


India, 62 countries agree to world's 1st global carbon tax in shipping industry

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NEW DELHI: India joined 62 other countries in agreeing to the world's first-ever global carbon tax by bringing commercial shipping under this mechanism to tackle the greenhouse gas emissions in the sector. Under the agreement, ship owners will need to use cleaner fuels or face fines beginning 2028. Shipping currently accounts for 3% of global emissions. Since the sector is not covered under the Paris Agreement, the legally binding deal on imposing a global carbon tax on shipping to tackle emissions marks a significant development towards the overall 'net-zero' goal.

The countries agreed on the global framework after voting at the UN's International Maritime Organisation (IMO) in London late

Friday. The agreement, reached after nearly 10 years of negotiations, aims to put a carbon price on shipping emissions. It is expected to help the sector decarbonise and encourage the use of cleaner technologies. The carbon pricing measures, set to be formally adopted in October, will become mandatory for large ocean-going ships of over 5,000 gross tonnage, which emits 85% of the total carbon dioxide emissions from international shipping.

Under the agreed framework, if a ship continues to use conventional fuel in 2028 it would have to pay \$100 to

\$380 per tonne of emission, depending on crossing the threshold of 'base' and 'direct compliance' targets. It is estimated that the carbon tax could generate up to \$40 billion by 2030. The funds will be used exclusively to decarbonise the shipping industry.

A total of 63 countries, including India, China, the EU, Norway, Singapore, South Africa and Japan, voted in favour of the agreement, while 16, including major oil-producing Saudi Arabia, the UAE, Russia and Venezuela, voted against it, and 25 countries, mostly the small island nations and Argentina, abstained. The US delegation was not present at the time of the voting, sticking to its principle of not engaging in negotiations.

“Now, it is important to continue working together, engaging in dialogue and listening to one another, if we are to create the conditions for successful adoption,” said IMO secretary-general Arsenio Dominguez while commending the spirit of cooperation and commitment demonstrated by the shipping nations.

Many expert groups pointed out that the agreement is projected to deliver at best 10% absolute emissions reduction in the shipping sector by 2030, which is far short of the IMO's own targets set in their 2023 revised strategy, calling for at least a 20% cut by 2030, with a stretch goal of 30%.