



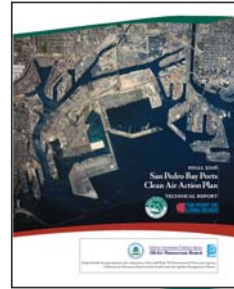
San Pedro Bay Ports Clean Air Action Plan

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



Background

- OGV4 required the use of $\leq 0.2\%$ 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

- Applies to 24 nm from the CA coast
- Auxiliary engine rule challenged, but currently enforced
 - Requires $\leq 0.5\%$ sulfur distillate currently
 - Requires $\leq 0.1\%$ sulfur distillate by 1/1/10
- Main engine rule expected June 2008
 - Requires $\leq 0.5\%$ sulfur distillate fuel by 7/1/09
 - Requires $\leq 0.1\%$ or $\leq 0.2\%$ sulfur distillate fuel 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 $\leq 0.2\%$ sulfur MGO
- For main engine fuel consumption between berth and 20 or 40 nm of Pt. Fermin



Vessel Incentive Program



- To receive a main engine fuel incentive, the vessel must use MGO fuel and:
 - Comply with VSR
 - Use low 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**
- **Diesel-electric vessels**
 - Eligibility uncertain, pending outcome of CARB Auxiliary Engine Regulation
 - Encouraged to enroll in the program
 - If regulation remains in place, potential for ports to cover differential between 0.5% to 0.2% fuel
 - If regulation overturned, vessels will be eligible to participate for propulsion portion of fuel consumption



Vessel Incentive Program

- **Vessel operators must enroll in the program in advance**
- **Information for enrollment application will include:**
 - Name of vessel operator
 - IMO #
 - Vessel name
 - Average load at berth for auxiliaries
 - Number and rating of propulsion motors on diesel electric ships
 - Level of anticipated participation
 - Which port(s) they call
 - Signature
 - Tax ID number
- **Application will include terms and conditions of program**
- **Electronic submittals**
- **Ports to provide estimate on expected level of incentive**



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
- **Download the tax registration certificate application: www.lacity.org/finance**

Vessel Incentive Program

- **Invoicing quarterly, to reimburse previous quarter fuel use**
 - List of participating vessel trips provided to ports monthly
 - Ports verify list against vessel speed data; final list sent back for approval
 - Final list approved and signed; sent back to ports quarterly as an invoice on company letterhead
 - Electronic submittals
- **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)
 - <http://www.arb.ca.gov/ports/marinevess/documents/122806ogv3.pdf>
 - Bunker receipts
 - Records retention

Vessel Incentive Program

- **Development of program details and materials – April/May**
- **Program Enrollment – May**
- **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



Anticipated Benefits

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

Percent Reduction of Vessel Emissions

	2008 CAAP OGV 4 Goals	Estimated Proposed Program Reductions	Maximum Proposed Program Reductions
PM	7%	9%	27%
SOx	10%	11%	37%
NOx	1%	1%	4%

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