

Date: February 1, 2010

To: Trade Relations and Port Operations Committee

From: Donald B. Snyder, Director of Trade Relations *DBS*

Subject: **Request Approval to Add Tariff Item on the Green-40 (G-40) Plan, Quarterly Dockage Incentive**

Requested Action

The Trade Division respectfully requests that the Trade Relations and Port Operations Committee approve and refer to the Board of Harbor Commissioners an action directing staff to execute new tariff language which would implement an *additional* 40nm reduced dockage incentive plan, as part of a larger package of customer incentives, to gain maximum compliance with the Vessel Speed Reduction Program¹ (VSRP). This new incentive program would achieve both a substantial reduction in air emissions impacting the Southern California Basin and help alleviate financial stress that continues to plague the ocean carriers in the current economic downturn.

Staff has gathered and analyzed preliminary data regarding the proposed expansion of the 40nm dockage reduction and is recommending the following guidelines for the proposed Green-40 (G-40) Plan:

- The G-40 Plan will be supplemental to, and not in lieu of, the existing Green Flag Program;
- The G-40 Plan is to run from April 1, 2010 – March 31, 2011 to allow for disbursement and marketing to Port tenants and customers of this and other recently adopted incentive plans;
- Operators must achieve a 90% fleet compliance at the 40nm mark from Pt Fermin for a calendar quarter to realize any incentive and maximize the return on reducing emissions;
- The Port's Trade Relations Division will monitor fleet compliance and report on quarterly compliance rates in the form of Board updates;
- Reimbursements will be paid on a quarterly basis and be managed similar to our recently expired Low Sulfur Fuel Program. Trade Relations will work with the Port's Finance Department to implement the financial aspects of this program;
- The Port will work directly with Ocean Carriers on compliance, reporting and distribution of incentives to avoid any confusion with tenant lease requirements;

¹ The Voluntary Vessel Speed Reduction program exists through a memorandum of understanding between the California Air Resources Board (CARB), the South Coast Air Quality Management District (AQMD), Environmental Protection Agency (EPA), the Long Beach Board of Harbor Commissioners, The Los Angeles Board of Harbor Commissioners, the Pacific Merchant shipping Association (PMSA), and the Marine Exchange of Southern California.

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- The G-40 plan and the existing Green Flag Program (GFP) combined have an estimated incentive value of \$5.2 million (Assuming 100% compliance in the G-40 Plan). This results in a very cost effective \$4689 per ton of NOx emission reduction.

Background

The Green Port Policy adopted by the Board in January 2005, led to the development of the GFP and now the G-40 Plan, a plan to improve air quality by increasing compliance with the VVSR at the 40nm level. Reducing vessel speeds reduces air emissions by asking vessels entering or leaving the Port to observe a 12-knot speed limit within a 40nm arc from Point Fermin.

The adoption of the G-40 Plan is consistent with the Clean Air Action Plan (CAAP) goals adopted by the Board of Harbor Commissioners in November 2006. If approved the Plan can have substantial reductions in air emissions to communities in the Southern California Basin as well as provide much needed relief to the struggling shipping industry. GFP is now experiencing an average of 95% compliance in the 20nm tier and an estimated 72% compliance out to 40nm. With the addition of the Green-40 Plan the goal will be to reach a 90%+ compliance rate with the potential of decreasing air emissions by several hundred tons as illustrated below:

Vessel Participation Rate	Emissions Reductions between Precautionary Zone and 40nm*	
	NOx	PM
	(tons per year in 2008)	
70%	776	68
75%	832	73
80%	887	77
85%	942	82
90%	998	87
95%	1053	92
100%	1109	97

*Provided by Starcrest, based on 2008 POLB Air Emissions Inventory

Our industry partners have shown an unmatched interest with reducing speeds in the San Pedro Bay. This type of pioneering program protects the community from harmful environmental impacts of Port operations and continues to distinguish the Port as a leader in environmental stewardship.

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The Marine Exchange of Southern California (MAREX) will transmit vessel speed data electronically to the Port. Our own Information Management Division created a new tool to calculate, manage, and process Operator/Vessel compliance data for both the GFP and G-40 Plan. The new SQL based program improves efficiency, handles data with greater accuracy and reduces administrative time in managing all vessel data.

Port staff will commence a new outreach effort on the G-40 Plan and continue its outreach efforts to inform vessel operators of the GFP. If approved the incentives of reduced dockage rates would commence in the quarter immediately following the first applicable G-40 Plan quarter. Trade Relations will continue to provide a monthly report to Board with information on both the compliance rates achieved and the amount of incentives that have been distributed.

Financial Impact:

Costs associated with the G-40 Plan could reach as much as \$3 million, assuming a 100% compliance level.

Recommendation

Implementing the G-40 plan is consistent with Green Port Policy and CAAP strategy and goals while simultaneously providing a financial incentive for Port customers. Therefore, we recommend that the Trade Relations & Port Operations Committee request that staff compose tariff language and refer to the Board of Harbor Commissioners for adoption of the G-40 Plan.

Recommended by:



Alex Cherin
Managing Director, Trade Relations and Port Operations

Approved by:



Richard D. Steinke
Executive Director