



Document title	Draft revised HELCOM Recommendation 28E/13 on Introducing Economic Incentives as a Complement to Existing Regulations to Reduce Emissions from Ships
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Agenda Item	3 - Matters arising from the HELCOM Groups
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Submitted by	Executive Secretary
Reference	Outcome of HELCOM 40-2019, paragraphs 3.3-3.4

Background

HELCOM 40-2019 considered the draft revised HELCOM Recommendation 28E/13 “Introducing Economic Incentives as a Complement to Existing Regulations to Reduce Emissions from Ships”, which had been approved by HOD 55-2018 for adoption. The draft revised Recommendation had been previously developed and agreed by GREEN TEAM 2-2018 and MARITIME 18-2018.

HELCOM 40-2019 took note of editorial and substantial changes to the draft revised Recommendation 28E/13, as proposed by Russia (HELCOM 40-2019, document 3-22). Following discussion, the Meeting was not able to reach a decision and agreed to intersessionally consider the issue further through the Heads of Delegation with engagement of Working Groups as needed. The Meeting consequently mandated HOD 56-2019 to consider and adopt the revised Recommendation. To facilitate consideration of the matter, Russia agreed to submit a document containing justification for their proposed changes, including an explanation on their interpretation of the title of the draft Recommendation (c.f. document 3-19).

This document contains the draft revised HELCOM Recommendation 28E/13 as approved by HOD 55-2018.

Action requested

The Meeting is invited to consider and adopt the draft revised HELCOM Recommendation 28E/13 on Introducing Economic Incentives as a Complement to Existing Regulations to Reduce Emissions from Ships.

Proposal for revision of HELCOM Recommendation 28E/13

Adopted 15 November 2007 and amended xx yy,
having regard to Article 20, Paragraph 1 b) and Annex II
of the Helsinki Convention

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 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.