



DECEMBER 16, 2015

CIRCULAR NO. 44/15

TO MEMBERS OF THE ASSOCIATION

Dear Member:

THE PEOPLE'S REPUBLIC OF CHINA: DESIGNATION OF EMISSION CONTROL AREAS (ECAs)

On December 2, 2015, the Ministry of Transportation (MOT) of the People's Republic of China (PRC) issued a regulation described as *Implementing Project of Controlling Emission of Ships in Waters of Zhujiang Delta, Yangtze River Delta, Bohai Rim (Beijing, Tianjin and Hebei zones)* (the Project) as part of its program to reduce the emission of air pollutants by ships, and to promote "greener" shipping development. With the exception of military ships, recreational and fishing boats, all ships navigating, anchoring and operating in the ECAs shall comply with the Project.

The Project specifies ECAs for the Zhujiang Delta, Yangtze River Delta and Bohai Rim. In the ECAs, to reduce the emission of sulfur oxides, nitrogen oxides (NOs) and particulate matter into the air of contiguous coastal cities, ships will be required to use fuel with no more than a 0.5% m/m sulfur content or take alternative measures to the equivalent effect (e.g. connecting shore power, using clean energy, exhaust after-treatment etc.) The Project will take effect on January 1, 2016.

However, competent departments are authorized locally to implement rules requiring ships to use fuel with a sulfur content of no more than 0.5% m/m or to take alternative measures. These measures shall apply in the following ECAs.

The applicable ECAs

1. Zhujiang Delta (see the attached Map A)
 - a. *Sea zones*: Waters within the lines connecting the points of junction point of shoreline of Huizhou and shoreline of Shanwei, 12 nautical miles (nm) from Zhentouyan, 12 nm from Jia Peng Islands, 12 nm from Wei Jia Island, 12 nm from Da Fan Shi Island, junction point of shoreline of Jiangmen and the shoreline of Yanjiang (excluding the waters of Hong Kong and Macau).

b. *Inland waters*: Navigable waters under the administrative jurisdiction of 9 cities including Guangzhou, Dongguan, Huizhou, Shenzhen, Zhuhai, Zhongshan, Foshan, Jiangmen and Zhaoqing.

c. *Key ports*: Shenzhen, Guangzhou and Zhuhai.

2. Yangtze River Delta (see the attached Map B)

a. *Sea zones*: Waters within the lines connecting the points of junction point of shoreline of Nantong and shoreline of Yancheng, 12 nm from Wai Ke Jiao Island, 12 nm from Sheshan Island, 12 nm from Hai Jiao, 12 nm from Southeast Reef, 12 nm from Yashan Islands, 12 nm from Taizhou Islands (2), 12 nm from junction point of the shoreline of Taizhou and shoreline of Wenzhou, junction point of shoreline of Taizhou and shoreline of Wenzhou.

b. *Inland waters*: Navigable waters under the administrative jurisdiction of 15 cities including Nanjing, Zhenjiang, Yangzhou, Taizhou, Nantong, Changzhou, Wuxi, Suzhou, Shanghai, Jiaxing, Huzhou, Hangzhou, Shaoxing, Ningbo, Zhoushan and Taizhou.

c. *Key ports*: Shanghai, Ningbo-Zhoushan, Suzhou and Nantong.

3. Bohai Rim including Beijing, Tianjin and Hebei (see the attached Map C)

a. *Sea zones*: Waters within the lines connecting the junction point of shorelines of Dandong, Dalian and shorelines of Weihai and Yantai.

b. *Inland waters*: Navigable waters under the administrative jurisdiction of 13 cities including Dalian, Yingkou, Panjin, Jinzhou, Huludao, Qinghuangdao, Tangshan, Tianjin, Cangzhou, Binzhou, Dongying, Weifang and Yantai.

c. *Key ports*: Tianjin, Qinhuangdao, Tangshan and Huaye.

Control measures

(1) As from January 1, 2016, all ships must strictly comply with the requirements on the emission of sulfur oxides, nitrogen oxides and particulate matters under Chinese laws and regulations as set forth by Annex VI of the MARPOL 73/78 Convention. Local maritime authorities may require the ship to use fuel with a sulfur content of no more than 3.5% m/m during her berthing, and implement other measures more stringent than the current emission control standard. However, some ports may impose a limitation of

0.5% m/m by way of sulfur emission requirement. Members should check with their local agents in advance to determine which fuel standard will apply at individual ports to which they plan to call.

- (2) As from January 1, 2017, during the period of berthing at key ports (excluding 1 hour after anchorage and 1 hour before departure), the ship must use fuel with a sulfur content of no more than 0.5% m/m.
- (3) As from January 1, 2018, during the period of berthing at all ports within the ECAs (1 hour after anchorage and 1 hour before departure are excepted) whether at berth or not, the ship should use fuel with a sulfur content of no more than 0.5% m/m.
- (4) As from January 1, 2019, when entering the ECAs whether at berth or not, the ship should use fuel with a sulfur content of no more than 0.5% m/m.
- (5) By December 31, 2019, evaluation of the effects of (1)-(4) above will be conducted to determine whether:
 - (i) ships entering the ECAs should use fuel with a sulfur content of no more than 0.5% m/m;
 - (ii) the geographical area of ECAs should be enlarged; and
 - (iii) other further measures should be taken.

Summary

As from January 1, 2016, owners with ships berthing at key ports within the three ECAs are recommended to check with their local agents to determine if the 3.5% mm or 0.5% m/m sulfur fuel content requirements apply, and take measures to the equivalent effect during berthing.

Until January 1, 2019, all ships should use fuel with a sulfur content of no more than 0.5% m/m, or take measures to the equivalent effect, when they enter the three ECAs. Under the Project, the local competent department of transportation is required to establish the relevant rule and the standard to implement it.

The PRC is a contracting state of MARPOL 73/78 for which Annex VI, Air Pollution, came into effect in China on August 23, 2006. The Law of Prevention of Air Pollution, as revised in 2015, provides that ocean ships shall use fuel meeting the requirement for controlling air pollution, and berthing ships shall use shore-based power as a priority.

The competent department of the State Council may establish ECAs at coastal areas and ships entering them must comply with the relevant emission requirements though the current

regulations, *Standard for Pollutants from Ships*, do not provide standards for air pollution from ships, it is expected that detailed provisions on the emission of air pollutants from ships, and concomitant standards, will be published in the near future.

As to the consequences of violating the Project, it makes no provision on this issue. However, based on the current regulation and law:

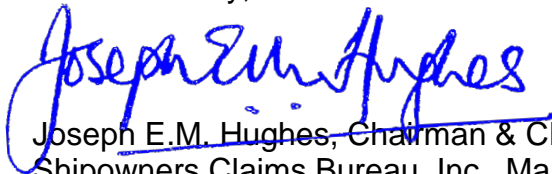
- (i) Art. 106 of *The Law of Prevention of Air Pollution of PRC* provides that where the ship does not use the required fuel, the local MSA will impose a fine in the amount of RMB 10,000-RMB 100,000.
- (ii) Art. 28 of *The Regulation of Prevention and Control of Marine Pollution to the Marine Environment* provides that the ship shall keep bunker delivery documents on board for three years and fuel samples for one year. If the ship fails to do so, according to Art. 64, a fine in amount of RMB 2,000-RMB 10,000 will be imposed.

You Managers will keep Members informed of any new developments on this subject. Meanwhile, Members are recommended, through their local agent, to check the emission requirements of the MSA before their ships enter Chinese ports as from January 1, 2016, especially for the eleven key ports which are Shenzhen, Guangzhou, Zhuhai, Shanghai, Ningbo-Zhoushan, Suzhou, Nantong, Tianjin, Qinhuangdao, Tangshan and Huaye.

Members should note that the use of fuel with a sulfur content of no more than 0.5% m/m will be mandatory at key Chinese ports as from January 1, 2017, at all Chinese ports in 2018, and within the ECAs as from January 1, 2019.

Your Managers thank Haitong & Partners in Beijing for the above information and the analysis thereof. Your Managers remain at the disposal of Members to answer any further questions as may arise.

Yours faithfully,



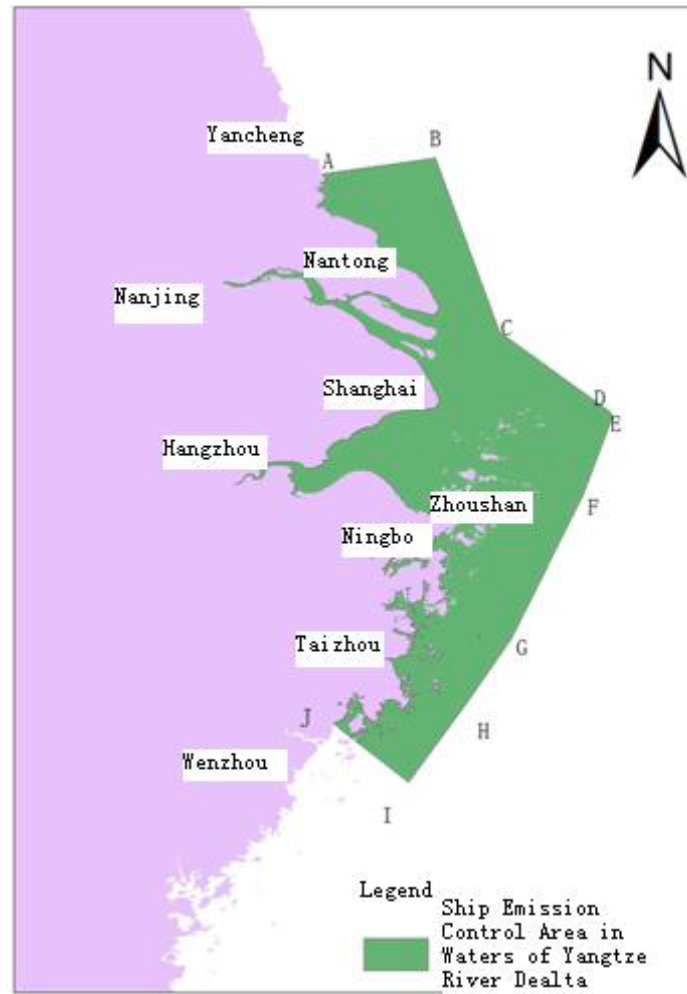
Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB

Emission Control Area Maps

MAP A: Zhujiang Delta



MAP B: Zhujiang Delta



MAP C: Bohai Rim

