

**For discussion on
28 May 2012**

**LEGISLATIVE COUNCIL
PANEL ON ENVIRONMENTAL AFFAIRS**

Incentive Scheme for Ocean Going Vessels to Switch Fuel at Berth

PURPOSE

This paper briefs Members of the implementation framework of an incentive scheme to encourage ocean going vessels (OGVs) to switch to cleaner fuels while at berth in Hong Kong waters.

BACKGROUND

2. In January 2011, 17 major ship liners in Hong Kong signed up to the voluntary Fair Winds Charter. The operators committed to switching to low sulphur fuel as far as possible when at berth in Hong Kong waters for two years.

3. In the 2011-12 Policy Address, the Chief Executive announced an initiative to explore with the governments of Guangdong, Shenzhen and Macao the feasibility of requiring OGVs to switch to low-sulphur fuel while at berth in the Pearl River Delta waters. Regional cooperation on this front is essential to ensure level playing field and maximize the environmental benefits in the region. We have been liaising with the Mainland authorities to examine the feasibility of mandating fuel switch at berth.

4. To encourage more OGV operators to switch to cleaner fuels, the Financial Secretary proposed in his 2012-13 Budget Speech to reduce by half the port facilities and light dues charged on OGVs using low sulphur fuel when at berth in Hong Kong waters. The proposed scheme will span three years.

IMPLEMENTATION FRAMEWORK

5. In 2011, about 32,500 OGVs calls to Hong Kong were recorded. They are subject to port facilities and light dues of \$43¹ per 100 tons for every port call to Hong Kong. The port facilities and light dues collected by the Marine Department (MD) amounted to \$250 million.

6. We have sought the views from MD and OGV trade on the incentive scheme. The proposed implementation framework has balanced the need to streamline the application procedures to encourage wider participation and safeguard the use of public money.

Scope and Eligibility

7. OGVs² that are convention vessels not plying exclusively within the river-trade limits are eligible for the scheme. In the context of this incentive scheme, "at-berth" means vessels that are moored at buoys, anchorages, wharfs or terminals in Hong Kong waters.

8. Participating vessels must use low sulphur diesel with sulphur content not more than 0.5% while at berth in Hong Kong waters for their auxiliary engines, generators and boilers.

Registration and Declaration

9. All vessels must submit a one-time registration to the Environmental Protection Department (EPD) before joining the scheme. This is a one-off exercise and EPD will maintain a Registered Vessels List in its database.

10. If a registered vessel has switched fuel while at berth in Hong Kong waters, the shipmaster can apply for dues incentive under the scheme by submitting an application via MD's counter service or Electronic Business System (eBS) before leaving Hong Kong waters. Unlike the one-time registration mentioned in paragraph 9 above, the declaration must be made for individual port calls. The use of self-declaration and application form is in line with international practices in administering similar incentive schemes. MD will waive half of the port facilities and light dues of the eligible OGVs

¹ The port facilities and light dues were reduced from \$54 to \$43 (i.e. 20%) per 100 tons on 12 March 2011.

² "Ocean going vessel" is defined as a vessel which-
(a) is not a local vessel as defined in the Merchant Shipping (Local Vessels) Ordinance, Cap. 548; and
(b) trades in international or coastal voyages.

concerned when they depart from Hong Kong for that port call.

Implementation

11. MD is now upgrading the computer system for implementing the incentive scheme which will be completed by end of June 2012. We hence aim to roll out the incentive scheme in July 2012. We shall publicise the arrangements to OGV operators beforehand.

CONSULTATION

12. We have consulted the Hong Kong Liner Shipping Association and Hong Kong Shipowners Association about the proposal and they are supportive. We have also taken account of their views when drawing up the implementation framework of the scheme.

ENVIRONMENTAL IMPLICATIONS

13. The emissions of OGVs while at berth account for about 40% of their total emissions within Hong Kong waters. The voluntary fuel switch at berth programme initiated by the trade resulted in a reduction in 890 tonnes of sulphur dioxide in 2011. If all OGVs switch to cleaner fuel while at berth in Hong Kong waters, the territory emissions of sulphur dioxide, respirable suspended particulates and nitrogen oxides can be reduced by 7%, 6% and 0.1% respectively.

FINANCIAL AND CIVIL SERVICE IMPLICATIONS

14. Should all OGVs calling Hong Kong join this incentive scheme, the estimated revenue forgone for the Government would be \$87 million per year or \$260 million for three years.

15. We shall absorb the additional workload arising from the proposal by the existing resources.

WAY FORWARD

16. Members are invited to note the proposed implementation framework of the incentive scheme as set out in paragraphs 7 to 11. We plan to launch the incentive scheme in July 2012.

Environmental Protection Department
May 2012