

Regulatory Triage Assessment

Title of regulatory proposal	The Merchant Shipping (Monitoring, Reporting and Verification of Carbon Dioxide Emissions) Regulations 2016
Lead Department/Agency	DfT
Expected date of implementation	1 April 2017
Origin	EU
Date	20 September 2015
Lead Departmental Contact	Tony Cunningham
Departmental Triage Assessment	Low cost

Rationale for intervention and intended effects

The European Commission published a proposal for an EU Regulation on monitoring, reporting and verification of CO₂ emissions from maritime transport in June 2013.

As part of the Regulation, Member States are instructed to set up a penalties regime to encourage compliance. Article 20 of the Regulation states that this should be designed to be effective, proportionate and dissuasive. The proposed UK penalties and enforcement legislation has been designed based upon this description and the statutory instrument will bring in fines for those operators that fail to comply with the Regulation, (through failing to be able to produce a valid Document of Compliance upon request). The draft UK Regulations will also allow for the detention of those ships that come into UK ports and are not in compliance with the Regulation (see Article 6).

Article 20 of the EU Regulation also requires EU Member States to be able to refuse entry to ships that are subject to an expulsion order issued by another Member State (due to persistent failure to comply with the Regulation). Article 7 of the draft UK Regulations will ensure that any expulsion orders issued by other Member States will be respected and ships will be refused access to any port in the UK. Article 8 sets out the extreme conditions under which a ship which is the subject of an expulsion order can enter a specific port or anchorage.

Failure to set up such a system of penalties would put us in breach of the EU Regulation and can result in the Commission launching proceedings (infraction proceedings) against the UK and to seek a fine for non-compliance.

Viabale policy options (including alternatives to regulation)

The statutory instrument is being made under section 2(2) of the European Communities Act 1972. The sole purpose of the statutory instrument is to provide an enforcement mechanism for an EU instrument and this will be done via an amendment to the Port State Control Regulations so that the check for the Document of Compliance forms part of the initial inspection.

Any other options would either involve gold plating the EU Regulation or failing to comply with it.

Initial assessment of business impact

Number of port inspections [a1]: 1,384 per annum (MCA: 2014 figure)
 Number of UK flag inspections [a2]: 790 per annum (MCA: 2014/15 FY)

Time to produce compliance doc [b]: 0.25 hours (MCA)
 Ship officer hourly cost [c]: £ 35.78 (wage and non-wage)

Total gross cost per annum: £19,446 ((a1 + a2) * b * c)

One-in, One-out status

Out of scope – EU derived

Rationale for Triage rating

Low cost – as this measure exists to check for compliance of an EU regulation, and is designed to be a minimal additional regulatory burden, the gross cost to business is significantly below £1 million per annum.

Prosecutions are not expected to be common under this regime as the cost of compliance is expected to be low and the reputational harm arising from an enforcement action could be significant. Comparable maritime regimes (air pollution, oil pollution) only rarely result in formal legal action with high rates of compliance resulting in less than 1 case per year reaching the courts. Because of this, 100% compliance is assumed and the costs of paying penalties are not counted. It is expected that businesses will choose to produce the Document of Compliance instead of facing penalties.

Departmental signoff (SCS):	Signature Claire McAllister
	Date 21 Sept 2015
Better Regulation Unit signoff:	Signature Nick Lynd

	Date 28 Sept 2015
Economist signoff (<i>senior analyst</i>):	Signature Jonathan Saks
	Date 17 Sept 2015

Supporting evidence

Brief introduction of policy

The European Commission published a proposal for an EU Regulation on monitoring, reporting and verification of CO2 emissions from maritime transport in June 2013.

The UK's aims in respect of this dossier have, throughout, been to ensure that the Regulation is workable in practical terms, proportionate in terms of the burden which it imposes, and compatible with (and able to inform discussions on) a global data collection system developed in the IMO. We consider that we have succeeded in this, and that the outcome is a good one.

The primary objective of the Regulation is "to promote the reduction of CO2 emissions in a cost effective manner" as a first step of a staged approach to reduce greenhouse gas emissions. The monitoring, reporting and verification system contained in the Regulation could also assist the development in the IMO of a global data collection system for energy efficiency of ships. A global system is preferable because of its broader scope.

The Regulation came into force on 1 July 2015. The start of the first reporting period under the Regulation will be on 1 January 2018.

Calculation of cost to business

There is one main cost to business - administration costs to officers when required to produce a Document of Compliance. Obtaining the Document of Compliance is required by the EU regulation itself, whilst domestic regulation is intended to check that shipmasters are in possession of such a document when routine inspections are carried out.

The Maritime and Coastguards Agency (MCA) carried out 1,348 port state control inspections (of foreign flagged vessels) in 2014, which is 19% of the total number of port calls. In addition, it carried out 790 inspections of UK flagged vessels in the

2014/15 financial year (674 routine survey inspections and an additional 116 unannounced inspections). The number of inspections should be considered an upper bound as inspections are carried out on all ships over 500 GT, whereas these regulations apply only to ships over 5,000 GT.

We assume, under advisement from the MCA, that it takes 15 minutes for a shipmaster to produce such a document for inspection. Assuming an average hourly employment cost of a senior ship officer is £35.78¹, the total annual cost to business will be £19,446 (of which £7,067 will be borne by UK flagged vessels).

Even with an assumed 2% annual growth in hourly wage and a doubling of the time taken to inspect the Document of Compliance, the maximum gross cost to business will be £47,410 per annum.

We do not envisage any additional familiarisation costs of the compliance checks.

¹ Taken from KPMG report into costs of complying with the MRV regulations. This is based on evidence from the National Careers Service that records the annual salary of a senior ship officer at £55,000. Including a 30% uplift to reflect non-wage costs borne by the employer this is equivalent to around £35.78 per hour