



San Pedro Bay Ports Clean Air Action Plan

Low-Sulfur Vessel Main Engine Fuel Incentive Program Frequently Asked Questions

Q: What is the Low-Sulfur Vessel Main Engine Fuel Incentive Program?

A: The Low-Sulfur Vessel Main Engine Fuel Incentive Program (program) is a one-year, voluntary program that was developed by the ports of Long Beach and Los Angeles to encourage the use of low-sulfur fuel in vessel main engines when close to the ports. Vessel operators that enroll in the program and meet all of the terms of the program are eligible to be reimbursed for approximately 100 percent of their fuel costs associated with use of low-sulfur fuel (i.e. $\leq 0.2\%$ Marine Gas Oil (MGO) or $\leq 0.2\%$ Marine Diesel Oil (MDO)) in their main engines within 40 nautical miles (nm) or 20 nm of Point Fermin.

Q: How long will the program be available?

A: The program began on July 1, 2008, and will end on June 30, 2009.

Q: Who can enroll in the program?

A: The program is applicable to all vessel operators that operate ocean going vessels that call at the Port of Long Beach or the Port of Los Angeles (collectively, "the ports").

Q: When can I enroll in the program?

A: The ports began accepting applications for the program starting in May prior to the launch the program on July 1, 2008. Enrollments will be accepted at any time while the program is in effect.

Q: What is required to participate in the program?

A: To participate in the program, ships also must burn low-sulfur fuel in their electricity-generating auxiliary engines while at berth and must participate in the ports' Vessel

Speed Reduction (VSR) program speed limit of no more than 12 knots over the entire length for which they wish to receive an incentive (i.e. either 20 nm or 40 nm from Point Fermin). Carriers must enroll individual vessels into the incentive program by submitting an application. Only the ships enrolled in the program will be eligible for reimbursement.

Q: Will the program allowing for mixing and matching 20 nm and 40 nm participation on different vessel trips?

A: Yes. Incentives will be awarded for participation during each individual vessel trip.

Q: What if the CARB main engine regulation is not implemented by July 1, 2009?

A: The program has a sunset date of June 30, 2009, upon the expected implementation of statewide requirement for low-sulfur use in vessel main propulsion engines and auxiliary boilers. If the CARB regulations are not in effect by this time, the ports' Boards may consider an extension to this incentive program.

Q: What if a regulation is adopted that requires the use of low-sulfur fuel prior to the sunset of the ports' incentive program?

A: The ports' Boards may terminate the program if a regulatory requirement comes into effect during the program period.

Q: What are the anticipated emissions benefits of the program?

A: It is anticipated that the program will reduce ocean-going vessel emissions of sulfur oxides by 11 percent and diesel particulates by 9 percent in a 12-month period.

Q: How much money have the ports budgeted for this program?

A: The Port of Long Beach has budgeted \$10 million, and the Port of Los Angeles has budgeted \$9 million for this program.

Q: What if all the budgeted money for this program is used before June 30, 2009?

A: The ports' budgets are based on participation by all ships that currently call at each port, complying with the program within 40 nm of Point Fermin. If fuel costs are greater than anticipated, the port Boards may consider increasing the budget or limiting participation to a first-come, first-served basis.

Q: Can an operator enroll its entire fleet even if it is not sure which vessels will be calling at the ports?

A: In order to maximize eligibility, operators are encouraged to enroll all ships that may call at the ports during the year.

Q: Can operators claim incentive reimbursement for vessels they charter?

A: The ports intend to pay the entity that is incurring the cost for operating the vessel. In general once a company charters a vessel they are considered the 'operator' for the duration of the charter and can therefore enroll in the program. As long as company chartering the vessel is incurring the cost of fuel they are eligible for the incentive and can enroll the vessel. The enrollment will need to be complete before the vessel calls the ports in order to receive the incentive. Of course, the owner of the vessel can not also claim the incentive for the same chartered trip (no double dipping).

Q: What kind of reporting/documentation will be required to verify participation?

A: The ports require that the vessel operator maintain fuel switching records for at least 3 years and make those records available upon request. Specific details on records that must be kept are included in the program Terms and Conditions, and include: 1) date and location of low-sulfur fuel use, and 2) percent sulfur of the fuel used.

Q: How will the ports determine the cost difference between IFO 380 and the low-sulfur fuel?

A: The ports will calculate the quarterly cost differential between IFO 380 and the low-sulfur fuel based on the price of IFO 380 and $\leq 0.2\%$ MGO as posted on Bunkerworld for Los Angeles (<http://www.bunkerworld.com/>). This cost differential will be the arithmetic difference between the average posted price for IFO 380 and $\leq 0.2\%$ MGO throughout each quarter. The cost for $\leq 0.2\%$ MGO will be used to represent both $\leq 0.2\%$ MGO and $\leq 0.2\%$ MDO. This cost differential will be made available via the CAAP website (www.cleanairactionplan.org) and upon request.

Q: Will the ports pay the costs of fuel consumed during the period the carrier is transitioning to the low-sulfur fuel?

A: As the tariff is currently written, these costs would not be covered. On inbound legs, participants are expected to have completed their fuel switch prior to crossing the 20 nm or 40 nm arc. Only low-sulfur fuel used to either 20 nm or 40 nm will be eligible for reimbursement.

Q: If the vessel experiences any mechanical malfunction due to the fuel switch within 40 nm of the ports would the ports provide some type of reimbursement of the expenses for repair, rescue, and towing of the vessel with the damaged engine?

A: No. This is a voluntary program. Participants are encouraged to read the Terms & Conditions and the Tariffs of the program which can be found in the enrollment package. The only obligation of the ports under this program is to make vessel main engine fuel incentive payments after verification of compliance in accordance with the terms of the incentive tariffs and terms.

Q: Can potential participants get information on other carriers' experience using $\leq 0.2\%$ MGO or MDO fuel?

A: A number of publicly available presentations are available on the CAAP website. In addition, carriers with experience using low-sulfur fuel participated in the ports' May 21, 2008 program workshop in order to share their experience. The presentations are also available on the CAAP website.

Q: What will be the incremental fuel need at the anticipated participation level for the program?

A: Based upon preliminary responses from the industry, the ports anticipate participation in the range of 50% of vessels participating within 20 nm of Point Fermin and an additional 10% participating within 40 nm of Point Fermin. At this level, approximately 13,350 tonnes of low sulfur fuel will be needed to meet the anticipated one-year demand of this program. If all vessels participate in the program to 40 nm, the fuel demand will be approximately 39,500 tonnes for the year.

Q: Where can I find more information about the program?

A: Information on the program is on the Clean Air Action Plan website at <http://www.cleanairactionplan.org>.