

Green wave RISING

Shipping's green wave is coming - is Australia ready?



Australia has always depended on global shipping to keep our economy moving—mostly without thinking too much about the emissions involved. But that's changing. The International Maritime Organization's new Net-zero Framework marks a major shift and, like it or not, it is coming our way.

After a tortuous five-day meeting in London back in April, the IMO reached a major milestone in its efforts to decarbonise global shipping. The Marine Environment Protection Committee (MEPC) approved draft amendments to MARPOL Annex VI that could reshape the shipping industry during the decades to come. The centrepiece of this progress is the IMO's Net-zero Framework, a legally binding plan to drastically cut greenhouse gas emissions from ships, aiming for net-zero emissions by or around 2050.

The draft framework, which is expected to be formally adopted in October 2025 before entering into force in 2027, introduces a mix of mandatory emissions limits and a pricing mechanism for greenhouse gases. If implemented as expected, this would mark the first time an entire global industry is brought under a legally binding emissions cap-and-price system. The measures will apply to all large ocean-going ships over 5,000 gross tonnes, a group that emits about 85% of total carbon dioxide emissions from international shipping.

The IMO's plan includes a new global fuel standard that will require ships to gradually reduce the greenhouse gas intensity of the fuels they use. This is measured using a well-to-wake approach, which accounts for emissions from production through to consumption. Moreover, the draft introduces an economic measure to encourage and enforce

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compliance. Ships that exceed their greenhouse gas limits will need to acquire remedial units to offset their emissions, while ships that outperform the targets by using zero or near-zero emission fuels and technologies will be eligible to generate and trade surplus units.

At the heart of the framework lies the IMO Net-zero Fund, which will collect contributions from higher-emitting ships. The fund will redistribute these revenues to support cleaner ships, research and innovation, infrastructure upgrades in developing countries and training programs that facilitate a fair and inclusive transition. This is also designed to protect vulnerable states such as Small Island Developing States and Least Developed Countries, many of which are disproportionately affected by climate change and are highly reliant upon shipping.

The adoption of this framework sends a strong signal: global shipping, long seen as a difficult-to-decarbonise sector, is now on a defined pathway towards net-zero. It's a monumental shift for an industry that has traditionally operated outside of many international climate regimes. IMO Secretary-General Arsenio Dominguez described the approval of the draft amendments as a significant step towards modernising the sector, reducing its environmental impact and demonstrating the IMO's ability to deliver on its climate commitments. He acknowledged the importance of continued dialogue and cooperation among member states to ensure successful adoption and implementation.

Although these regulations are global in nature, they will have specific consequences for countries like Australia. As an island nation heavily dependent upon seaborne trade, any shift in the rules governing shipping will flow through the domestic economy in meaningful ways. Australian exporters and importers are likely to see changes in freight rates as ship operators factor in the cost of compliance, whether through the use of more expensive low-emission fuels or through the purchase of emissions credits to offset excess output. These additional costs may be passed down

through the supply chain, affecting the price of both exports and imports.

Shipping lines operating in and out of Australian ports will also face increasing pressure to modernise their fleets. Those lines that rely on older, less efficient vessels may find themselves at a commercial disadvantage as emissions regulations tighten.

In turn, there will be mounting demand for Australia's ports to invest in new infrastructure to support the use of alternative fuels such as green methanol, ammonia or hydrogen-based solutions. Without these upgrades, the country risks falling behind in its ability to attract next-generation ships and to remain competitive in a decarbonising global trade environment.

The amendments to MARPOL Annex VI still have a way to go before they are fully locked in. Following the MEPC's approval in April, the draft measures now will be circulated to IMO member states for review. An extraordinary session of the MEPC in October 2025 will be held to adopt the final rules, with implementation expected in 2027. While some political tensions remain, including a withdrawal from negotiations by the United States earlier this year, the overall momentum towards climate action in shipping is now undeniable.

For Australia, the implications of this shift are both challenging and full of opportunity. The country has a chance to play a leading role in supporting clean shipping innovation and to build the infrastructure necessary for a low-emission maritime future. But it must also prepare for disruptions in freight costs, shipping line availability and global competition. The IMO's decision in April marks more than just a bureaucratic update, it's the beginning of a profound transformation in how the world moves goods and Australia must be ready to respond. ■

This article was submitted by the Freight & Trade Alliance and the Australian Peak Shippers Association