

'Crunch time' for regulators as shipping seeks clarity on net-zero ambitions



In 2023, 3% of Maersk's volume was transported under its ECO Delivery biofuel product while 1% of Hapag-Lloyd's 2023 volume was carried in its Ship Green biofuel solution. Photo credit: MartinLueke / Shutterstock.com.

Greg Knowler, Senior Europe Editor | May 23, 2024, 10:02 AM EDT

COPENHAGEN — The enormous challenges facing shipping on its path to decarbonization were outlined at a conference here this week, with sustainability executives from across the maritime supply chain demanding greater clarity from regulators.

“It is crunch time for the IMO [International Maritimer Organization],” Nina Porst, executive director of shipowner association Danish Shipping, told the Decarbonizing Shipping conference.

Porst said although the IMO had a strategy in place and a framework for further negotiations, the industry needed more concrete measures to make the major

investments in vessels, technology and fuel infrastructure required in the transition to clean energy.

“We need complementary mechanisms to bridge the price gap and stimulate demand as well as supply of fuels,” she told the conference. “We need a well-to-wake approach to deliver real emissions, impact assessments, legal text and a system for administration and enforcement and for 175 nations to all agree.”

The IMO last July updated its emissions targets, with the global shipping industry now aiming for a 20% to 30% reduction in GHG emissions by 2030, 70% to 80% by 2040 and 100% by 2050.

Negotiations between member states at the IMO’s London headquarters included discussions around a global fuel standard and a greenhouse gas (GHG) pricing mechanism, the midterm measures required to decarbonize the shipping industry in line with the Paris Agreement. The IMO’s Marine Environment Protection Committee (MEPC) agreed that a comprehensive assessment of the impact the proposed measures would have on member states would be finalized and submitted to MEPC 82 that is scheduled to meet Sept. 30 to Oct. 4.

If the IMO does not deliver, those companies moving ahead would be at risk, Porst said.

“If you have made investments and have laid out your strategy to run on green fuels and you don’t get the ambitious regulation needed to ensure everyone goes in that direction, then you have an issue,” she said. “Not moving ahead with the regulations just favors those sitting on the fence and doesn’t help the battle against climate change.”

A clear signal

Jesper Nielsen, group responsibility director at fuel supplier Monjasa, agreed that the industry required a clear signal on how green fuels would be managed and priced, and how mid-term GHG reduction measures would be enforced.

“There is a pioneering risk of leaning out and finding out years later than the IMO abandoned you and you are stuck with a 10-year contract for a technology that doesn’t work,” he told the conference.

Bjarne Foldager, head of two-stroke solutions at engine maker MAN Energy Solutions, said the 2030 target of a minimum 20% reduction in GHG emissions was set against a 2008 baseline, but the fleet has doubled since then and will continue to grow.

“So, in reality, every ship will have to reduce its baseline emissions by a minimum 40% in just over five years,” he said. “That is a huge task.”

The IMO regulations requiring ships to transition away from fossil fuels to cleaner alternatives such as ammonia by certain deadlines is also pushing shipowners and operators to start planning fleet upgrades and retrofits now to meet the future fuel standards.

This will have a direct impact on shipbuilding with many shipowners waiting for more clarity from the IMO before putting in new orders, warned Jens Jodal Andersen, vice president of Copenhagen Infrastructure Partners.

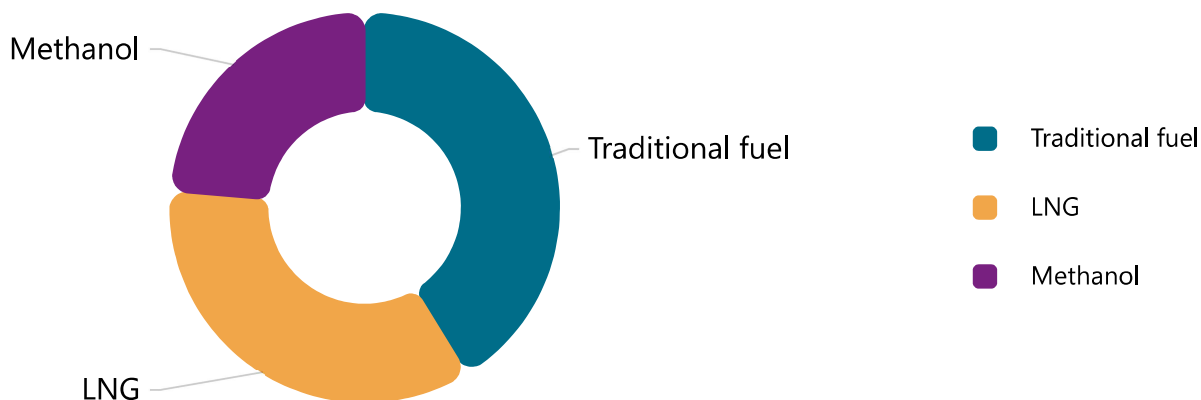
“Shipyard capacity in some segments is already scarce today so what will happen in two or three years when the industry is forced to find better energy solutions,” Andersen said. “Everyone will have to retrofit and build new ships and the queue at the shipyards in a couple of years will be a bottleneck. If I were a shipowner I would be concerned about queues at shipyards and at engine builders.”

Gambling on green fuels

Almost 60% of new vessels to be delivered before 2030 are designed to run on alternatives to fossil fuels. Data from Sea-web, a sister company of the *Journal of Commerce* within S&P Global, shows liquefied natural gas ships comprise 33.3% of the order book and methanol vessels 21.1%, while traditional bunker fuels are at 45.6%

Alternative fuel container ships now more than half the total orderbook

Global TEU capacity of container ships on order capable of running on methanol, liquefied natural gas (LNG), and traditional marine fuel



Source: S&P Global

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Oistein Jansen, chief sustainability officer at tanker operator Odfjell, pointed out that ships built today will still be in service in 2050 when the industry will have to be at net-zero emissions.

“The problem is that we build a vessel for 25 to 30 years so what kind of big bets do we need to do today to ensure we are covered for the life of that vessel?” he said. “The price of a vessel means it needs to be profitable and commercially viable for 25 years.”

There was also agreement among the sustainability executives that the biofuel products being offered by several carriers remain a temporary measure and not a means to achieve the IMO’s 2030 targets of reducing CO2 emissions by 20% to 30%.

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Emma Mazhari, CEO for Maersk Oil Trading and vice president of energy markets at Maersk, described biofuel as “a gap closer,” but not a long-term solution.

“There’s limited global availability for biomass and bio feedstock and there’s also very high competition from other sectors,” she said. “For the moment, there is biofuel available, but when shipping scales up it is going to be very difficult.”

Øistein Jensen, chief sustainability officer at tanker operator Odfjell, agreed, saying there would be a fight for whatever biofuel was available from other industry sectors.

“Biofuel is at best a short-term measure and not the end-solution,” he said.

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