OPPORTUNITY GREEN

Japan's submission to MEPC 84

As summarised within Opportunity Green's synthesis of submissions[1] to the International Maritime Organization (IMO) for ISWG 21 and MEPC 84

Japan (in MEPC84/7/49) aims to provide a basis for a discussion among Member States by outlining possible options to address concerns raised by a number of Member States at ES.2, whilst explicitly noting that these do not represent their national preferences. The submission identifies divergent views: (1) against a 'global carbon tax' and the establishment of an IMO Net-Zero Fund (the **Fund**), and (2) on the stringency and feasibility of greenhouse gas (GHG) Fuel Intensity (GFI) targets, particularly the potential to effectively eliminate LNG as a compliant fuel. Japan sets out two options to address these concerns.

The two options outlined by Japan, (1) removal of the 'global carbon tax' scheme and (2) revision of GFI targets, would remove the stable and predictable economic elements of the Net-Zero Framework (NZF) in its current form. Taken together these options include replacing mandatory payments to the Fund by allowing greater use of Surplus Units (SUs), revising base and direct compliance targets, and maintaining a so-called technology neutral approach to fuel assessment. In Japan's submission, technology neutrality refers to assessing all fuels - including fossil-based options such as LNG[2] - on a well-to-wake basis and that the 2024 LCA Guidelines should include onboard carbon capture and storage technologies[3].

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[1] IMO negotiation briefing: April 2026, available at: https://opportunitygreen.org/shipping/briefings/imo-negotiation-april-2026/

[2] LNG is mostly liquified methane, a GHG 80 times more powerful than CO2 over a 20-year time frame. The IPCC has stressed that deep reductions in methane are needed to reach net zero. Emissions from LNG can vary substantially depending on the supply chain, the engine technology used onboard ships, and efforts to control methane leakage in the supply chain. Overall, the climate benefits of LNG use are negligible at best and, in some cases, it can be worse than the use of traditional fuel types.

[3] OCCS technologies are still speculative and not yet operational. Furthermore, they require significant additional energy to run, weakening their contribution to GHG emissions reduction. Most critically, they extend the life of fossil fuels and are capital intensive and therefore do not contribute to a just and equitable energy transition.

Unfortunately, the two options outlined by Japan would mean replacing the stable and predictable economic elements of the NZF with a surplus unit market where price is variable and uncertain. The instability which would be caused is also concerning given that, in the event of non-compliance, ships could be exposed to Port State Control actions. This might include detention or refusal of entry, meaning operators would face both unpredictable compliance costs and potentially severe operational disruptions, making it difficult to plan investments and compliance strategies with confidence.

Implications of the options presented in Japan's submission:

- **Undermines the economic backbone of the NZF, weakening the demand signal:** Replacing mandatory contributions with expanded use of SUs would dismantle the Net-Zero Fund's core function of generating stable, predictable funding for implementation. This removes the primary economic driver of the NZF, weakening carbon pricing signals, reducing incentives for switching to sustainable fuels, and limiting investment in ZNZ fuels and supporting infrastructure.

- **Creates an unstable and potentially imbalanced compliance system:** A shift to an SU-dependent system introduces uncertainty in both price and availability of compliance units. Japan itself acknowledges the risk of insufficient SUs, requiring corrective measures such as donations or artificially increasing supply. These interventions point to a structural imbalance, where the system does not organically generate sufficient compliance units to meet demand, risking distorting the market and undermining environmental integrity, by allowing compliance to be met through artificially increased units rather than genuine emissions reductions.

- **Introduces significant uncertainty for industry and investment planning:** Variable compliance costs, reliance on market availability of SUs, and the need for ad hoc corrective mechanisms create an unclear and unstable compliance framework. When combined with the risk of Port State Control penalties, this increases both financial and operational uncertainty, discouraging long-term investment.

- **Fails to support a just and equitable transition:** Without predictable NZF funding there will be no mechanism to support countries facing the most significant climate impacts, particularly Small Island Developing States and Least Developed Countries. This risks imposing transition costs on climate vulnerable developing states without providing the financial support needed to manage them. In practice, this could exacerbate existing inequities, as a number of these countries are highly dependent on maritime transport, face higher relative trade and energy costs, and have limited capacity to absorb price increases or invest in new infrastructure. The absence of a stable funding stream also undermines support for capacity-building, technology transfer, and resilience measures, shifting the burden of decarbonisation onto climate vulnerable developing states.

- **Risks weakening ambition and delaying decarbonisation:**
  Proposed revisions to compliance targets, alongside additional flexibility justified by reference to feasibility concerns, risk lowering near-term ambition and slowing the pace of transition, particularly at a critical early stage, leading to increased fossil fuel lock in.

- **Enables continued reliance on fossil-based pathways:**
  Emphasis on technology neutrality, particularly in relation to LNG and lifecycle assessments (including carbon capture and storage (CCS)), risks prolonging the role of fossil fuels and delaying full decarbonisation.

- **Erodes a hard-fought multilateral compromise:**
  The NZF "as is" reflects a carefully negotiated balance reached after years of discussion. Reopening its core economic elements risks destabilising the consensus achieved at MEPC 83 and slowing progress at a pivotal moment in IMO negotiations.

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This paper was written by Opportunity Green staff: Sapphire Ross, and Em Fenton. Any omissions or errors are the fault of the authors alone.

Further information

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