San Pedro Bay Ports Clean Air Action Plan

Vessel Main Engine Fuel Incentive Program

CAAP Measure OGV4
Background

- Joint ports CAAP adopted November 2006
- CAAP included 5 Ocean Going Vessel control measures (OGV)
- OGV4 focused on vessel main engine fuel use
OGV4 required the use of ≤ 0.2% sulfur MGO fuel in vessel main engines within 40 nm of Point Fermin

Implementation through leases and CEQA, with consideration of a tariff
Status of CARB Regulations

- Apply to 24 nm from the CA coast
- Auxiliary Engine Rule determined to be preempted under CAA
- Revised Auxiliary Engine Rule - July 2008
  - 1.5% sulfur MGO and 0.5% MDO effective upon Board approval
  - 0.1% sulfur MGO/MDO by 1/1/12
- Main Engine and Auxiliary Boiler Rule - July 2008
  - 1.5% sulfur MGO and 0.5% MDO by July 1, 2009
  - 0.1% sulfur MGO/MDO by 1/1/12
Vessel Incentive Program

- Ports worked with PMSA and container shipping lines to develop incentive program proposal
- Program approved at joint Board meeting on March 24, 2008
Vessel Incentive Program

- Program will work in conjunction with leases and regulations
- Offset the cost differential between bunker fuel and ≤ 0.2% sulfur MGO
- For main engine fuel consumption between berth and 20 or 40 nm of Pt. Fermin
To receive a main engine fuel incentive, the vessel must use MGO fuel and:

- Comply with 12-knot VSR speed limit
- Use ≤0.2% sulfur MGO in their auxiliary engines at berth
Vessel Incentive Program

- Incentive level will be approximately 100% of the cost differential, calculation based upon:
  - Average quarterly fuel cost at LB/LA ports
  - Vessel specific engine information from Lloyds
  - Actual speed information from Marine Exchange

- Total anticipated program cost:
  - $9.9 M for POLB
  - $8.6 M for POLA
Vessel Incentive Program

- Applicable to all vessels
- Reimbursement intended for entity that incurs the cost of fuel (vessel operator)
- Vessel must be operating on $\leq 0.2\%$ sulfur MGO at Program boundaries
- Ports to provide reimbursement for fuel used from 20 nm or 40 nm
Vessel Incentive Program

- Incentive program will be available for one year:
  - July 1, 2008 to June 30, 2009
  - Board may consider extension

- Board may terminate the program if a regulatory requirement comes into effect
  - Participants would be paid for MGO fuel use through the date of the cancellation

- Program Enrollment - Ongoing
  - Enrollment package is available on CAAP website: www.cleanairactionplan.org
    - Under Strategies > Vessels > Fuel Incentives
Vessel Incentive Program

• **Vessel operators must enroll in the program in advance**

• **Completed forms must be submitted for enrollment:**
  - Signed Terms and Conditions
  - Operator Enrollment Form
  - Vessel Enrollment Form
  - Tax ID Forms
    - W-9 or W-8BEN
    - Business Registration Tax Certification No. (POLA Vessels only)

• **Electronic submittals at**
  shipfuel@cleanairactionplan.org

• **Ports to provide estimate on expected level of incentive for a standard trip**
Vessel Incentive Program

- Operator Enrollment Form
  - Company Name
  - Mailing Address
  - Main Contact
  - Tax ID Forms

- Enrollment information must be consistent with Tax ID forms

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Mailing Address</th>
<th>Contact Information</th>
<th>Business Tax ID Forms Included?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example: XYZ Line</td>
<td>123 Port Street, Long Beach, CA 90802, USA</td>
<td>John Doe, Vice-President of Operations, <a href="mailto:jdoe@internet.com">jdoe@internet.com</a>, 123-456-7899</td>
<td>Yes, No, Yes</td>
</tr>
</tbody>
</table>
## Vessel Incentive Program

### Vessel Enrollment Form

- **Vessel Information**
  - Name, IMO No., Operator, Owner

- **Engine Loading**
  - Auxiliary load at berth, propulsion for diesel electric

- **Anticipated Level of Participation**
  - Location (20nm or 40 nm), call frequency

<table>
<thead>
<tr>
<th>Vessel Operator</th>
<th>Vessel Owner</th>
<th>Vessel Name</th>
<th>IMO No.</th>
<th>Average Load on Auxiliary Engines at Berth (kW)</th>
<th>No. of Propulsion Motors</th>
<th>Propulsion Motor Rating (kW) per motor</th>
<th>Diesel Electric Vessels Only</th>
<th>Anticipated Level of Participation</th>
<th># of Calls per Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exmp. 1</td>
<td>XYZ Line</td>
<td>Container Carrier 1</td>
<td>68796943</td>
<td>675</td>
<td>N/A</td>
<td>N/A</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
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<tr>
<td>Exmp. 2</td>
<td>Fun Time Cruises</td>
<td>Island Hopper</td>
<td>134520</td>
<td>7,000</td>
<td>2</td>
<td>22,000</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
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</table>
Vessel Incentive Program

- Business Tax ID number needed to be included in the vendor database
- US entities file W-9
- Non-US entities file W-8BEN
Vessel Incentive Program

- **POLA Only**
  - Shipping line must have a Business Tax Registration Certificate (BTRC) number
  - Submit electronic BRTC application directly to the City
  - BRTC No. must be provided to POLA prior to reimbursement

- **POLB operators must be in compliance with city codes**
Vessel Incentive Program

- **Invoicing quarterly, to reimburse previous quarter fuel use**
  - List of enrolled VSR-compliant vessel trips provided to operators monthly
  - Operators verify vessels that used <0.2% MGO in their main and auxiliary engines and return list to ports
  - Quarterly, ports calculate reimbursement amount for all participating vessel trips and return to operators
  - Operators submit invoice to Port for the reimbursement amount

- **Detailed fuel records available for auditing**
  - Date and location of MGO use – similar to CARB requirements
    - 13CCR, Section 2299.1, subsections (e)(2)(A) and (B)
  - Bunker receipts
  - 3 year records retention
Anticipated Benefits

- CAAP benefits were based upon lease schedules
- Incentive program will accelerate emissions benefits
- Highly cost effective – estimated at $2,400/ton

<table>
<thead>
<tr>
<th>Percent Reduction of Vessel Emissions</th>
<th>2008 CAAP OGV 4 Goals</th>
<th>Estimated Proposed Program Reductions</th>
<th>Maximum Proposed Program Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>PM</td>
<td>7%</td>
<td>9%</td>
<td>27%</td>
</tr>
<tr>
<td>SOx</td>
<td>10%</td>
<td>11%</td>
<td>37%</td>
</tr>
<tr>
<td>NOx</td>
<td>1%</td>
<td>1%</td>
<td>4%</td>
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</table>
Contacts

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