

The Net Zero Framework

An Explainer - 20th April 2026

Why keeping a global GHG price and fund is the lower-risk option for IMO Member States

1. What decision are we really making?

The current debate at IMO is often framed as a choice between:

- “simple technical measures”, or
- “complex economic measures”.

This is not the real choice.

The real choice facing Member States is between:

A managed and enforceable transition, with predictable costs and shared tools; or

A more uncertain and volatile transition, where costs still occur but are harder to control, enforce, or redistribute.

No option on the table avoids costs.

The question is who carries them, when they arise, and how much control states retain.

2. What happens if GHG pricing and the fund are removed?

Removing the GHG price and associated fund does not remove costs from shipping. Instead, it creates three risks:

1) Weaker investment signals

Shipping investments last 20–30 years.

If policy signals are unstable or unclear, investment is delayed.

Delayed investment does not save money. It usually leads to:

- last-minute adjustments,
- higher capital costs,
- sudden fleet devaluations,
- and disruption to trade.

2) No mechanism to manage impacts

Without a pricing mechanism, there is no automatic source of revenue to:

- support countries with greater exposure to transition impacts,
- address disproportionate impacts,
- fund capacity building, or
- help scale new fuels and infrastructure.

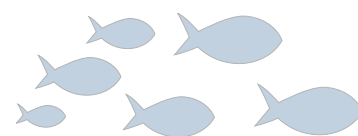
Costs do not disappear they are simply pushed onto:

- shipowners,
- charterers,
- ports,
- or national governments, case by case.

3) Fragmentation and loss of global control

If IMO does not adopt a credible global economic framework:

- regional measures will continue or expand,
- companies face multiple overlapping rules,
- and states lose influence over how the transition unfolds.



3. Why a GHG price and fund reduce risk for states

A) They stabilise the transition

A GHG price creates a clear and predictable signal about the direction of travel. A fund helps smooth the transition by recycling revenues in a planned way.

Together, they:

- reduce uncertainty,
- support orderly investment,
- and lower the risk of sudden market shocks.

This matters especially for states exposed to trade volatility.

B) They make the transition more affordable over time

Economic measures are not mainly about “punishing” emissions.

They are about:

- avoiding disorderly change,
- preventing stranded assets,
- and reducing long-term costs by acting earlier and more smoothly.

Transitions that wait until the last moment tend to be more expensive not less.

C) They support equity without weakening ambition

A fund allows IMO to:

- recognise different national circumstances,
- provide targeted support where needed,
- and maintain a single global framework.

Without a fund, equity relies on political promises rather than practical tools.

4. Why a fund is essential for enforcement

Technical rules alone do not enforce themselves.

Without revenues:

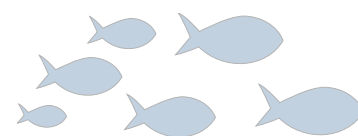
- penalties rely on national enforcement capacity,
- incentives for compliance are weak,
- and there is little leverage to correct non-compliance.

A fund changes this balance by:

- creating clear financial consequences,
- enabling reward and support mechanisms,
- and strengthening compliance without constant political intervention.

Put simply:

No fund = rules without tools.



5. A pragmatic conclusion for delegates

The current Net-Zero Framework is not perfect. It can and should be improved.

But removing its core economic elements would increase risk for:

- Member States,
- Countries with greatest exposure to transition impacts,
- and the global trading system.

From a risk-management perspective, the safer choice is to:

- keep the GHG price,
- keep the fund architecture,
- and improve the design through further work.

This keeps options open, costs manageable, and enforcement credible.