



Document title	Draft revised HELCOM Recommendation 28E/13
Code	4-19
Category	DEC
Agenda Item	4 – Matters arising from the HELCOM Groups
Submission date	12.11.2018
Submitted by	Executive Secretary
Reference	Outcome of MARITIME 18-2018, paras 10.4-10.9

Background

MARITIME 18-2018 considered the draft revised HELCOM Recommendation 28E/13 “Introducing Economic Incentives as a Complement to Existing Regulations to Reduce Emissions from Ships”.

MARITIME 18-2018 noted that CLIA Europe proposed several amendments to the draft Recommendation and suggested that it should not be approved as agreed by GREEN TEAM 2-2018 before consideration of the amendments.

The EC asked to include the sentence *“It should provide no encouragement for ships to discharge their waste at sea”* in line with the wording in the Commission's PRF proposal in the description of the requirements for incentive schemes as described in chapter 4 of the guidelines. This should prevent the introduction of certain financial (dis-)incentives with this unwanted consequence.

The draft revised Recommendation 28E/13 was generally supported by MARITIME 18-2018. However, a number of further amendments were also proposed, ranging from the scope of the Recommendation to revisions of specific wording.

MARITIME 18-2018 agreed that more consideration of the provided comments is needed. To avoid having to wait until adoption by HELCOM 41-2020, the Meeting agreed to consider the comments via correspondence and submit an agreed draft to HOD 55-2018 for approval with a view to adoption by HELCOM 40-2019.

MARITIME 18-2018 invited interested parties to provide their comments in writing to the Secretariat by 5 October 2018, upon which the Secretariat will circulate the comments to HELCOM Maritime contacts with a view to finalizing and agreeing on the draft revised Recommendation 28E/13 for submission to HOD 55-2018.

The Secretariat received additional comments from Germany, Russia and CLIA by the given deadline and circulated a new revised version to HELCOM Maritime contacts on 26 October 2018 for tacit agreement by 9 November 2018. No objections were received by the deadline. Finland and CLIA Europe, however, provided further comments as set out in Annex 2. Denmark has indicated that they need more time to consider the draft revised Recommendation. Denmark aims at submitting a commenting document to HOD 55-2018 or providing their position orally at the Meeting.

Consequently the draft revised HELCOM Recommendation 28E/13 is submitted for consideration and approval by HOD 55-2018, with a clean draft tacitly agreed by Maritime contacts set out in **Annex 1** and further comments for consideration by HOD 55-2018 set out in **Annex 2**.

Action requested

The Meeting is invited to consider and approve the revised HELCOM Recommendation 28E/13 “Introducing Economic Incentives as a Complement to Existing Regulations to Reduce Emissions from Ships” and agree to submit it for adoption by HELCOM 40-2019.

Annex 1**INTRODUCING ECONOMIC INCENTIVES AS A COMPLEMENT TO EXISTING REGULATIONS TO REDUCE POLLUTION FROM SHIPS****THE COMMISSION,**

BEING AWARE that potential pollution from shipping has negative impacts on the sensitive marine environment of the Baltic Sea,

ACKNOWLEDGING that, although there has been general substantial progress achieved in improving the protection of the marine environment of the Baltic Sea, as well as strengthening of regulatory measures to reduce pollution from shipping there is still a need for further reduction of airborne emissions from ships as well as illegal discharges,

ACKNOWLEDGING the importance of MARPOL 73/78 and other international measures to reduce emissions from ships,

STRESSING the need for introducing new and effective solutions to curb airborne emissions from ships as well as other pollutants and illegal discharges,

RECOGNISING the need to evaluate and implement additional alternatives to the existing regulatory measures to reduce pollution from shipping,

RECALLING Annex II to the Helsinki Convention **AND NOTING** that the promotion and use of Best Environmental Practice and Best Available Technology can be triggered by the application of economic instruments to activities, products and emissions in the Baltic Sea Area and may constitute an effective means to reduce airborne emissions from ships as well as other pollutants and discharges,

NOTING FURTHER that economic incentives can serve as complements to regulatory measures and thereby may lead to a larger reduction of pollution compared to that achieved by traditional regulations and can stimulate technological improvements and innovations as well as achievement of environmental results at lower costs,

BEING CONVINCED that sub-regional co-operation is of crucial importance also when the desire is to effectively use economic instruments,

RECOMMENDS that the Contracting Parties investigate and, when appropriate, introduce feasible and effective economic instruments as a complement to existing regulations to further reduce pollution from shipping,

RECOMMENDS FURTHER that the Contracting Parties take into consideration the attached **Guidelines** when introducing economic incentives schemes to reduce airborne emissions from ships as well as other pollutants and illegal discharges.

Guidelines for introducing economic incentive schemes as a possible complement to existing regulations to reduce pollution-from ships in the Baltic Sea Area

These guidelines are intended to give advice to the Contracting Parties to the Helsinki Convention regarding introduction of incentive schemes to reduce emissions and other pollutants from ships calling upon Baltic Sea ports.

1. Introduction

As one of the most important means of transportation of passengers and goods, shipping should take its responsibility in a manner equal to society at large when it comes to take action to protect the environment. According to several projections, emissions from shipping, such as NO_x and CO₂, continue to be a concern for human health and the environment. HELCOM and its Contracting Parties have already made significant progress, most notably through the adoption of new international regulations at IMO and the HELCOM Maritime Working Group was awarded the Baltic Sea Fund Prize for its work to reduce pollution from maritime traffic in the Baltic Sea. While national and regional efforts are important, due to the international nature of shipping, it is important to continue taking active part in global actions initiated within the IMO to reduce pollution from ships. These measures form the international baseline, but there often is room for regions, nations or other actors, to introduce non-discriminatory economic incentives which provides an important means to further reduce pollution from ships within their jurisdiction. Pollution may include both emissions to the atmosphere, discharges from ships as well as other pollutants.

2. Definitions of Economic Incentives

Economic incentives defined broadly are instruments that use financial means to motivate actors to reduce health and environmental risks posed by their facilities, processes, or products. These incentives provide monetary rewards for those polluting less and impose costs of various types for those polluting more, thus supplying the necessary motivation of change to polluters. This approach provides an opportunity to address sources of pollution as well as providing a reason for polluters to improve their performance in addition to existing regulatory requirements.

3. Existing financial instruments

Economic instruments to support environmentally friendly shipping beyond the existing legislation have been introduced in some countries and ports to encourage ship owners to reduce their pollution. These include e.g. differentiated port fees and fairway dues, differentiated taxation of marine fuels and on-shore power supply. Environmentally differentiated port fees are often based on the environmental ship indexes. Additionally, EU and national level co-funding instruments exist to support environmental investments and port infrastructure investments.

4. Proposed financial structure for introducing economic incentives

All countries around the Baltic Sea have some kind of financial system that enables provision of services to shipping, infrastructure investments, dredging, lighthouse and fairway maintenance, icebreaking, hydrological surveys, etc. Taking into consideration the diversity of financial systems applied in the Baltic Sea countries and to allow some flexibility in introducing economic incentives, this proposal allows the Contracting Parties to consider the introduction of economic incentives to reduce emissions and other pollutants from shipping in addition to local financial systems. There may be various options for introducing economic incentives that Contracting Parties may choose between, such as:

- to introduce a system of environmentally differentiated fairway dues;
- to modify an existing charging system to allow environmental differentiation of dues;
- to add an emission fee with subsequent differentiation on top of their present system.

There are, however, some requirements that could be followed regardless of which incentive scheme is considered or subject to be implemented. An incentive scheme may have the following prerequisites:

- It should support actions that are taken in addition to existing regulations;

- It should support the best possible protection of the environment, including the reception and the treatment of the waste until the moment it is not considered to be waste anymore;
- It should provide no encouragement for ships to discharge their waste at sea;
- It should cover all important aspects (management, design/equipment, ship operation);
- Emission charges are suitable for ships of all flags, 400 GT and above, visiting Baltic ports;
- The system should support measures to protect the environment and be reliable and easy to implement;
- Evidence of compliance should be simple;
- Expenses for the operators of the system should be low;
- When appropriate, an incentive scheme should make use of existing and accepted databases and calculation methods, including IMO instruments and other market and legislative systems
- Ports and other stakeholders, including authorities should support the shipping industry improving the environmental performance, including providing adequate PRFs for those waste streams included in an incentive scheme (when in their remit), and facilitating proper recycling of waste; and
- It should be coordinated with the users and communicated to the maritime sector, for instance via local/regional stakeholder consultations and the appropriate groups within HELCOM.

It is important that the level of charge is accurately set. When introducing an incentive scheme, the following measures may be considered:

- Which pollutants should be included in the incentive scheme. Examples are NO_x, CO₂, PM, SO_x, garbage, sewage, grey water, and other types of wash water produced on board for different purposes, chemicals, oils and oily waters. Incentives for each pollutant should go beyond the existing regulations for both new and existing ships. Port states shall ensure that ports provide adequate Port Reception Facilities, if required;
- Establishing criteria for each pollutant that will be included in the incentive scheme. The criteria could be developed by the responsible part/parties of the incentive or by using an existing index;
- Incentives, including tax exemptions for on shore power supply for vessels as well as on-shore power investments and charging battery-powered vessels in a port, depending on national legislation.
- A revenue-neutrality resulting in higher dues for more polluting ships and rebates depending on environmental performance, investments in emission abatement technologies and/or other reduction measures.
- A minimum fee based on gross tonnage or installed engine power (might differ for different categories of ships);
- By what means the ship that applies for revenues should prove its environmental performance, and if validation by a third party is needed;
- Number of calls subject to dues.

Annex 2

INTRODUCING ECONOMIC INCENTIVES AS A COMPLEMENT TO EXISTING REGULATIONS TO REDUCE POLLUTION FROM SHIPS

THE COMMISSION,

BEING AWARE that potential pollution from shipping has potentially negative impacts on the sensitive marine environment of the Baltic Sea,

ACKNOWLEDGING that, although there has been general substantial progress achieved in improving the protection of the marine environment of the Baltic Sea, as well as strengthening of regulatory measures to reduce pollution from shipping there is still a need for further reduction of airborne emissions from ships as well as illegal discharges,

ACKNOWLEDGING the importance of MARPOL 73/78 and other international measures to reduce emissions from ships,

STRESSING the need for introducing new and effective solutions to curb airborne emissions from ships as well as other pollutants and illegal discharges,

RECOGNISING the need to evaluate and implement additional alternatives to the existing regulatory measures to reduce pollution from shipping,

RECALLING Annex II to the Helsinki Convention **AND NOTING** that the promotion and use of Best Environmental Practice and Best Available Technology can be triggered by the application of economic instruments to activities, products and emissions in the Baltic Sea Area and may constitute an effective means to reduce airborne emissions from ships as well as other pollutants and discharges,

NOTING FURTHER that economic incentives can serve as complements to regulatory measures and thereby may lead to a larger reduction of pollution compared to that achieved by traditional regulations and can stimulate technological improvements and innovations as well as achievement of environmental results at lower costs,

BEING CONVINCED that sub-regional co-operation is of crucial importance also when the desire is to effectively use economic instruments,

RECOMMENDS that the Contracting Parties investigate and, when appropriate, introduce feasible and effective economic instruments as a complement to existing regulations to further reduce pollution from shipping,

RECOMMENDS FURTHER that the Contracting Parties take into consideration the attached **Guidelines** when introducing economic incentives schemes to reduce airborne emissions from ships as well as other pollutants and illegal discharges.

Commented [AB1]: CLIA: proposal to move

Commented [AB2]: CLIA: add "potentially"

Attachment

Guidelines for introducing economic incentive schemes as a possible complement to existing regulations to reduce pollution from ships in the Baltic Sea Area

These guidelines are intended to give advice to the Contracting Parties to the Helsinki Convention regarding introduction of incentive schemes to reduce emissions and other pollutants from ships calling upon Baltic Sea ports.

1. Introduction

As one of the most important means of transportation of passengers and goods, shipping should take its responsibility in a manner equal to society at large when it comes to take action to protect the environment. According to several projections, emissions from shipping, such as NO_x and CO₂, continue to be a concern for human health and the environment. HELCOM and its Contracting Parties have already made significant progress, most notably through the adoption of new international regulations at IMO and the HELCOM Maritime Working Group was awarded the Baltic Sea Fund Prize for its work to reduce pollution from maritime traffic in the Baltic Sea. While national and regional efforts are important, due to the international nature of shipping, it is important to continue taking active part in global actions initiated within the IMO to reduce pollution from ships. These measures form the international baseline, **[but]** there often is room for regions, nations or other actors, to introduce non-discriminatory economic incentives which provides an important means to further reduce pollution from ships within their jurisdiction. Pollution may include both emissions to the atmosphere, discharges from ships as well as other pollutants.

2. Definitions of Economic Incentives

Economic incentives defined broadly are instruments that use financial means to motivate actors to reduce health and environmental risks posed by their facilities, processes, or products. These incentives provide monetary rewards for those polluting less and impose costs of various types for those polluting more, thus supplying the necessary motivation of change to polluters. This approach provides an opportunity to address sources of pollution as well as providing a reason for polluters to improve their performance in addition to existing regulatory requirements.

3. Existing financial instruments

Economic instruments to support environmentally friendly shipping beyond the existing legislation have been introduced in some countries and ports to encourage ship owners to reduce their pollution. These include e.g. differentiated port fees and fairway dues, differentiated taxation of marine fuels and on-shore power supply. Environmentally differentiated port fees are often based on the environmental ship indexes. Additionally, EU and national level co-funding instruments exist to support environmental investments and port infrastructure investments. ~~(It may be noted, that at the moment, on-shore power supply is not available for cruise ships in the Baltic Sea.)~~

4. Proposed financial structure for introducing economic incentives

All countries around the Baltic Sea have some kind of financial system that enables provision of services to shipping, infrastructure investments, dredging, lighthouse and fairway maintenance, icebreaking, hydrological surveys, etc. Taking into consideration the diversity of financial systems applied in the Baltic Sea countries and to allow some flexibility in introducing economic incentives, this proposal **allows the** Contracting Parties to consider the introduction of economic incentives to reduce emissions and other pollutants from shipping in addition to local financial systems. There may be various options for introducing economic incentives that Contracting Parties may choose between, such as:

- to introduce a system of environmentally differentiated fairway dues;
- to modify an existing charging system to allow environmental differentiation of dues;
- to add an emission fee with subsequent differentiation on top of their present system.
- ~~(To exempt on-shore power supply from tax and other fees.)~~

Commented [AB3]: CLIA Europe would suggest the following compromise solution:
"Guidelines for introducing economic incentive schemes as a possible complement to existing regulations to reduce emissions and pollutants from ships in the Baltic Sea Area"

Commented [AB4]: CLIA Europe would suggest the following compromise solution:
"Shipping is one of the most important means of transportation of passengers and goods and should take its responsibility in a manner equal to society at large when it comes to take action to protect the environment."

Commented [AB5]: CLIA: As the word "but" is very negative and out of place here; suggest to draft this section in a more neutral way:
"In addition to these measures which form the international baseline, there is often room for regions, nations or other actors, to introduce non-discriminatory economic incentives which provides an important means to further reduce pollution from ships within their jurisdiction."

Alternatively, the word "but" may be changed to "and".

Commented [CI6]: CLIA: There is much resistance to this sentence, as it seems out of place (and ESPO claims it is incorrect). Therefore, CLIA Europe intends to suggest the following:
Although correct, CLIA can accept removing this section if "- To exempt on-shore power supply from tax and other fees" is added to section 4.

We would also welcome feedback on where in the Baltic Sea Region Shore Side Electricity may be available for cruise ships.

Commented [AB7]: CLAI: Would "supports" be more appropriate language?

Commented [CI8]: CLAI: In accordance with section 3; where on shore power supply is mentioned.

There are, however, some requirements that could be followed regardless of which incentive scheme is considered or subject to be implemented. An incentive scheme may have the following prerequisites:

- It should support actions that are taken in addition to existing regulations;
- It should support the best possible protection of the environment, including the reception and the treatment of the waste until the moment it is not considered to be waste anymore;
- It should provide no encouragement for ships to discharge their waste at sea;
- It should cover all important aspects (management, design/equipment, ship operation);
- Emission charges are suitable for ships of all flags, 400 GT and above, visiting Baltic ports;
- The system should support measures to protect the environment and be reliable and easy to implement;
- Evidence of compliance should be simple;
- Expenses for the operators of the system should be low;
- When appropriate, an incentive scheme should make use of existing and accepted databases and calculation methods, including IMO instruments and other market and legislative systems
- ~~- Ports and other stakeholders, including authorities should support the shipping industry improving environmental performance, including providing adequate PRFs for those waste streams included in an incentive scheme (when in their remit), and facilitating proper recycling of waste; and~~
- ~~[An incentive scheme should support the shipping industry improving its environmental performance and facilitating proper recycling of waste; and]~~
- It should be coordinated with ~~communicated among~~ the users and ~~communicated to the whole~~ maritime sector, for instance via local/regional stakeholder consultations and the appropriate groups within HELCOM.

Commented [AB9]: Finland: proposal to delete

Commented [AB10]: Finland: proposal to add

Commented [AB11]: Finland: proposal to rephrase as follows: "It should be communicated among the users and to the whole maritime sector.." In our view, it is perhaps not appropriate to say that this should be coordinated as ports are private entities at least in some countries having their own business plans.

It is important that the level of charge is accurately set. When introducing an incentive scheme, the following measures may be considered:

- Which pollutants should be included in the incentive scheme. Examples are NO_x, CO₂, PM, SO_x, garbage, sewage, grey water, and other types of wash water produced on board for different purposes, chemicals, oils and oily waters. Incentives for each pollutant should go beyond the existing regulations for both new and existing ships. Port states shall ensure that ports provide adequate Port Reception Facilities, if required;
- Establishing criteria for each pollutant that will be included in the incentive scheme. The criteria could be developed by the responsible part/parties of the incentive or by using an existing index;
- Incentives, including tax exemptions for on shore power supply for vessels as well as on-shore power investments and charging battery-powered vessels in a port, depending on national legislation.
- A revenue-neutrality resulting in higher dues for more polluting ships and rebates depending on environmental performance, investments in emission abatement technologies and/or other reduction measures.
- A minimum fee based on gross tonnage or installed engine power (might differ for different categories of ships);
- By what means the ship that applies for revenues should prove its environmental performance, and if validation by a third party is needed;
- Number of calls subject to dues.

~~[Both new and existing incentive schemes should preferably be coordinated among parties involved ports, member states Contracting Parties and other actors, in order to reduce the administrative burden to ship operators and to stimulate the uptake by industry of these schemes] [Preferably, there should be a (prior~~

consultation of parties involved, for both new and existing incentive schemes, encouraging the uptake by industry of these schemes focussing on reducing the administrative burden and in line with relevant competition laws.]

Commented [AB12]: CLAI: CLIA Europe notes the questions raised by multiple parties and therefore suggests the following compromise/clarification softening this paragraph:

"Preferably, there should be a (prior) consultation of parties involved, for both new and existing incentive schemes, encouraging the uptake by industry of these schemes focussing on reducing the administrative burden and in line with relevant competition laws."

This is a recommendation only, and does not need to be followed "always". CLIA Europe understands that this may not always be doable as private, municipal, public and national entities may be involved, but a proper consideration should be given to prior consultation.