations about the effectiveness of the agreement. Faïg Abbasov, shipping programme director at the environmental NGO Transport and Environment, spoke to the Financial Times, stating, “This deal is not fit for purpose to deliver IMO’s own 2050 net zero and intermediate targets.” Abbasov cautioned that the plan might inadvertently encourage reliance on less sustainable biofuels, noting, “forest-destroying first generation biofuels [would] get the biggest push for the next decade.”

The IMO’s decarbonisation measures come against the backdrop of shipping’s substantial environmental footprint, accounting for roughly 3 per cent of global greenhouse gas emissions according to the Organisation for Economic Co-operation and Development (OECD). The industry transports around 80 per cent of international trade and remains heavily dependent on fossil fuels.

The U.S.’s withdrawal from the talks and threats of reciprocal actions introduce uncertainty about the plan’s global enforcement and effectiveness. The specifics of potential American retaliatory measures remain unclear. The United States had previously opposed elements of the plan, particularly its implications for the global market and developing countries.

Notably, the fees established exceed those charged by the European Union’s Emissions Trading System, the largest carbon pricing scheme worldwide, where prices stood at €62 per tonne as of the most recent data. However, industry stakeholders including Danish giant AP Møller-Maersk have voiced concerns that the new framework may not sufficiently incentivise investments in the most sustainable fuel options, such as ammonia or hydrogen, likening it to a potential boost for liquefied natural gas and certain biofuels instead.

The new policy will be subject to review after three years, offering an opportunity to assess its progress towards the IMO’s broader commitment to reduce shipping emissions by at least 20 per cent by 2030 and achieve net zero around 2050.

The Financial Times is reporting this development, which highlights the complexities and geopolitical tensions involved in global efforts to regulate emissions within the international shipping sector.

Source: [Noah Wire Services](https://www.noahwire.com)

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