Event Outcome
Event: “Implementation Lab: Radical Collaboration to achieve a zero-emission resilient maritime sector”
UNFCCC COP 27
Sharm El Sheik

Wednesday 16th November 2022
1700-1830 EET

Organised by Katharine Palmer, Shipping Lead Climate Champions Team and Elisabeth Windisch, ITF-OECD

Radical collaboration to achieve a zero-emission, resilient maritime sector

SECTION 1 – IMPLEMENTATION LAB

Key Messages:

- Shipping is no longer a 'hard to abate' sector but one that acts as a climate solution, not only by decarbonizing its own emissions but also providing solutions and resilience benefits to wider communities, cities, and countries
- Realizing this opportunity requires radical collaboration, across the usual silos and both the public and private sectors
- Decarbonizing shipping creates significant demand for clean energy and requires large-scale and rapid growth in the supply and use of zero-emission green hydrogen-derived fuels
- Supply and demand actors need to come together to build partnerships with maritime actors sending demand signals to green hydrogen producers and clear capacity signals to supply green hydrogen.
- We must not forget the maritime workforce, both on and off the water: 450,000 seafarers need to be retrained and upskilled by 2030, rapidly scaling to 800,000 by the mid 2030s.
- This creates new opportunities for quality jobs across the value chain and in developing countries and emerging markets. The global north and south must make this transition together.
- Policy to decarbonize shipping needs to facilitate a transition that is environmentally sustainable, procedurally fair, socially just, globally equitable and technologically inclusive.

Outcomes:

1. **Demonstrate implementation and showcase concrete examples of action;**

    - Examples of partnerships across supply and demand actors to create zero-carbon fuel capacity that share the risks for early investment

    - Examples of a Just transition strategy in the renewable energy sector and how learnings can be transferred to maritime, particularly on upskilling and retraining the workforce.

2. **Contribute to the COP27 outcomes on progress in implementation of mitigation/resilience and finance goals;**

- Just transition 10-point action plan launched
- Partnerships across the supply and demand actors need accountability, credibility and transparency
- Policy measures need to operationalise an equitable transition, be internationally coordinated, provide incentives for first movers and need to be based on evidence

3. **Target near-term implementation and action to accelerate progress;**

    5% zero emission fuels by 2030 is within reach and focussed on the near-term implementation of the people, policy and supply levers.

4. **Contribution towards achieving the goals/milestones set in the Climate Action Pathways, 2030 Breakthroughs and Adaptation and Resilience Outcome Targets;**

- The event set the scene with evidence from the first climate action progress report for the maritime sector published in September 2022
- https://climatechampions.unfccc.int/publications/

5. **Highlight the importance and elevate efforts of resilience and adaptation**

    The event highlighted the importance of a just transition terms of resilience of the maritime sector but did not focus on the wider societal resilience benefits from decarbonizing shipping – the maritime resilience breakthroughs were launched at another event during COP27

6. **Strengthen collaboration with all stakeholders, including the national governments and non-Party stakeholders;**

    The event brought together public and private actors from across the global north and south to strengthen collaboration beyond the usual silos. Partnerships across the value chain were demonstrated and lessons shared from the renewable sector on being the first organisation to have a just transition corporate strategy

7. **Showcase concrete examples of accountability and/or progress tracking (when applicable)**

   Progress will continue to be annually monitored through an annual report
   https://climatechampions.unfccc.int/publications/

SECTION 2 – STOCKTAKE ON ACTION

Overview of progress and implementation in 2022

[Please summarize the overall political, economic and social developments impacting the implementation (either supporting or challenging) thematic area which are worth highlighting and how these affected the work of the MP stakeholders in carrying out their work. ~ 300 words]

The past 2 years have seen significant progress towards 2030 goals in terms of alignment, with all actors across the value chain uniting behind this common goal to lay a solid foundation. We are however at a crossroads where more effort is needed on all fronts to convert these commitments and pledges into actionable solutions.

All 5 levers can be considered partially on track, with significant progress already made, but many areas remaining where progress is necessary. In terms of demand and technology/ supply there are at least 203 shipping decarbonization pilot and demonstration projects already in the pipeline internationally. Progress has also been made regarding bunkering and safety guidelines. Now, the main challenge is to move from commitments to investment and infrastructure development. In reference to finance, there are growing commitments such as the 'Poseidon Principles' which account for over 50% of shipping debt finance, but further progress in financial commitments for fuel production and bunkering infrastructure is required. Policy developments have also progressed with IMO developments on shorter term measures and GHG emission pricing. Similarly, civil society developments have intensified with increased visibility of several initiatives, but more opportunities in emerging economies should be leveraged.

- **Energy companies** need to have greater confidence in the expected demand from the shipping sector when planning green energy development projects
- **Cargo owners** need to be mobilized to take part in cross supply chain collaboration and investment, including by paying a premium for zero emission fuels on a corresponding percent of their freight
- **Investors** need to quantify the amount of investment needed across the value chain
- **Shipping companies** need to have confidence to plan and invest in new builds and retrofits
- **Regulators** need to ensure a level playing field is in place to enable the transition

Understanding what actions are progressing well and which are falling behind is instrumental in mobilizing effort where it is the most impactful. International action at the

IMO is required as without this, the 5% goal becomes difficult to achieve. For rapid, wide scale uptake of zero carbon fuels needed in 2040s and full sector decarbonization, policy is key for mass adoption.

Furthermore, international policy developments at the IMO and on a plurilateral level are needed to accelerate global decarbonization trends. These should include timely adoption of short and mid-term measures at the IMO which are in line with 5% scalable zero emission fuel (SZEF) adoption and full decarbonization by 2050.

Domestic policy is needed to support the necessary production and bunkering infrastructure to decarbonise domestic shipping. In addition, a multitude of wide-ranging industry actions across the maritime shipping value is also necessary. This includes investment in development of SZEF production pathways with over 210 production facilities and availability of SZEF in at least 20 key ports alongside investment technologies for use onboard.

Freight purchasers will also have to commit to uptake of at least 5 million TEUs of zero emission freight by 2030 and a range of shipowner commitments to order only zero emissions-ready ships will be required.

Finally, industry participation in demonstration projects, pilots, and R&D in the short term will help shape best practices and increase cross-value chain engagement.

Section 3 – Action during 2023-2025

The 3 main objectives over the next 2 years are:

1. **International Policy** – we are at a critical point in the IMO GHG negotiations with the revised GHG strategy to be adopted in July 2023. We need to put shipping on a 1.5 aligned trajectory with ambitious 2030 and 2040 targets.
2. **Leveraging the supply and demand opportunities** – green hydrogen producers and shipping demand actors have made commitments and now we need to back this with investable projects and convert MoUs into framework agreements
3. **Financing green opportunities** - There are 20 green corridor consortiums; these need to have the financial commitment to move from plans on paper to vessels on the water – the key action is financing these green corridors.