Policy Paper
2024

OUR VIEW

International shipping must contribute to the 1.5 target agreed in the Paris Climate Agreement.

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

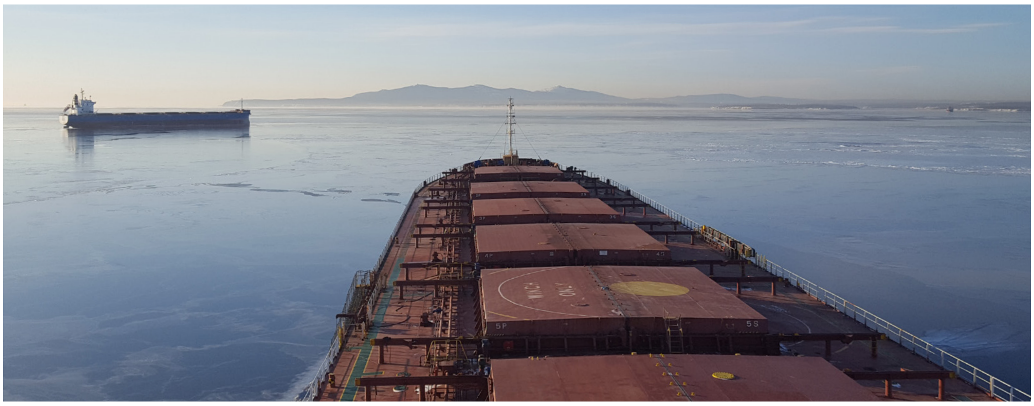
Global regulation is required to ensure a level-playing field for a global sector such as shipping.

A basket of measures building upon fuel standards and a pricing mechanism must be adopted by 2025.

A fuel standard must reflect a fuel's entire climate footprint building on a life cycle approach and covering all greenhouse gases.

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

Global Climate Policy



INTERNATIONAL CLIMATE REGULATION

Huge investments in developing and deploying renewable fuels are key for climate neutral shipping. These investments need to be derisked by putting an ambitious and robust regulation in place that also ensures a level playing field in a global sector, such as shipping.

It's not optional whether the shipping sector must take part in tackling global climate change. To reflect the Paris Agreement's 1.5-degree target, the sector must be climate neutral by 2050.

In July 2023, UN's International Maritime Organisation adopted a revised Greenhouse Gas Strategy, which provides crucial steppingstones to reaching climate neutrality by or around 2050.

All efforts now need to be put in developing the necessary measures to be adopted by 2025 without further delay to ensure a pathway for climate neutrality by 2050.

A technical measure setting standards for new renewable fuels is paramount and will provide a clear signal to the market on the expected uptake.

Tackling climate change also requires the standard to reflect a fuel's entire climate footprint by taking emissions from production to combustion into account (well-to-wake) and encompassing all greenhouse gasses.

Moreover, a distinct pricing instrument on emissions, must be developed to 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.

Renewable fuels are key for the shipping sector and will 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. A pricing instrument may provide funding for the huge investments required in these countries.

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.

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