Quebec City, May 24, 2018

Standing Senate Committee on Energy, the
Environment and Natural Resources
The Senate of Canada
Ottawa, Ontario
Canada, K1A 0A4

Honourable Senators:

Subject: Request to exclude the marine transportation sector from the *Greenhouse Gas Pollution Pricing Act*

Shipowners of the St. Lawrence (Armateurs du Saint-Laurent—ASL) represents Canadian ship owners operating domestic vessels on the St. Lawrence, the Great Lakes, the Atlantic coast and the Arctic. With a mission to represent and promote the interests of domestic ship owners in order to support their growth and ensure the development of marine transportation on the St. Lawrence, ASL has 14 active members operating a fleet of over 130 vessels.

We are writing to share our concerns with the Committee regarding Bill C-74, specifically Part 5 on greenhouse gas pollution pricing. We believe that imposing a carbon levy is not the appropriate mechanism to reduce greenhouse gas (GHG) emissions from the marine transportation sector since it targets only a tiny proportion of this sector in Canada, creates significant inequities within the domestic fleet, while substantially penalizing Northern, coastal and remote communities that depend on marine transportation for supplies.

Canada, with the world’s longest coastline, is a maritime nation. Marine transportation is vital not only to trade between Canada and the rest of the world, but also to serve local and regional industries and supply coastal and remote communities.

Apart from its strategic importance in the country’s economic development, marine transportation is also the most efficient mode of transport in terms of energy efficiency and GHG emissions. A ship emits on average 11.9 grams of GHGs per tonne transported over one kilometre, while a truck emits 75.5 grams/tonne/kilometre.\(^1\) Greenhouse gas emissions from domestic marine transportation account for 2% of total transportation emissions in Canada,\(^2\) compared to 29.6% for heavy trucking.\(^3\)

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Although on a global scale, CO₂ emissions from all shipping account for only 2.8% of global GHG emissions, the shipping industry has recognized for many years the importance of the climate change challenge and that it must do its part to reduce its impact on future generations.

However, we believe that not only will the proposed federal pricing system not reduce GHG emissions from marine transportation, but it may even make it less competitive at the expense of other less efficient modes of transportation.

Given that 73% of the tonnage transported by ship in Canada transits on international vessels and is therefore excluded from the federal regime, and that domestic transportation in Canada is essentially interprovincial, which is also excluded, the federal pricing regime will capture only a small portion of the GHGs emitted by the marine transportation sector. Moreover, it will create inequities within the domestic fleet by providing a financial advantage to companies operating in certain provinces, thus affecting the competitiveness of others.

We know that Indigenous peoples, Northern, coastal and remote communities are particularly vulnerable to the impacts of climate change. These same communities, by relying on shipping for their supplies, will suffer the consequences of the application of a carbon levy.

Imposing such a levy would result in a 25% increase in the cost of fuel by 2021, thus adding to an anticipated increase in fuel prices in the years to come. It is important to stress that under Annex VI of the MARPOL Convention, all ships over 400 gross tonnes will have to stop using fuel with a sulphur content exceeding 0.5% starting January 1, 2020, forcing companies to use very expensive technologies to reduce their emissions or to switch to more expensive alternative fuels (e.g. diesel). The increased demand for this type of fuel will inevitably drive prices up. Some experts predict that the cost of marine diesel fuel will increase by nearly 25% in 2020. This fuel already costs nearly 50% more than the heavy fuel currently used by the industry.

In addition, a fuel levy would be particularly harmful to Nunavut and its communities. Such a measure will inevitably lead to higher consumer prices, when the cost of living in the North is already much higher than elsewhere in Canada. According to a Conference Board of Canada report, remote Arctic communities are already grappling with a major food security problem. Provinces like Newfoundland, where the economy relies heavily on the marine sector, could also suffer significant repercussions.

We believe that the additional administrative burden of applying a carbon levy to a minority of shipping lines is disproportionate to the benefit. Having to compile and report on a monthly basis the quantities of fuel consumed during maritime routes subject to the regulations will require time and resources that

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3 Environment and Climate Change Canada, Canadian and Provincial/Territorial Greenhouse Gas Emission Tables (Excel tables).
5 Statistics Canada, Shipping in Canada, 2011, p. 12
6 In Canada, this limit is set at 0.1% for vessels operating in the North American Emission Control Area (ECA) and in Canadian waters south of 60°.
could be invested more efficiently. For example, a typical trip to the Arctic from Quebec may involve about 15 routes between different locations in Nunavik and/or Nunavut, with some routes subject to the levy and others not, making it very difficult to track consumption data. We are disappointed to see these companies penalized by an unfair pricing system, while emissions from ships travelling in the Arctic represent only 2% of domestic shipping GHG emissions.\(^9\)

The Canadian marine industry is committed to helping effectively combat climate change and has been moving in this direction for several years. A concrete example of this commitment is the creation in 2007 of Green Marine, an environmental certification program for the North American marine industry. The program now has more than 100 participants, including more than 30 ship owners, who are taking concrete steps to reduce their environmental footprint. Since the program was launched in 2007, ship owners participating in the program have reduced their GHG intensity by an average of 1.4% annually.\(^10\)

There are many ways to effectively reduce GHGs within the marine industry, as evidenced by a study of the penetration of technologies and measures to reduce Canadian domestic ship GHG emissions, commissioned by Transport Canada in 2017. Measures used include hull cleaning and propeller polishing, weather routing, use of speed control pumps, heat recovery, shore power, LED lighting, etc. The study also identified the most promising solutions to further reduce ship GHG emissions, such as the use of energy monitoring software and hybrid or electric propulsion systems. In recent years, the Canadian marine industry has invested several billion dollars to purchase new, more efficient vessels and advanced technologies.

There are also several regulatory mechanisms to reduce ships’ GHG emissions. For example, under MARPOL Annex VI, to which Canada is a signatory, all new vessels must meet increasingly stringent energy efficiency requirements. All ships built after January 1, 2015, must be 10% more energy efficient than those built between 1999 and 2005. This standard will be tightened after January 1, 2020, when new vessels must be 20% more efficient, and 30% more efficient after January 1, 2025. In addition, all vessels (old and new) must have a Ship Energy Management Plan (SEMP), a vessel-specific roadmap setting out measures to reduce energy consumption.

These examples demonstrate that the marine industry is already very proactive in reducing GHGs and does not need a carbon levy to encourage it to implement concrete and measurable reduction measures. Not only is this levy ineffective in controlling GHG emissions from the marine sector, but it penalizes Canadian companies that have already made considerable efforts to reduce their GHG emissions in recent years.

Finally, it is important to mention that Canada is actively involved in the International Maritime Organization (IMO), the United Nations agency specializing in international commercial shipping issues.

\(^9\) Transport Canada presentation at the SODES Rendez-Vous on April 19, 2018, available on request.
The IMO has recently set ambitious reduction targets for the shipping industry as a whole\textsuperscript{11} and is currently working on the definition of specific reduction measures that are harmonized and adapted to the world fleet, such as the reduction and optimisation of shipping speed and measures to decarbonize the shipping sector.

At a time when work at the IMO is well underway, we believe it is preferable that Canada continue to actively participate in the IMO’s efforts to define measures at the international level. The example of the United States’ refusal to ratify the Ballast Water Management Convention illustrates the complications that can result from the adoption of unilateral regulatory measures that are not harmonized with an international convention.

For all these reasons, we call on the Canadian government to exclude marine transportation from the federal carbon pricing regime while continuing to work with the IMO to develop effective common measures that avoid trade inequities and limit negative economic impacts on people and businesses that depend on marine transportation for their existence.

Yours sincerely,

Martin Fournier
Executive Director

\textsuperscript{11} Initial strategy on the reduction of greenhouse gas emissions from ships

Objectives:
- Average reduction of CO\textsubscript{2} emissions intensity (per t-km) by 40\% by 2030 with sustained efforts to reduce intensity by 70\% by 2050 (compared to 2008 levels);
- Cap GHG emissions as soon as possible;
- Reduction of total GHG emissions by 50\% by 2050 (compared to 2008) by pursuing the objective of 100\% by the end of the century.