

INDUSTRY STATEMENT by MAJOR SHIPPING ENTITIES

Grave concern about the IMO NZF as currently defined – fundamental amendments required before adoption

As shipping entities serving the international shipping market, collectively representing more than 1,200 vessels and 150mln DWT, we consider it critical to voice our grave concerns about the IMO Net Zero Framework (NZF), as currently defined. We wish to ensure that the voice of the industry is heard and appreciated by decision makers.

Collectively, we have made substantial financial investments to improve the efficiency and carbon footprint of our existing fleets, in addition to ordering state-of-the-art vessels. It is crucial that we are incentivised in continuing to do so while ensuring safe, reliable, and competitive operations.

Recognising the significance of a global framework for the maritime sector, we want to emphasise that the IMO NZF, as currently defined, lacks a comprehensive impact assessment and more importantly interim fuel availability checkpoints similar to previous fuel change regulations like IMO 2020. As it stands, we do not believe the IMO NZF will serve effectively in support of decarbonising the maritime industry as per the IMO 2023 strategy, nor ensure a level-playing field as intended. This is of grave concern.

Specifically, we highlight the below.

- The proposed fuel-intensity trajectories are materially accelerated and steep, more than 10 years ahead of the current FuelEU framework. Given the time required for the global infrastructure and supply chains to adapt, and for the maritime industry to design, test, build, retrofit and deliver effective vessels, it should be stated that this does not serve the transition. Instead, it calls for an abrupt switch towards only rewarding emerging technologies that have not been fully developed, nor fully assessed on safety.
- The steep trajectories and narrow reward thresholds embedded in the IMO NZF, fail to address the importance of a realistic and sustainable transition period, reducing incentives for investment in transition and Zero-or-Near-Zero (ZNZ) solutions alike.
- There is no clarity on governance or how the IMO NZF funds raised will be used, especially in incentivising Shipping Entities to invest in known alternative fuels and efficiency improvements.
- The business case for tangible transition fuels, such as biofuels and LNG is neglected. Reducing incentives for investment in the LNG value chain eliminates one of the future Net-Zero decarbonisation pathways, via bio- and synthetic-methane/LNG.
- Failing to incentivise investment in known and available transition technologies with established standards, and focusing only on unproven ZNZ solutions, will result in the majority of shipping shifting towards pay-to-emit

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operations. This will disproportionately burden Small and Medium-sized Enterprises (SME), especially those operating in the tramp segment.

- Shipping today consumes 3% of global energy, based on widely available fuel. Under the IMO NZF, the shipping industry alone will require more than 50 mtpa low-carbon Hydrogen to meet targets by 2040, which is about 50% of then expected global production capacity intended to serve all industries.
- Overall, the IMO NZF will raise in the order of \$20-30bn annually by 2030, and risks quickly accumulating above \$300bn by 2035 if the global fleet lags targets by as little as 10%.

It is essential that the IMO NZF implements GHG measures that are fit-for-purpose, incentivising available transition options and providing the market with the right signals to enable decarbonisation of the maritime sector, avoiding excessive financial burdens and inflationary pressure to the end-consumer.

These fundamental issues cannot be resolved by emerging guidelines post-adoption. We believe that critical amendments to the IMO NZF are needed, including the consideration of realistic trajectories, surplus and reward allocation in support of transition and SME, with transparency on fund governance, before adoption can be considered.

Co-signatories

Bahri	Capital Group:	(Capital Clean Energy Carriers	Capital Gas Ship Management	Capital Containers Ship Management	Capital Ship Management)	TMS Group
Centrofin	Marine Trust	Trust Bulk	Common Progress	Dynacom	Dynagas	Emarat Maritime
Frontline	Gaslog	Hanwha Shipping	Angelicooussis Group:	(Maran Dry	Maran Gas	Maran Shuttle Tankers
Maran Tankers)	Seapeak	Stolt Tankers				