



SUBMISSION TO THE STANDING COMMITTEE ON FINANCE

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MARINE ENVIRONMENTAL INCENTIVE PROGRAM

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MARINE ENVIRONMENTAL INCENTIVE PROGRAM

Summary and Recommendation

The purpose of this submission is to brief the Standing Committee on Finance on the proposal made by Canada's Marine Industry Alliance to the Canadian Coast Guard concerning Marine Services Fees and to provide you with the rationale for supporting industry's recommendation to create a Marine Environmental Incentive Program.

- The Canadian Coast Guard currently collects approximately \$40 million each year in user fees, known as 'Marine Services Fees' from shipping companies and cargo shippers that use the marine mode.
- The marine industry has made representation to government on many occasions in the past pointing out that the Marine Service Fees charged by the Canadian Coast Guard are both punitive and discriminatory; place Canadian industry in an uncompetitive position; and serve as a disincentive for cargo shippers to use marine transport which is the most environmentally attractive mode of transporting freight.
- The Department of Fisheries and Oceans has agreed to work with the industry to "arrive at a long-term solution that addresses industry's concerns on the fees, while respecting government practice on user fees".
- The marine industry has proposed the creation of the Marine Environmental Incentive Program, where the existing Marine Services Fees would become an incentive fund that would provide a rebate of Marine Services Fees paid by companies that achieve internationally recognized environmental standards that exceed current regulatory requirements, such as an Environmental Notation from a Classification Society.
- The precedent for extending rebates already exists under the Canadian Coast Guard's user fee structure where rebates of Marine Services Fees are offered for vessels equipped with precision navigation technology and icebreaking capability.
- The number of vessels that would initially qualify to receive the Marine Environmental Incentive would be in the range of 10% (i.e. meaning rebates of approximately \$4.0 million per year). With the growing trend for new vessels to opt for an environmental classification notation, the expected growth in the number of vessels qualifying for the Marine Environmental Incentive would be approximately 10 to 15% per year.
- The immediate benefit resulting from Marine Environmental Incentive Program includes making the marine transportation sector even more sustainable by reducing the environmental footprint associated with marine transportation (lower GHG and CAC emissions, cargo residue discharges) as well as reducing the risk of accidental pollution incidents (introduction of invasive species, spills, etc.).
- The Marine Environmental Incentive Program serves to achieve key government policy objectives by encouraging the increased use of marine transportation thereby reducing congestion and environmental impact, improving reliability, capacity, efficiency, economic performance and environmental sustainability of the Nation's transportation system.

The Chamber of Marine Commerce recommends that the Government of Canada institute the Marine Environmental Incentive Program, whereby companies that achieve internationally recognized environmental standards that exceed regulatory requirements would receive a rebate of Marine Services Fees paid to the Canadian Coast Guard.



Introduction

The Chamber of Marine Commerce (CMC) is an Ottawa-based association that represents more than 160 marine industry stakeholders including major Canadian and American shippers, ports, terminals and marine service providers, as well as domestic and international shipowners. The CMC represents virtually all sectors of Canada's commercial marine industry - both the providers and users of marine transportation services from coast to coast - on issues of concern to marine industry stakeholders

The marine industry is vital to our prosperity by enabling efficient trade within North America and around the world. As the safest and most environmentally sound method of carrying bulk freight, the increased use of marine transportation offers opportunities to alleviate highway congestion, improve utilization of waterway capacity and reduce greenhouse gas emissions.

Background

The Canadian Coast Guard (CCG) currently collects approximately \$40 million each year in user fees, known as 'Marine Services Fees' (or 'MSFs') from companies that use the marine mode. These fees were originally introduced to offset the costs associated with CCG's provision of navigation aids like buoys and lighthouses, for icebreaking and overall system maintenance.

These fees, however, have never been directly attributed to the provision of any services. Additionally, the fees apply only to commercial users; recreational and fishers who benefit from the same services are not required to pay Marine Services Fees. We believe that the government would find it very difficult to introduce these same fees today under the new User Fee Act (2004). Moreover, these fees just continue to make Canadian industry less competitive and discourage cleaner, greener marine transportation.

Obviously, Canadian business would be happy to see these user fees simply disappear tomorrow. But now, the marine industry is proposing an even better idea: the Marine Environmental Incentive Program, which is an incentive program to attract and reward the greenest players of this already greenest mode.

The proposal: reward environmental high-achievers through user fee rebates

Through new voluntary initiatives and by leveraging environmental benefits of marine transportation, business leaders in the marine industry are preparing to invest substantial amounts to set and achieve new, aggressive and innovative environmental benchmarks that surpass domestic and international regulations.

Under the Marine Environmental Incentive Program, the existing Marine Services Fees would become an incentive fund such that if and when companies attain these higher environmental standards they would qualify for a rebate on the Marine Services Fees already paid.

The Marine Environmental Incentive Program could also be used to encourage the use of environmentally preferred marine transportation (i.e. shortsea shipping) when other, less environmentally attractive, transportation options might otherwise be used.

The marine industry is looking for a way to resolve the MSFs issue – but is not asking for a handout. Instead, the marine industry has proposed (September 2006) using the MSFs to encourage and reward superior environmental performance in the marine sector.



How the Marine Environmental Incentive Program would work

Under a proposal made by Canada's Marine Industry Alliance, vessels calling at Canadian ports would continue to pay the existing CCG user fees. However, a new incentive would be introduced as part of the fee structure to encourage and reward industry leaders who meet enhanced environmental standards that exceed regulatory requirements.

A vessel would qualify for the Marine Environmental Incentive if it meets at least one of the following recognized environmental performance standard designations:

- (a) Green Marine® program certification;
- (b) Environmental notation from a Classification Society (i.e. Lloyds "EP" notation);
- (c) Green Ship certification.

Companies that are successful in attaining these standards would qualify for a full rebate of the MSFs paid for any voyage into a Canadian port.

The incentive would also be extended to recognize shortsea shipping activity and other environmental impact reduction programs sponsored by the CMIA and approved by CCG.

The Marine Environmental Incentive Program assumes that DFO/CCG revenue from MSFs would be stabilized around current collection levels – i.e. there would be no increase in user fee revenue targets to compensate for new environmental rebate incentives.

Additionally, there would be no change to the existing fee structures for the Marine Navigation Services Fee, Icebreaking Services Fee or the St. Lawrence Maintenance Dredging Services Fee.

The Precedent for MSFs Rebates Exists

CCG's user fee structure currently provides rebates of MSFs for vessels that meet certain qualifications, namely:

- A 5% reduction in fee for vessels equipped with precision navigation technology; and
- A reduction between 15 and 35% for vessels with icebreaking capability.

The Marine Environmental Incentive Program would be administered in the same manner as these existing MSFs rebate programs and could be managed without adding significantly to existing administrative requirements.

What would the Marine Environmental Incentive Program cost?

Based on surveys of Canadian-flag shipowners calling at ports in the St. Lawrence / Great Lakes region, the number of vessels that would initially qualify to receive the Marine Environmental Incentive would be in the range of 10%. With the recent introduction of the Marine Environmental Incentive Program and a growing trend for new vessels to opt for an environmental classification notation, we would expect the growth in the number of vessels qualifying for the Marine Environmental Incentive to be approximately 10 to 15% per year.



Marine Environmental Incentive Program is a win-win-win

The CMC believes that the Marine Environmental Incentive offers a “win-win” opportunity for both industry and government in a number of ways by:

1. ***Improving the marine industry’s environmental performance*** – the benchmark standards for eligibility for the Marine Environmental Incentive will serve to both reduce the environmental footprint associated with marine transportation (lower GHG and CAC emissions, cargo residue discharges) as well as reduce the risk of accidental pollution incidents (introduction of invasive species, spills, etc.)
2. ***Fostering a culture change*** – as the marine industry works to address a number of environmental challenges, the Marine Environmental Incentive sends a strong signal that environmental consciousness and voluntary actions to improve performance are key to an even more sustainable marine transportation sector.
3. ***Accelerating the participation in the Green Marine® Environmental Program*** – The St. Lawrence - Great Lakes marine community has recently launched a new voluntary environmental program called Green Marine (www.green-marine.org). To date, approximately 42 companies, representing a sizable portion of the shipping activity in this region, have agreed to participate in Green Marine. The introduction of the Marine environmental Incentive would definitely help accelerate the rate at which companies decide to participate in this new and innovative environmental program.
4. ***Improving trade corridors competitiveness*** - with reduced or eliminated government user fees, the Canadian economy wins - with stronger, more competitive Canadian businesses able to employ more people.
5. ***Complementing a Canadian ‘Green Award’ program*** – Transport Canada is studying the possibility of introducing a Green Award program where certain ports and marine service providers would recognize vessels that meet specific environmental standards by offering special rates and other advantages. Such a program would be complementary to the Marine Environmental Incentive.
6. ***Achieving government policy objectives*** – the Marine Environmental Incentive Program is a measure that would contribute towards achieving key government policy objectives through the increased use of marine transportation thereby reducing congestion and environmental impact, improving reliability, capacity, efficiency, economic performance and environmental sustainability of the transportation system.

Stakeholder Support

The Marine Environmental Incentive Program has been endorsed by the 160 members of the Chamber of Marine Commerce (see attached appendix) and is fully supported by the eight other marine industry associations that comprise Canada Marine Industry Alliance representing over one thousand companies and marine industry stakeholders from coast-to-coast.

Recommendation

The Chamber of Marine Commerce recommends that the Government of Canada institute the Marine Environmental Incentive Program, whereby companies that achieve internationally recognized environmental standards that exceed regulatory requirements would receive a rebate of Marine Services Fees paid to the Canadian Coast Guard.

