

Green Incentive Plan for Marine Services Fees

Background

The Canadian Coast Guard (CCG) currently collects approximately \$40 million per year in the form of 'marine service fees' (MSFs) from shipping companies that transport goods and materials throughout Canada's waterways and all over the world. Technically, MSFs include the Marine Navigation Services Fee, Icebreaking Services Fee or the St. Lawrence Maintenance Dredging Services Fee. These fees were originally meant to offset costs for CCG to provide navigation aids like buoys and lighthouses, for dredging, icebreaking and overall waterway maintenance. However, these fees have never been directly attributed to the provision of such services to industry. Under the *User Fee Act (2004)*, it would be very difficult for the government to introduce these same fees today.

It should also be noted that other users of our marine highways, such as commercial fishers and recreational boaters, are not required to pay MSFs. Forcing shipping companies to pay MSFs is like only charging truckers to use roads that are built and maintained by government for all users. In this respect, not only are MSFs punitive to shipping, they also discriminate against shipping.

Proposal: The Green Incentive Plan

For the past two years, Industry has been working with a CCG working group to study an alternative way to pay for MSFs which also benefits the environment. The proposed program is called the Green Incentive Plan.

Under the Green Incentive Plan, shipping companies would continue to pay the existing MSFs to the CCG but they would have the opportunity to become eligible for a rebate from CCG on MSFs paid upon attaining certain agreed upon environmental standards which are over and above existing domestic and international regulatory requirements. In essence, the Green Incentive would simply become an alternative way for industry to pay for MSFs.

The industry-CCG working group looked at a number of existing and forthcoming industry programs that offer certification for higher environmental standards. Specific programs that were referenced include:

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

CCG's Assessment

At the end of the two-year study, CCG made a number of conclusions about the proposed Green Incentive, expanded upon in "Proposed Marine Services Fee Incentive/Discount for Green Ships"*, September 18, 2007.



Generally, the CCG concludes that while the Green Incentive Plan to advance industry standards on environmental improvements in return for rebated MSFs has merit, although,

- “CCG has ascertained that the marine industry is already fully regulated with respect to a general prohibition on emitting pollutants into water;”* nonetheless
- “It is reasonable to focus on the marine air emissions front, The evidence for this conclusion is the effectively unregulated nature of heavy marine fuel in Canada, and the fact that the sulphur content of heavy marine fuel is a key marine transportation environmental factor that offers immediate large-scale opportunities for action, as well as benefits that can be measured and validated.”*

What specific kinds of environmental performance would be rewarded under these programs ?

While there are a multitude of ways shipping companies can improve environmental performance, measures that would be rewarded through the Green Incentive would require investments in new technologies and outstanding performance in such areas as:

- Aquatic invasive species, including ballast water technologies and management practices, anti-fouling hull coatings
- Pollutant air emissions: sulphur oxides (SOx) and nitrogen oxides (NOx)
- Greenhouse gases (GHGs)
- Cargo residues
- Oily water

Are there any precedents for this kind of incentive plan ?

Yes, in fact CCG already provides MSF rebates for vessels, as follows:

- 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 Green Incentive Plan could be administered and managed in the same manner as these existing MSF rebate programs.

How quickly would industry become eligible for the Green Incentive ?

Based on a study of vessels calling at ports in the St. Lawrence / Great Lakes region, only a small percentage (10%) of existing vessels would initially qualify to receive the Green Incentive. However, as the marine industry promotes the Green Incentive Plan, we expect companies will accelerate their involvement and investments in green technologies. It is estimated that the growth in the number of vessels qualifying for the Green Incentive Plan will be approximately 10% per year.

What would the Green Incentive Plan cost the federal government ?

Although the approximate total value of CCG marine service fees is currently \$40 million per year, because industry will qualify for the Green Incentive gradually over time, only a portion of that budget would be rebated back to the marine industry for approximately the first ten years. Specifically, it is estimated that the program would result in the following projected annual cost benchmarks to the federal government:

| Year # | FY | % Industry Eligibility | Projected Annual Cost |
|--------|---------|------------------------|-----------------------|
| 1 | 2008-09 | 10% | \$4,000,000 |
| 5 | 2013-14 | 50% | \$20,000,000 |
| 10+ | 2018-19 | 100% | \$40,000,000 |

Who benefits from the Green Incentive Plan ?

The Green Incentive Plan is a win-win-win opportunity for industry, government and the environment.

1. Improving the marine industry's environmental performance

The benchmark standards for eligibility for the Green Incentive Plan 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 Green Incentive Plan sends a strong signal that environmental consciousness and voluntary actions to improve performance are vital to an even more sustainable marine transportation sector.

3. Improving trade corridors and competitiveness

With reduced or eliminated government user fees, the Canadian economy wins - with stronger, more competitive Canadian businesses able to employ more people.

4. 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 Green Incentive Plan.

5. Achieving government policy objectives

The Green Incentive Plan represents innovative policy that would contribute towards achieving 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.

Conclusion

Like all Canadians, industry wants to do what it can to reduce its environmental footprint and improve environmental performance. But it's expensive to invest in new technologies and re-equip or re-configure multimillion dollar assets like ships. By offering a reduction of an existing



user fee, government would be providing an inexpensive incentive for industry to go beyond existing domestic and international environmental regulatory requirements. The result is a cleaner environment, a more sustainable marine industry and a government that can boast an innovative new initiative contributing to its environmental policy objectives.

Canada's Marine Industry Alliance* and the more than 750 marine industry companies collectively represented, propose that all stakeholders support the Green Incentive Plan and its objective to build a more competitive and sustainable marine industry. In the coming days, we look forward to speaking with you to discuss this matter further.

*Canada's Marine Industry Alliance

Association of Canadian Port Authorities
Chamber of Marine Commerce
Council of Marine Carriers
St. Lawrence Shipoperators Association
The Shipping Federation of Canada

Canadian Shipowners Association
Chamber of Shipping of British Columbia
Halifax Shipping Association
SODES (St. Lawrence Economic Development Council)

Canada's Marine Industry Alliance (CMIA) is a coalition of nine marine industry associations that work collectively to represent Canada's marine industry. The CMIA represents virtually all sectors of Canada's commercial marine industry - both the providers and users of marine transportation services from coast to coast.

CMIA's membership base includes over 750 companies, including Canada's largest mining, manufacturing and agricultural companies that rely on marine transport; shipowners, operators and agents of marine carriers; port authorities, terminal facilities and grain elevator companies; and a wide range of firms that provide services to the marine industry such as ship repair and equipment suppliers, stevedoring companies, brokers, agents, law firms, consultants, and petroleum product suppliers.