

IUMI Policy Agenda

8. Safe decarbonisation and alternative fuels

Brief description

Climate change is considered one of the most pressing issues of our time. It has also been identified by IUMI as a major concern to marine insurers. The effects of global warming are already evident and are changing the nature of the insured assets. The frequency of weather-related catastrophes has increased significantly which drives up losses and leaves some assets uninsurable. The potential impact of climate change is therefore a fundamental issue for regulators.

The shipping sector accounts for approx. 3% of global CO₂ emissions. International agreements on the need to combat climate change require the reduction of greenhouse gas emissions from shipping. In addition to regulatory pressures from the IMO, other stakeholders such as banks, charterers and the broader public are setting requirements for the environmental performance of vessels, for instance in connection with the financing of new ships and new chartering agreements. Therefore, the industry must examine low and zero carbon ship propulsion systems taking into account the entire value chain, not just the combustion cycle.

There is currently no agreement on which fuel or fuels will be favoured and there can be very little progress without political support for the necessary infrastructure which is internationally absent. Notwithstanding the imperative of the green energy transition, it is crucial for carriers to assess potential safety concerns associated with measures to reduce the carbon footprint. Proper risk management is critical and safety must not be an afterthought.

In April 2018, the IMO adopted the Initial IMO Strategy on the reduction of GHG emissions from vessels. A revised Strategy was adopted by MEPC 80 in July 2023, setting a well-to-wake target of net-zero GHG emissions by 2050. Interim goals were agreed with a 20% reduction by 2030 (compared with 2008), including a 40% carbon intensity reduction target and 5% uptake of net-zero technologies, fuel and/or energy savings, and 70% reduction by 2040. There was also an agreement in principle on a new GHG intensity fuel standard and possible price on GHG emissions. These new GHG measures should be developed in view of adoption in 2025 and entry into force from 2027.

The Fourth IMO GHG Study 2020 is the first IMO greenhouse gas study published since the adoption of the Initial IMO Strategy on reduction of GHG emissions from ships. It demonstrates that whilst further improvement of the carbon intensity of shipping can be achieved, it will be difficult to reach IMO's 2050 GHG reduction ambitions through energy-

saving technologies and speed reduction of ships. Therefore, under all projected scenarios, in 2050, a large share of the total amount of CO₂ reduction will have to come from the use of low-carbon alternative fuels.

In February 2023, IUMI co-sponsored a proposal for a new output at the IMO to undertake a regulatory assessment of safety aspects associated with reducing GHG emissions from vessels in line with the Organization's strategy and to develop a road map to support the safe delivery of IMO's strategy. The proposal was agreed by the Maritime Safety Committee in June 2023, and continues in a Correspondence Group in which IUMI participates.

The Marine Environment Protection Committee (MEPC) adopted in June 2021 a measure demanding energy efficiency requirements on existing vessels starting from 2023, and the introduction of carbon intensity targets for vessels with a first reporting deadline in March 2024.

IMO's Sub-Committee on Carriage of Cargoes and Containers (CCC) initiated in September 2021 the development of guidelines on the safety of vessels using hydrogen as fuel under the International Code for Ships using Gases or Other Low-flashpoint Fuels (IGF Code). The guidelines will address both liquefied and compressed fuel and will be developed by a Correspondence Group. In April 2022, the Maritime Safety Committee agreed to develop guidelines for safety of ships using ammonia as fuel as an interim measure for newly built vessels. In September 2022, CCC 8 agreed on a holistic approach to the development of the guidelines for ammonia, tackling both safety and environmental considerations simultaneously. The work will continue in a Correspondence Group and is scheduled to be finalized in 2024.

The European Union is implementing its own legislation through their [Fit for 55 package](#). In January 2024, the EU's Emissions Trading System (EU ETS) will be extended to cover CO₂ emissions from all large ships (of 5 000 gross tonnage and above) entering EU ports, regardless of the flag they fly. In addition, the package includes a requirement for owners to buy cleaner fuels and ports to ramp up supply of shore power and liquefied natural gas (LNG) as fuel.

A significant push for decarbonisation in the maritime industry is not only underway within regulatory authorities but also in form of various industry initiatives comprised of a diverse range of maritime stakeholders, e.g. the [Poseidon Principles for Marine Insurance](#). These efforts are necessary as the existing fleet is going to be non-compliant with IMO requirements soon. Changes in vessel design, fuel and propulsion types, and infrastructure will affect the risk landscape for marine insurers going forward. Marine insurers must be prepared to assess new risks and potential safety concerns. Moreover, they are likely to play a role as facilitators for decarbonisation by providing guidance and advice to their insureds.



An important aspect of using alternative fuels safely is not only a comprehensive review of risks associated with the new fuels and propulsion methods, but also thorough consideration of how human performance may be influenced by new equipment, new ways of collaboration, and new procedures and processes for bunkering. At the same time, conventional fuel types will be in use for the foreseeable future and until the transition period is concluded.

IUMI will:

- Increase awareness for alternative low and zero carbon fuel types and propulsion methods and contribute towards any necessary safety regulation amendments.
- Will support industry initiatives such as the Poseidon Principles for Marine Insurance which underpin the transition to zero emissions shipping.