



AmInvestment Bank

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Gan Huey Ling, CFA

gan-huey-ling@ambankgroup.com

+603 2036 2305

ESG - SHIPPING

Carbon fees to raise shipping costs in 2027F

OVERWEIGHT

(Maintained)

Rationale for report: Sector Update

Investment Highlights

Stock Universe

MISC

TP: RM8.50

Rec: BUY

Upside/Downside: +13%

Westports

TP: RM4.50

Rec: HOLD

Upside/Downside: 0%

Bintulu Port

TP: RM6.20

Rec: HOLD

Upside/Downside: +14%

In April 2025, a majority of the members in the International Maritime Organisation (IMO) voted for the “IMO Net Zero Framework”, which aims to reduce greenhouse gas (GHG) emissions in the shipping industry. Under the agreement, large vessels (bigger than 5,000 tonnes) that emit carbon emissions beyond the stipulated level (still undisclosed), would have to pay a fee of US\$100/excess tonne of carbon emission. The fee rises to a maximum level of US\$380/tonne. The framework is expected to be adopted in October 2025 and implemented in 2027F with payments starting in 2028F. To avoid the fees, large carriers can switch to a more environmentally friendly fuel such as biofuel or ammonia, buy surplus units from low-emitting vessels or buy remedial units by contributing to IMO’s Net Zero Fund. We think that the carbon fees, which are akin to a tax, would raise shipping costs in 2027F. Currently, we have a BUY on MISC with a target price of RM8.50/share.

- **Shipping would be the first industry to have a global carbon tax.** According to the IMO, shipping accounts for 3% of global GHG emissions. The IMO Net Zero Framework aims to reduce GHG emissions to zero by 2050F. Indicative targets are an emissions intensity reduction of 4% in 2028F and 30% in 2035F. Fees paid by vessels that emit carbon beyond the stipulated level would go to a “Net Zero Fund”. Researchers estimate that the framework would raise fees of US\$11bil to US\$12bil each year in the first three years of implementation. The Net Zero Fund would be used to support infrastructure and transition initiatives in developing countries and mitigate the negative impact in small island developing states and least developed countries.
- **Most of the large shipping companies would be affected.** According to reports, most of the global cargo ships are still using diesel. Also, most of the large shipping companies have vessels that are larger than 5,000 tonnes. These include AP Moller-Maersk, COSCO Shipping and Mediterranean Shipping Company.
- **The USA withdrew from the talks midway.** Countries that voted for the IMO Net Zero Framework included the EU, China and India. Countries that voted against the framework included Malaysia, Russia, Saudi Arabia and Thailand. According to reports, the US said that it would implement reciprocal measures to offset fees imposed on US ships. Incidentally, the US has proposed fees on China-built ships arriving at US ports with exemptions for vessels ferrying goods between domestic ports.

EXHIBIT 1: VALUATION MATRIX

Company	Share price	EPS (sen)		PE (x)		Target Price	Upside	Div yield	Rec
	(RM)	FY25F	FY26F	FY25F	FY26F	(RM)	(%)	FY25F (%)	
MISC	7.55	52.4	54.9	14.7	13.6	8.50	13	3.8	Buy
Westports	4.55	26.4	26.8	16.9	16.7	4.50	0	4.5	Hold
Bintulu Port	5.46	35.2	35.4	17.1	17.0	6.20	14	2.6	Hold

Source: AmlInvestment Bank

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