

# Bi-National Solutions for Ballast Water Management

Much is being done both in Canada and the United States to ensure ships manage their ballast water to limit the risk of invasive species. However, when it comes to impacts on their domestic fleets that trade on the Great Lakes and St Lawrence, the Canadian and U.S. governments are on separate tracks which could significantly harm their domestic fleets.

The Canadian government has proposed regulations that would require both Canadian and U.S. domestic fleets to install ballast water management systems despite the fact that both fleets have not found any ballast water management systems that can meet the demands of domestic trading patterns, reliably operate in the region's unique environment and are economically feasible. The U.S. government has exempted its domestic fleet for this reason.

At the same time, the United States is considering regulations that would not be aligned with the standards or timelines of the proposed Canadian regulations.

The United States is also currently making Canadian Great Lake domestic

vessels that make occasional voyages to Canadian east coast ports fit ballast water management systems. This impacts about half of Canada's Great Lakes domestic fleet and creates an unlevel playing field with American Lakers, which are exempt under their government's rules as they operate entirely on the Great Lakes.

Canada's regulatory proposal, which would regulate both American and Canadian Lakers, is also creating concern within the United States government and could lead to retaliatory action. Neither government has indicated a willingness to modify their regulatory requirements or address the current disharmony.

## More Time is Needed to Develop Practical, Bi-national Rules

The risk posed by domestic fleets is low; and providing more time to get the regulatory framework right would have little downside. According to the Government of Canada's own risk estimates in its regulatory proposal, since 2006, the region should have seen some 20 invasions, including three major ones with impacts similar to the zebra mussel. Yet, as both

countries have regulated ballast water from arriving ocean-going ships since 2006, there have been no major invasions into this fully-connected, inland waterway system. Canadian and American domestic fleets in the region do not travel overseas.

As the same ships voyage in the same waters, if Canadian domestic ships fit systems while the American ones do not, the investment by Canadian ship owners in ballast water management systems will yield little environmental advantage for the region.

There is an absolute need for a harmonized and practical approach to ballast water regulations aimed at domestic fleets that operate most of their time on the shared waters of the Great Lakes and St Lawrence waters.

With our history of cooperation, a bilateral arrangement would offer a level playing field and environmental protection, allowing the Canadian domestic fleet to continue delivering cargoes that support over \$12.5 billion in Canadian economic activity for the region each year.

## A Bilateral Arrangement Should:

- Apply to both domestic fleets in their combined operational area in the Region,
- Set a general principle of mutually agreed equal treatment,
- Require collaboration for a common technical review with industry to examine the challenges,
- Require both governments use the technical review to frame a common regulatory approach, and
- Exempt both domestic fleets from regulatory measures on ballast water on a time-limited basis until the bi-lateral arrangement is finalized.

**Call for Action: We urge both governments to come together to forge a bilateral arrangement based on a common solution, timing and understanding of risk factors, and exempt both domestic fleets from regulatory measures on ballast water on a time-limited basis until the terms of this arrangement can be fulfilled. This provides a pragmatic approach to resolve concerns in both countries.**



# Canada's Proposal to Regulate Domestic Ships' Ballast Water Costs \$560 Million – For \$31 Million In Benefits

In June 2019, Transport Canada published its proposed Ballast Water Regulations seeking to implement an international convention to limit the spread of invasive species from ships' ballast water and to require Canada's domestic ships fit ballast water management systems (BWMS).

For domestic ships that trade in the Great Lakes and St. Lawrence Region, supporting a \$6 trillion regional economy, CMC saw a number of significant operational and technical issues with the proposed regulations. The Cost Benefit Analysis (CBA) also had several major deficiencies. Chief among them was a prediction of future species invasions over the next 25 years that were expected under the current regulations if not replaced. Yet under the current regulations, in place since 2006, no such invasions have occurred in the Region. The prediction does not match actual outcomes.

## Cost Benefit Analysis Deficiencies

In late 2020, CMC engaged the analytical consulting firm RTG to review the CBA, which revealed some startling findings:

- 1. The CBA compares costs to totally unrelated benefits.** It does not examine the central question of if Canada's domestic ships should fit BWMS. Rather it compares costs domestic ships would incur to benefits from existing controls on ships arriving from overseas.
- 2. The CBA underestimated costs to Canada's domestic vessels trading in the Great Lakes and St. Lawrence Region.** From experience to date, costs were found to be 1.91 times the cost estimated in the CBA.
- 3. The CBA did not address costs of operational impacts such as trip-delays and downtime impacts due to technical issues.** This was estimated to be 3% or more in time delays, the equivalent of two vessels in the Region.
- 4. The incremental benefits of regulating domestic fleet were far below the costs necessary to realize them.** Using the federal government's CBA analysis framework, with corrected numbers, costs for domestic ships in the Region were estimated to be \$564 million while benefits to be \$31.3 million, which means the expected costs would be about 18 times greater than the expected benefits.
- 5. In addition to direct economic losses, shifts to trucking or rail would greatly increase GHG emissions, air pollution, road congestion, and costs of infrastructure maintenance.** These impacts would affect both Canada and the United States.
- 6. The CBA did not address the competitive consequences.** Yet Canada's domestic fleet would suffer competitive impacts in two ways: it could lose market share, scrap ships and lay off employees as well as increase rates in trades that depend on marine shipping. This would cost the Region hundreds of millions of dollars in lost business revenue, income, taxes, and jobs with impacts borne by farmers and steel producers, as well as companies depending on marine shipping to move petroleum, stone, salt, and other commodities that support the economy.
- 7. Since the Region has the lowest beneficial impacts, lowest unabated invasions and highest per-vessel costs, an assessment of costs by region would be important to domestic vessel owners.**

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*CMC is calling for Canada to work with the United States and develop a fair and equal bilateral arrangement for the Region that works for both countries and is based on feasible and available technology. A key part of this requires Transport Canada to reassess its CBA. Transport Canada could progress the regulations for ships that trade overseas and along the Atlantic and Pacific coasts of North America, while allowing a pragmatic approach for the Great Lakes and St. Lawrence Region to be collectively developed by both countries.*

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