

ENVIRONMENTAL STRATEGY DIALOGUE

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The Key to Sustainability Is Being Able to Generate Profits as a Business

Those Who Continue Decarbonization Initiatives Will Survive

Hikima Since April 2024, Professor Ishii has provided insights primarily on sustainability from the perspective of formulating our management strategies and risk management as a member of the Advisory Board (➔ P.65). I would like to ask you once again to share your views on recent global trends in environmental policy.

Ishii The global slowdown in the decarbonization trend did not start with the new Trump administration in the U.S. Even before that, we were already facing the

harsh reality that sustainability initiatives do not lead to profitability. The decline in sustainability initiatives generally began mainly in Europe. This decline was not because the passion for sustainability or the importance is wearing off, but rather because there are no frameworks geared toward profitability in the current economic system. Nevertheless, the fundamental pathway toward decarbonization remains unchanged globally, so I think that the countries and companies that continue to work on what they should be doing during this time will ultimately become more competitive internationally and survive.

Hikima According to the Copernicus Climate Change Service, provided by the European Union (EU), 2024 was the warmest year on record in a multi-dataset record of global temperatures since 1850. Temperatures have increased by 1.6° C compared to pre-industrial levels, so I believe that global warming is an issue we must face head-on. Regardless of global environmental policies, we need to accelerate our initiatives toward decarbonization. However, for companies, such initiatives are not sustainable unless they are also profitable, so the challenge is to achieve synergy, or at least compatibility, between environmental value and economic

value in the course of decarbonization initiatives. Environmental investments can involve trade-offs, where environmental value increases but economic value often decreases, so finding ways to balance these two would be essential if we are to achieve a sustainable society, whether as a company, a country, or a region.

Ishii Exactly, we need to fundamentally change the current situation where environmental initiatives do not lead to profits. For example, the current situation where there are no penalties for emitting GHGs or destroying nature effectively means that there are no benefits to protecting the environment. This kind of economic system is problematic. Both the private companies and governments need to collaborate and reform systems and regulations to create a level playing field where sustainability initiatives are profitable as a business.

Hikima As a major regulatory trend, at the 83rd session of the International Maritime Organization (IMO)'s Marine Environment Protection Committee (MEPC 83) held in April 2025, a broad agreement was reached among member states on the mid-term measures to reduce GHG emissions from the shipping industry. This includes the introduction of a contribution mechanism based on the GHG fuel intensity, encouraging reduced GHG emissions to take effect from 2028. As we take the lead in decarbonization initiatives, we can expect this to truly be a catalyst for aligning environmental and economic values. The new regulations are expected to be adopted at the extraordinary MEPC session in October this year, so we will offer opinions and suggestions on the

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detailed design of the regulations to help improve their effectiveness.

Ishii UN agencies usually prioritize consensus, and it is often difficult to reach agreement. However, this was an extremely interesting case where consensus was reached through voting. Also, from a geopolitical perspective, it is very intriguing that Small Island Developing States (SIDS), which are significantly affected by the impacts of global warming, have led the discussions. I personally recognize this as a historic advancement for the shipping industry. Nevertheless, some people expressed their opinion that the targets set demonstrate a low level of ambition, so I think the industry will be tested on the extent to which these targets can be raised during the detailed design stage. I believe that levying penalties on vessels that emit GHGs is the correct approach.

Determination to Steer Toward Zero Emission Fuels

Hikima The mid- to long-term environmental targets outlined in BLUE ACTION 2035 are to first deploy net zero emission ocean-going vessels in the 2020s, then reduce GHG emissions intensity by 45% (compared with 2019) by 2035, and finally, with the concerted effort throughout the Group, achieve net zero GHG emissions by 2050. We plan to get the delivery of an ammonia dual-fuel Capesize bulker in 2026, and we expect to meet our initial targets. However, a transition in fuels will be essential if we are to achieve the next-stage targets for 2035 and 2050. We are already

using the currently available options such as LNG and biodiesel, which we expect will have some impact. Nevertheless, there are still major challenges to overcome if we are ultimately to reach net zero, including resolving technical issues related to zero emission fuels and establishing supply systems. We cannot make it happen by simply waiting for decarbonized fuel supplies to materialize. This is why we are also involved as a supplier, investing in e-fuel production companies and collaborating on the trial for the development of ammonia fuel supply infrastructure, thereby supporting the wider deployment of these fuels.

Ishii It will not be possible to make the fuel transition quickly enough using available technologies alone, so unless you are actively involved in collaborations with other companies, as you mentioned earlier, you may find yourself falling behind. The difficult question, though, is “What exactly is LNG?” This is probably the same worldwide, but there are a variety of ongoing discussions about whether LNG is simply a stopgap as an energy source or if it will play a more active role. Amidst all this, demand for LNG could increase, so we may see a scenario where supply could increase as well. In that case, it will be important to know when to shift direction toward systems and policies that do not rely on LNG. In addition to developing alternative fuel technologies and taking necessary steps, we will need to create frameworks by collaborating with other stakeholders.

Hikima I think that LNG, which is derived from fossil fuels, is a transition fuel. Even in the context of the recent MEPC agreement,

LNG may initially avoid penalties, but it could soon become subject to them. We have never considered LNG to be the ultimate solution, which is why we are participating in the First Movers Coalition (FMC) to make the transition to zero emission fuels in the future.

Reforms To Commercialize Sustainability

Ishii I get a very strong sense of self-awareness, responsibility, and enthusiasm from MOL as first movers, and I believe that it is people like you who will shape the environmental policies of the future. I accepted the position on MOL’s Advisory Board because I resonated with your commitment to participate in the First Movers Coalition as the only Japanese company, and to create and implement new frameworks by collaborating with peers who share the same issues. This commitment, and these actions, will serve as the foundation for important solutions that balance environmental and economic values. The current situation in society is uncertain, but change is necessary. Science is non-negotiable. As humans, we have two major goals: achieving net zero and becoming nature positive. These goals are more than just hopes; science tells us they are essential. While the approach to these goals may differ by country, region, and industry, the goals we are aiming for are largely the same. This is why it is important for all of us to think together about the ideal form of environmental policies and corporate management strategies.

Hikima Climate change is a fundamental issue shared by the whole world, so I believe that global cooperation is essential to address it. The shipping industry is said to account for about 2% of global GHG emissions, and while the industry is working to reduce these emissions, that alone is not enough. As a member of the First Movers Coalition, I want to build a framework in which shippers, and even the end-users, get involved, enabling worldwide collaboration. To achieve this, I would like to help finalize the detailed design of treaty revisions at the MEPC and communicate the initiatives being undertaken in the shipping industry at international forums like COP29, where we participate, and at the same time demonstrate our commitment to working closely with other industries. In February 2025, we launched the BLUE ACTION NET-ZERO ALLIANCE (➡ P49), a low-emission marine transportation program that utilizes digital certificates. This initiative serves as a foundational framework for building alliances with customers to jointly advance decarbonization efforts.

Ishii At international forums like COP, an increasing number of industries are collaborating to establish rules that transform the entire value chain into one capable of generating profits through sustainability. I think the key to sustainability is creating a system that can generate profits as a business. In the future, if international standardization moves in tandem with regulation-making in the shipping industry, it will create new business opportunities and, in turn, deliver both environmental and economic value.

