

OUR VIEW

The Shipping sector needs to deliver on the IMO GHG Strategy by reaching net-zero GHG emissions by or around 2050.

Global regulation is required to ensure a level-playing field for a global sector such as shipping.

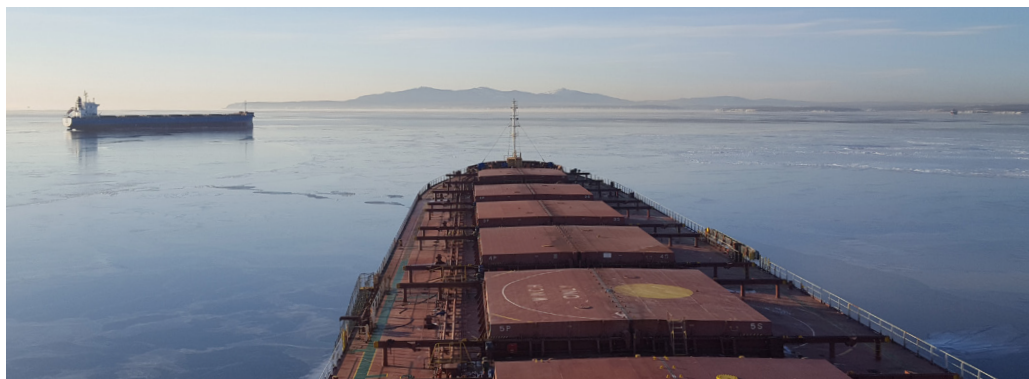
Global regulation is crucial to derisk the important investments required for decarbonizing shipping.

A pricing mechanism and a global fuel standard must be adopted by 2025.

A fuel standard must reflect a fuel's entire climate footprint building on a life cycle.

A pricing mechanism must contribute to bridging the price gap between fossil and renewable energy and can provide financial resources for a fair and just transition for Least Developed Countries and Small Islands States.

Global Climate Policy



INTERNATIONAL CLIMATE REGULATION

The Danish shipping sector is deeply committed to delivering on the IMO GHG Strategy that was agreed in 2023 setting a zero or near-zero emission target by or around 2050. To this end it's crucial to ensure accessibility to renewable fuels, which again requires huge investments in developing and deploying renewable fuels.

Airtight and stringent regulation in IMO, will provide the steppingstones for derisking investments, by sending a clear signal to fuel producers that the shipping sector will ensure a major uptake of renewable fuels.

The IMO GHG Strategy provides a clear pathway for what is needed and expected by the sector. Besides identifying a pricing mechanism and a technical measure as the vehicles to achieve the 2050 target, it sets a very ambitious timeline for agreeing on the necessary regulations.

2025 stands up as the crucial year, where IMO must agree and adopt the necessary regulations for a pricing mechanism and a technical standard, that must enter into force by 2027.

A technical measure must set the standards for renewable fuels taking into account a fuel's entire climate footprint. This must be done by taking emissions from production to combustion into account (well-to-wake).

The pricing instrument must incentivize the uptake of renewable fuels, which will be more expensive than fossil fuels. Besides contributing to bridging the gap between the fuels, a pricing instrument can also provide funding for the development and deployment of renewable

fuels and a just and equitable transition for Least Developed Countries and Small Islands Developing States.

While renewable fuels are presently only available in very small quantities, they are expected to offer new business opportunities for countries with considerable renewable energy resources such as solar and wind. The World Bank has estimated the market for renewable fuels to more than a trillion US\$ and identified several developing countries that have the potential to become key players for an emerging market of renewable fuels.

Neither a fuel standard nor a pricing mechanism can be standalone measures. The two measures need to work in parallel to ensure that there are concrete requirements to reduce GHG-emissions, a strong financial incentive to use alternative fuels and to bridge the price gap between the fuels of today and those of tomorrow.

FACTS

- International shipping accounts for approximately **3% of the global GHG emissions** - corresponding to all German emissions.
- Around 80-90% of the volume of international trade in goods is carried by sea.
- The shipping sector alone would require the totality of today's wind capacity for the production of e-fuels.
- IMO is supposed to agree on a Pricing Mechanism and Global Fuel Standard in April 2025 and adopt them at a meeting in October 2025, according to the timeline agreed in the IMO GHG Strategy.