



Blue Economy Strategy

Comments Submitted by the Shipping Federation of Canada

June 15, 2021

Introduction

We are writing on behalf of the Shipping Federation of Canada, which is the national voice of the owners, operators and agents of ocean ships that carry Canada's imports and exports to and from ports throughout the world. Our members represent over 200 shipping companies whose vessels make thousands of voyages between Canadian ports and international markets every year, carrying hundreds of millions of tonnes of cargo, ranging from dry bulk commodities such as grain and coal – to liquid bulks such as crude oil and oil products – to containerized consumer and manufactured goods. These ships carry the vast majority of Canada's (non-U.S.) international seaborne trade and thus play an essential role in the Canadian economy and the prosperity of all Canadians.

The marine transportation sector is essential to Canada's ability to efficiently move current and future trade volumes to and from world markets, and is therefore a key component of the government's *Blue Economy Strategy* and of Canada's overall effort transition to a new, post-pandemic economic normal. From a marine shipping perspective, a successful *Blue Economy Strategy* must focus on actions and initiatives that appropriately balance Canada's economic and trade growth objectives with its other major priorities related to advancing Canada's climate agenda and moving towards a greener economy. In broad strokes, this means pursuing projects that strengthen Canada's ability to safely, efficiently and cost-effectively channel the growing volumes of trade that are expected to move through our ports over the coming years, while simultaneously investing in actions that ensure the health and long-term viability of the oceans and waterways that are crucial to the movement of trade overall.

Investment in Marine Transportation Infrastructure

In order to fully leverage the marine shipping sector's contribution to a blue economy, it is essential that government and industry work together to develop a comprehensive strategy to address current infrastructure gaps with respect to the efficiency, safety and sustainability of the sector on an ongoing, long-term basis. A key tool that already exists in this regard is the National Trade Corridors Fund (NTCF), which was established in 2017 and focuses on projects that are designed to increase fluidity and reduce bottlenecks within specific transportation routes, while also providing a national perspective in terms of assessing how best to allocate investment dollars. Although the NTCF's initial funding envelope of \$2.3 billion was depleted after just three calls for proposals (the first in 2017 to address critical transportation bottlenecks, the second in 2018 to address transportation needs in Canada's North, and the third in 2019 to address Canada's trade diversification objectives), we are pleased to note that the fund was recapitalized in the 2021 federal budget through the allocation of another \$1.9 billion over the next four years.

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We believe that there should be a clear linkage between Canada's *Blue Economy Strategy* and the National Trade Corridors Fund, as the latter is a key tool for driving projects that increase the fluidity and efficiency of the marine transportation sector, thus ensuring Canada's ability to modernize its transportation infrastructure in order to meet its long trade growth and trade diversification objectives. We also believe that the NTCF – particularly insofar as it is a competitive, merit-based program with federal oversight - would serve as an excellent model for the establishment of a separate funding program under the *Blue Economy Strategy*, which would focus on projects that leverage the potential of the oceans sector for the benefit of all Canadians, including in the marine transportation space.

Trade Chain Digitization

From a marine shipping perspective, an effective *Blue Economy Strategy* should focus not only on investment in physical infrastructure, but also on investment in digital tools and platforms that enhance the ability of stakeholders to better manage and extract value from the huge volumes of data that flow through our supply chains on a daily basis. This is especially important in a context where our ability to increase physical infrastructure is often constrained by factors such as a lack of space in congested urban areas, environmental concerns, or community pushback – and yet the need to derive every possible drop of efficiency from our transportation and logistics systems continues to grow.

An excellent example of the tremendous potential that digitization offers in this respect lies with the Port Community Systems (PCS) that have been implemented in other parts of the world in recent years (including in the European Union). The PCS concept is aimed at creating a more integrated and fluid logistics process by connecting the data transmission systems that are already operated by individual trade chain stakeholders into a single information hub operated on a digital platform. The data that flows through such a system can then be leveraged to gain better insight and visibility into the performance of specific trade corridors and transportation routes, making it easier to not only respond to efficiency challenges in real time, but to potentially predict and address such challenges before they occur.

Although some of Canada's major ports are in various stages of developing their own digitization platforms, as are a number of their trade chain partners, we believe that Canada needs a much bolder vision and a more fully integrated, national approach if its ports and trade routes are to fully benefit from the kinds of efficiency gains these platforms offer. We therefore recommend that the *Blue Economy Strategy* provide for the development of a multi-year plan to concretely advance the Port Community System model in Canada through the implementation PCS pilot projects in the Atlantic, St. Lawrence/Great Lakes and Pacific regions. The development of these pilots, which should be led by the major ports in each of the above-noted regions, will require a high level of collaboration between ports and their trade chain partners (pilots, tug operators, terminals, shipping lines, marine agencies, inland carriers, etc.) - in order to assess how each partner's individual data transmission system (and data needs) can be integrated into a digital platform that can be leveraged for the benefit of the transportation system overall (in terms of gains in efficiency, safety, trade route competitiveness, etc.).

The implementation of these pilots should also serve as a gateway to the advancement of a "single window" reporting concept in Canada, by providing federal departments with a portal through which they can extract the specific data elements they require for border management purposes without the need for any additional reporting on the part of individual trade chain partners. It is worth noting that the International Maritime Organization (which is the U.N. agency that regulates maritime activity) has been championing the development of a single window model for the maritime mode for the past several years, and the concept is in various stages of implementation in several EU nations as part of the port community systems they already have in place.

Development of Green Ship Incentives

As previously noted, a successful *Blue Economy Strategy* from a marine shipping perspective must focus on actions and initiatives that appropriately balance Canada's economic and trade growth objectives with its other major priorities related to advancing Canada's climate agenda and moving towards a greener economy. We believe that an important avenue for achieving this is through the development of a comprehensive national program to establish and help finance a network of green ship incentive programs at ports across the country.

Under such a program, Canada's major ports would provide financial incentives – in the form of reduced port fees or other rebates – to ships that have implemented practices or made investments that are linked to Canada's major environmental priorities – such as reducing harmful air emissions, working to decarbonize shipping, and protecting marine mammals from the risk of ship strikes and the impacts of vessel underwater noise. Eligible practices would include the use of green technologies, the burning of cleaner fuel, the implementation of green operational practices, or membership in existing environmental programs such as Green Marine.

Incentivizing green ships to call Canadian ports would not only contribute to the long-term sustainability of Canada's trade routes, but also create a climate that fosters investment and innovation in clean shipping technologies (which is key to making concrete progress on the shipping industry's global decarbonization agenda). We have already put this proposal forward to Transport Canada as part of our comments on the ports modernization review, and believe it should also be integrated into Canada's *Blue Economy Strategy* as relates to marine shipping.

Actions to Protect Marine Mammals

Canada has been very active in enhancing our collective understanding of how shipping activity impacts marine mammals (and at-risk whales in particular) and developing measures (such as vessel slowdown requirements in specific areas) to protect whales from the possibility of ship strikes and the impacts of vessel underwater noise, which are the most significant ship-related threats whales face. These efforts are critical to a successful *Blue Economy Strategy*, as they serve to ensure that Canada's major trade corridors remain open to commercial shipping and that ships can continue to deliver trade via the safest and most efficient routes possible. They also present an opportunity for Canada to play a leadership role in the development of concrete, science-based solutions to effectively managing ship-whale interactions.

As an example, Transport Canada and the Fisheries and Oceans Canada have devoted significant resources to the development and implementation of whale detection technologies over the last several years, which is essential to ensuring safer interactions in a context where whales are continually moving and changing their locations. However, much more work remains to be done on this front in terms of increasing the geographic areas these technologies cover, learning how different detection tools can work together, and developing a better understanding of how to best use the near real-time information these technologies provide.

In order to address these gaps and continue to build our expertise on these issues, we recommend that as part of a *Blue Economy Strategy*, TC and DFO be mandated to continue working together to develop a multi-year, strategic plan (with appropriate funding levels) that is aimed at maximizing the efficiency and cost-effectiveness of whale detection efforts on Canada's east and west coasts. As part of the same process, we also recommend that the government maintain its financial commitment to more effectively

measuring vessel underwater noise at a national level and continue to promote corresponding investments with its international partners.

Moving Towards Decarbonization

The shipping industry has an ambitious global decarbonization agenda, which is aimed at reducing GHGs by 50 percent (compared to 2008 levels) by 2050 and moving to full decarbonization thereafter. Although the industry has been working hard to reduce its carbon footprint by designing more energy efficient ships and engines, implementing green operational practices, and adopting alternate fuels such as LNG or biofuels to power some of its vessels, much more R&D work needs to be done before carbon neutral fuels and technologies will be ready for deployment by the oceangoing fleet on a global scale.

Given the foregoing, we strongly support the \$5 billion Decarbonization Research Fund that was recently proposed by the shipping industry as a means of accelerating global R&D efforts and incentivizing investments at an appropriate scale, and have encouraged Canada to lend its support to this proposal when it is put to a vote by the International Maritime Organization (IMO).

From an ocean shipping perspective, it is essential to avoid regional regulatory measures that will slow down decarbonization on a global scale. The *Blue Economy Strategy* has an essential role to play in this respect, by ensuring that Canada strikes the appropriate balance between contributing to the decarbonization agenda through the development of national initiatives such as Canada's Hydrogen Strategy, while also remaining focused and engaged in the work being done at the international level through the IMO.

We appreciate this opportunity to provide input into the government's *Blue Economy Strategy* and trust that the above recommendations – which have been submitted on behalf of the owners and operators of the ocean ships that deliver Canada's imports and exports to and from world markets – will be given due consideration in the ongoing engagement process related to this strategy.

Sincerely,



Michael H. Broad
President
Shipping Federation of Canada