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ENERGY EFFICIENCY OF SHIPS

Resolution clarifying the current status of the CII rating system

Submitted by Bahamas, Liberia, ICS, CLIA, INTERTANKO, IPTA
INTERCARGO and INTERFERRY

SUMMARY

Executive summary: This document proposes a draft MEPC resolution that clarifies the current status of the Carbon Intensity Indicator (CII) rating system. The objective of the resolution is to raise awareness among wider stakeholders (e.g.: financiers, insurers, charterers, brokers and port State control), that CII is currently within a de facto experience building phase and key elements of the system are interim. A review of the system is currently under way, and must be completed by 1 January 2026. During this review period, and to avoid unintended consequences, the draft MEPC resolution urges Member States to advise wider stakeholders not to utilize CII, or its metrics (i.e.: AER or cgDIST) for assessment of energy efficiency or regulatory compliance risk.

*Strategic direction,
if applicable:* 3

Output: 3.2

Action to be taken: Paragraph 13

Related documents: Resolutions MEPC.328(76), MEPC.355(78), MEPC.346(78); MEPC 71/6/2; MEPC 74/6, MEPC 74/6/3, MEPC 75/7/8, MEPC 76/7/36, MEPC 76/7/43, MEPC 77/7/9, MEPC 77/7/13, MEPC 77/7/14, MEPC 78/7/15, MEPC 78/7/16, MEPC 78/7/22, MEPC 78/7/23, MEPC 78/7/25; MEPC 79/7/1, MEPC 79/7/2, MEPC 79/7/13, MEPC 79/7/15, MEPC 79/7/21, MEPC 79/7/27, MEPC 79/INF.19; MEPC 80/6/3, MEPC 80/17, MEPC 80/INF.34; ISWG-GHG 12/2/1, ISWG-GHG 12/2/2, ISWG-GHG 12/2/3, ISWG-GHG 12/2/4, ISWG-GHG 12/2/5, ISWG-GHG-12/2/6 and ISWG-GHG-12/2/7

Introduction

1 The Carbon Intensity Indicator (CII) rating mechanism came into effect on 1 January 2023. A review of the rating system is under way and must complete no later than 1 January 2026.

Discussion

2 During the development of the *2022 interim Guidelines on correction factors and voyage adjustments for CII calculations (CII Guidelines, G5)* adopted through resolution MEPC.355(78) it was difficult for the Working Group on Reduction of GHG Emissions from Ships to achieve consensus on the extent of necessary CII correction factors and voyage adjustments, and hence the G5 Guidelines are referred to within resolution MEPC.355(78) as "interim".

3 The CII Guidelines also include the option for shipowners to submit alternative trial metrics, and within the review, this data may influence changes from the current AER and cgDIST metrics. These metrics have been a particular area of concern, as the use of proxies for cargo capacity is providing a perverse incentive to maximize ballast voyages, and minimize carriage of cargo.

4 In accordance with the *2022 Guidelines for the development of a ship energy efficiency management plan (SEEMP)* adopted through resolution MEPC.346(78), the CII system is subject to soft enforcement with a requirement for ships that score an E rating or three consecutive D ratings to submit a plan of corrective actions.

5 Member States and NGOs have already identified many perceived weaknesses, and anomalies within the CII rating system and these have been the subject of 30 separate submissions to the Committee and the Intersessional Working Group on Reduction of GHG Emissions from Ships, including those listed in table 1.

6 Although not officially categorized as such, in the co-sponsors view, the above factors amount to a de facto experience building phase.

Table 1: Submissions to MEPC that have highlighted perceived CII system weaknesses

Reference	Sponsors	Issues identified
MEPC 71/6/2	IMCA	Identifies challenges in defining transport work for vessel types that may not provide transportation of cargo, e.g. offshore and marine contracting vessels
MEPC 74/6	Russian Federation and IMCA	Further discusses the issue of transport work when applied to vessel types that may not provide transportation of cargo, e.g. offshore and marine contracting vessels
MEPC 74/6/3	Russian Federation	Further comments on the issue of transport work when applied to vessel types that may not provide transportation of cargo, e.g. offshore and marine contracting vessels
MEPC 75/7/8	IPTA	Identifies weaknesses relating to the application of the AER metric to chemical tankers

Reference	Sponsors	Issues identified
MEPC 76/7/36	IPTA	Influence of operational and environmental factors on AER and CII
MEPC 76/7/43	INTERCARGO	Comments on document MEPC 76/7/5 and identifies energy consumed by self-loading/unloading equipment as a weakness within the CII rating system
ISWG-GHG 12/2/1	BIMCO, IPTA, INTERCARGO, INTERTANKO and WSC	Identifies the need for a port waiting time correction factor
ISWG-GHG 12/2/2	IPTA, INTERTANKO and WSC	Discusses various system weaknesses relating to port waiting time, impact of adverse weather, carriage of temperature sensitive cargo, use of the AER metric
ISWG-GHG 12/2/3	Malaysia, Panama, ICS, INTERTANKO and INTERCARGO	Describes various system weaknesses which can unfairly impact CII ratings as a result of adverse weather, port waiting time, short voyages, boil-off gas, and energy consumption for cargo handling by geared or self-unloading bulk carriers
ISWG-GHG 12/2/4	Malaysia, Panama, United Arab Emirates, ICS, INTERTANKO INTERCARGO and WSC	Highlights the need for an adverse weather voyage adjustment
ISWG-GHG 12/2/5	ICS and INTERCARGO	Demonstrates the inappropriate inclusion of self-unloading bulk carriers within the bulk carrier reference line. Through analysis of fuel consumption data for self-unloaders, this document proposes a dedicated reference line for this type of ship
ISWG-GHG 12/2/6	Liberia	Identifies the need for a correction factor for ships engaged on short voyages
ISWG-GHG 12/2/7	CLIA	Highlights the need for a port time correction factor for cruise ships
MEPC 77/7/9	India	Identifies the impact of fuel tank sludge deposits on CII ratings
MEPC 77/7/13	Norway	Demonstrates problems with the reference line used for combination carriers
MEPC 77/7/14	Norway	Highlights perverse incentives associated with the AER metric
MEPC 78/7/15	ICS and INTERTANKO	Proposes changes to the SEEMP to more fairly account for ships that use cargo boil-off for propulsion
MEPC 78/7/16	ICS and INTERTANKO	Calls for a correction factor to account for the energy consumed by LNG carrier cargo transfer pumps and compressors
MEPC 78/7/22	India	Describes how port efficiency can unfairly impact on a ship's CII rating and calls for port waiting time correction factor

Reference	Sponsors	Issues identified
MEPC 78/7/23	Panama, CESA and CLIA	Discusses how time in-port can unfairly impact a cruise ship's CII rating, and proposes a port time correction factor
MEPC 78/7/25	France, Germany, Japan, New Zealand and Norway	Advocates for the application of a port tie correction factor for cruise ships
MEPC 79/7/1	INTERTANKO	Highlights the impact of the CII rating system on steam driven LNG carriers and calls for a fleet compliance option
MEPC 79/7/2	INTERTANKO	Identifies a need for a boil-off gas correction factor for steam driven LNG carriers
MEPC 79/7/13	Bahamas, Liberia, ICS, BIMCO, INTERTANKO, WSC and INTERFERRY	Presents a case study illustrating the unfair impact of short voyages and port waiting time on AER and CII rating
MEPC 79/7/15	Bahamas and ICS	Identifies an inconsistency in the application of the $FC_{\text{electrical}}$ correction factor for refrigerated containers and refrigerated cargo carrying ships
MEPC 79/7/21	CLIA	Interim report of the Cruise Ship Safety Forum CII subgroup for the development of an alternative CII metric for cruise passenger ships
MEPC 79/7/27	ICS and INTERCARGO	Demonstrates the inappropriate inclusion of self-unloading bulk carriers within the bulk carrier reference line. Through analysis of fuel consumption data for self-unloaders, this document proposes a dedicated reference line for this type of ship
MEPC 79/INF.19	INTERCARGO	Provides information on the effects of charterers orders, distance travelled and waiting times on Carbon Intensity Indicators
MEPC 80/INF.34	CLIA	Advocates for a revised CII calculation method for cruise ships to avoid perverse incentive to travel greater distances to obtain better CII ratings
MEPC 80/6/3	Liberia	Advocates for a correction factor for geared bulk carriers that will account for the energy consumed in cargo handling

7 No changes to the CII rating system have yet been adopted as a result of these submissions, and some of the submissions have not yet been debated within the Committee. Therefore, it seems likely to the co-sponsors that as a result of the review there will be significant system changes.

8 Shipowners are also advising of a CII dilemma, whereby ships that have time out of service to fit energy saving equipment, suffer a poor CII rating as a result. This is because the ship is not moving for a period of weeks, whilst this essential equipment is fitted, but at the same time the ship is using energy for onboard services (heating, lighting, communications etc.). Hence, this acts as a perverse incentive for shipowners to not make the necessary capital investments to achieve improved energy efficiency. This aspect also needs to be taken account of within the review of CII, and is also likely to influence changes to the rating system.

9 In accordance with the review plan of the short-term GHG reduction measure approved at MEPC 80, interested Member States and international organizations have been invited to collect data and submit information and proposals to the relevant MEPC meetings in support of or in addition to those submissions deferred from previous sessions.

10 The co-sponsors are actively supporting this data collection process and wish to engage constructively with the review. The co-sponsors wish to ensure a fairer CII system emerges that eliminates perverse incentives, and is fully aligned with the objectives of decarbonization.

11 It is apparent that in its present form the CII system is not yet performing as intended, and therefore the associated soft enforcement mechanism is appropriate for the system in its interim form. However, it is also apparent that wider stakeholders are increasingly relying on the CII ratings and the CII metrics for decisions relating to energy efficiency, or for assessment of regulatory compliance risk, and this is likely to have unintended consequences. For example, well designed and efficiently operated ships could receive poor ratings owing to factors outside of their control (e.g. port waiting time, short voyages, adverse weather), and this could unfairly limit shipowners' access to charter contracts or finance for new ships.

12 Therefore, until the review of the CII rating system is satisfactorily completed, the co-sponsors invite the Committee to clarify to the wider stakeholders the current status of the CII system through adoption of the MEPC resolution set out in the annex.

Action requested of the Committee

13 The Committee is invited to consider the information and proposals contained in this document, in particular the proposal in paragraph 12, and to take action as appropriate.

ANNEX

DRAFT MEPC RESOLUTION

**CLARIFICATION OF THE CURRENT STATUS OF THE
CARBON INTENSITY INDICATOR (CII) RATING SYSTEM**

THE MARINE ENVIRONMENT PROTECTION COMMITTEE,

RECALLING article 38(a) of the Convention on the International Maritime Organization concerning the functions of the Marine Environment Protection Committee (the Committee) conferred upon it by or under international conventions for the prevention and control of marine pollution from ships,

RECALLING FURTHER that the Committee at its seventy-sixth session adopted amendments to MARPOL Annex VI through resolution MEPC.328(76). These included the incorporation of requirements for the Carbon Intensity Indicator rating mechanism through regulation 28, which came into effect 1 January 2023,

NOTING that resolution MEPC.328(76) invites the Organization to initiate a review of the CII rating system as early as possible, and to complete it by 1 January 2026,*

NOTING FURTHER that the Committee at its seventy-eighth session adopted the *2022 Interim Guidelines on correction factors and voyage adjustments for CII calculations (CII Guidelines, G5)* through resolution MEPC.355(78),

RECALLING that the Committee at its seventy-eighth session adopted the *2022 Guidelines for the development of a ship energy efficiency management plan (SEEMP)* through resolution MEPC.346(78). These guidelines provide a system of soft enforcement for CII within the review period,

RECALLING ALSO that the Assembly at its thirty-third session adopted the *Procedures for port State control, 2023* through resolution A.1185(33), which also recognized soft enforcement,

RECALLING FURTHER the current 30 submissions to the Committee already made by Member States and NGOs, highlighting various perceived weaknesses, anomalies and perverse incentives within the current CII rating system,

RECOGNIZING that the Committee at its eightieth session approved the review plan of the short-term GHG reduction measure. This review plan invites interested Member States and international organizations to collect data and submit information and proposals to the relevant MEPC meetings during the review period,

HAVING CONSIDERED, at its eighty-first session, the issue thoroughly,

1 INVITES Member States and International organizations to understand the interim status of the CII rating system, and to recognize that it is within a de facto experience building phase, and subject to soft enforcement. This status will remain until satisfactory completion of the review which is expected by 1 January 2026;*

* To achieve the completion date of 1 January 2026, it is important to note that it will be necessary for the outcome of the review to be considered at MEPC 83 in autumn 2025.

2 REQUESTS Member States and International organizations to raise awareness amongst wider stakeholders (e.g. financiers, insurers, charterers, brokers and port State control) of the current interim status of the CII rating system, and to inform such stakeholders that during the review period it is inadvisable to use the CII rating system, or the AER and cgDIST metrics for assessment of energy efficiency, or for assessment of regulatory compliance risk.
