

**The Port Authority of New York and New
Jersey Clean Vessel Incentive Program
Terms and Conditions**

On October 25, 2018 the Board of Commissioners of the Port Authority of New York and New Jersey (the “Port Authority”) authorized the five year extension of the ocean-going Vessel Clean Vessel Incentive Program (the “CVI Program”), which is an element of the Clean Air Strategy for the Port of New York & New Jersey that has been developed to reduce air emissions from all port-related sources. Through the CVI Program, the Port Authority has made available financial incentives to encourage operators of ocean-going vessels (OGVs) calling at Port Authority Marine Terminal Facilities to utilize environmentally friendly clean ship practices. Under the CVI Program, the Port Authority provides a financial incentive to Enrolled Operators of OGVs that achieve high scores based on the World Port Climate Initiative Environmental Ship Index (ESI) and/ participation in Vessel Speed Reduction (VSR). The ESI, which is further described in Section 3 herein, is based on the sum of four (4) elements. Points are awarded on (1) reducing nitrogen oxide emissions, (2) the sulfur content of fuels used, (3) carbon dioxide emissions and (4) the presence of an approved onshore power system (OPS) installed on board. In addition to the globally published ESI score, the Port Authority will add additional points if the vessel also participates in VSR, which is described in Section 5 herein. A CVI Program reimbursement shall be given to each vessel Enrolled Operator that has enrolled in the CVI Program and has a Clean Vessel Incentive (CVI) score (ESI Score + VSR Points) of 40 points or higher, with an additional incentive provided to an enrolled vessel equipped with Tier III engines, in accordance with Section 3 below. Payments are made subject to an annual CVI Program funding cap of approximately \$1.5 million per year.

1. Definitions: The following definitions apply to the Program:

“Alternative Fuel” means fuels or power sources which provide the energy supply to ocean-going transport and contribute to its decarbonization and enhance the environmental performance of the transport sector, subject to the Port Authority’s review and approval.

“CVI Program” has the meaning set forth in the opening paragraph of these Terms and Conditions.

“Enrolled Operator” is a vessel operating company that owns, charters and operates ocean-going vessels for the transportation of marine cargo that has submitted a completed Operator Enrollment Package, and has been approved by the Port Authority to participate in this Program.

“Enrolled Vessel” is a self-propelled ocean-going vessel that is owned or under charter to an Enrolled Operator for the purpose of transporting on board marine cargo and that has been entered into the CVI Program by an Enrolled Operator pursuant to Section 2 of these Terms and Conditions.

“Environmental Ship Index” or “ESI” is the International Association of Ports & Harbors’ incentive program under the World Ports Climate Initiative, which can be found at: <https://www.environmentalshipindex.org/>.

“Qualifying Vessel Call” is a call at a Port Authority Marine Terminal by a vessel that transits the Participation Zone and meets the requirements to receive a financial incentive identified in Sections 3 and 4.

“Ocean-going vessel” or “OGVs” shall mean is a commercial ship greater than or equal to 400 feet in length or 10,000 gross tons; or propelled by a marine compression ignition engine with a displacement of greater than or equal to 30 liters per cylinder.

“Participation Zone” is the area measured from a Port Authority Marine Terminal Facility berth, and out to an arc of 20 nautical miles (nm) from the intersection of the Ambrose Channel Centerline and the Territorial Sea Line (as defined as Lat: 40.508N/Long: -73.965W) for the NY/NJ Harbor. The area/region of the Participation Zone is depicted in Figure 1 below.

“Port Authority” means the Port Authority of New York and New Jersey.

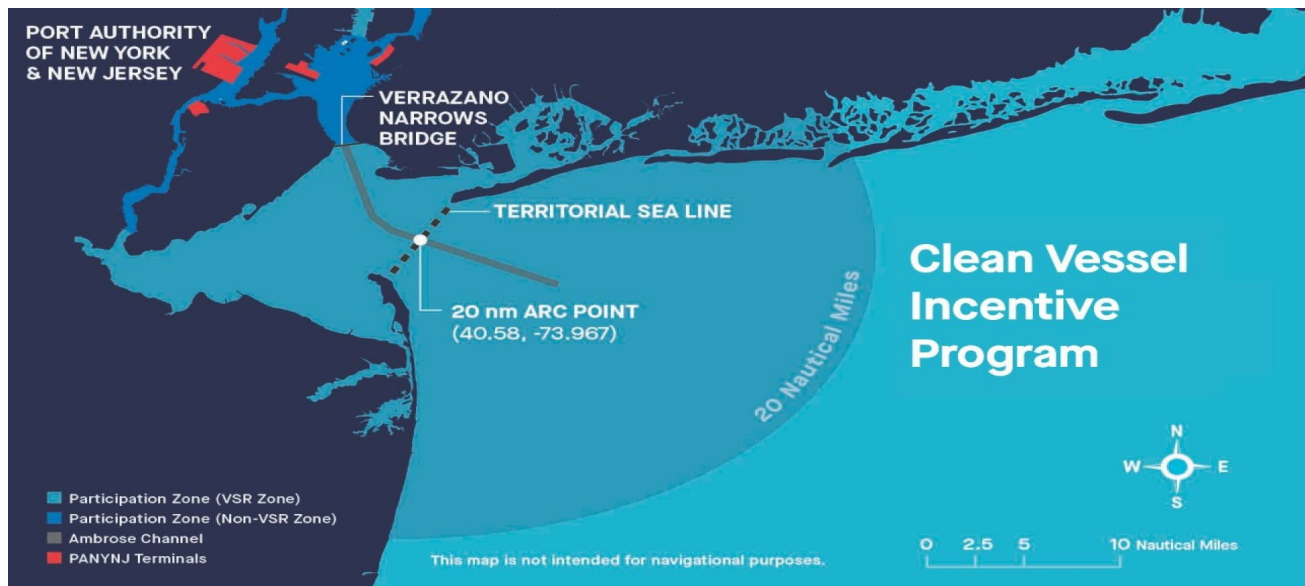
“Port Authority Marine Terminal Facility” means one of the following facilities:

- Howland Hook Marine Terminal/Port Ivory
- Port Newark/Elizabeth Port Authority Marine Terminal
- Port Jersey-Port Authority Marine Terminal
- Brooklyn-Port Authority Marine Terminal

“Vessel Speed Reduction” or “VSR” is travel through the VSR Zone at a weighted average speed of 10 knots or less on any arrival and/or departure. The weighted average speed shall be determined and measured by the United States Coast Guard Automatic Identification System (AIS) using the method provided in Attachment A.

“VSR Zone” is the portion of the Participation Zone from the Verrazano Narrows Bridge seaward to the edge of the Participation Zone at the 20 nm arc, subject to Vessel Speed Reduction, as shown in Figure 1 below

Figure 1:



2. Enrollment Requirements. The CVI Program is open to all vessel-operating companies whose OGVs call at Port Authority Marine Terminal Facilities. To be eligible for reimbursement under this CVI Program, then prior to engaging in reimbursable activities, each vessel operating company must enroll itself and be approved as an Enrolled Operator and each of its OGVs that it anticipates will participate in the CVI Program must be approved as Enrolled Vessels, all in accordance with these Terms and Conditions. Visit the CVI Program website at <https://www.panynj.gov/about/clean-vessel-incentive-program.html> to see more information and to download all required forms. To enroll in the CVI Program, the vessel operating company must do the following:

- a) Submit the following documents or information provided in the CVI Operator Enrollment Package to the Port Authority at the address in Section 2(e), which consists of:
 - Signed Port Authority of New York and New Jersey Clean Vessel Incentive Program Terms and Conditions
 - Company and Vessel Enrollment Form, with company name, mailing address, and contact information as well as information on each OGV to be enrolled (all vessels can be listed on one form; also, the vessel operating company can enroll additional vessels at any time during the CVI Program, but please note that all reimbursements remain subject to the funding cap described in these Terms and Conditions)
 - Requested Tax ID Forms:
 - W-9 (US entities); or
 - W-8BEN (non-US entities)
- b) Register Enrolled Vessels in the ESI program and provide and maintain sufficient data to the ESI database to maintain a valid ESI score. Enrolled Vessels in the CVI Program must have a valid ESI score at all times while participating in activities for which the Enrolled Operator would seek reimbursement.
- c) Enroll during the open enrollment period of the CVI Program, which is from January 1, 2019, to December 31, 2023. Enrollment will be accepted at any time through the end of the CVI Program.¹ Vessel enrollment forms must contain a valid International Maritime Organization (IMO) number and Maritime Mobile Service Identity (MMSI) number for each vessel enrolled.
- d) Once the completed CVI Operator Enrollment Package has been submitted, reviewed and approved, the Port Authority will issue a vendor identification number and the vessel operating company will be notified that it has been enrolled. The Enrolled Operator will be the entity receiving applicable incentive payments. The Port Authority will not be able to make payments to any entity other than the Enrolled Operator with the approved vendor identification number.
- e) All enrollment forms and documents must be e-mailed or sent to the Port Authority at

¹ Note that potential parties that enroll on or near the end of the current CVI Program enrollment period may not receive any reimbursement payments and enrollment is not a guarantee of any reimbursement payments. Future extensions or continuation of the CVI Program is not guaranteed.

the following address:

Port Authority of New York & New Jersey
Clean Vessel Incentive Program
Port Department
4 World Trade Center, 17th Floor
150 Greenwich Street
New York, New York 10007
Attn: Ms. Tanja Grzeskowitz
Email: CVIProgram@panynj.gov

- 3. CVI Program Incentives.** The CVI Program incentives are based on an Enrolled Vessel's CVI Score. The CVI Score is determined using the following equation:

$$\text{CVI Score} = \text{ESI Score} + \text{VSR Points}$$

Where,

ESI Score = ESI Score as reported by the World Ports Climate Initiative (WPCI)

VSR Points = Vessels meeting the VSR requirements, on a per call basis, will receive an additional 20 or 40 points pursuant to Section 5 below.

Enrolled Vessels are eligible for the following CVI Incentive, which is comprised of a CVI Score Incentive and an Engine Tier Incentive, as follows:

$$\text{CVI Incentive} = \text{CVI Score Incentive} + \text{Engine Tier Incentive} + \text{Alternative Fuel Incentive}$$

CVI Score Incentives:

- 1) Top Tier: CVI Score ≥ 90 is incentivized \$3,000 per Qualifying Vessel Call
- 2) Middle Tier: CVI Score 70-89 is incentivized \$2,000 per Qualifying Vessel Call
- 3) Lowest Tier: CVI Score 40-69 is incentivized \$1,000 per Qualifying Vessel Call

Engine Tier Incentive:

- 1) An Enrolled Vessel that has Engine International Air Pollution Prevention (EIAPP) certification that demonstrates that all engines meet or are cleaner than IMO Tier III requirements are incentivized \$5,000 per Qualifying Vessel Call.

Alternative Fuel Incentive:

- 1) An Enrolled Vessel that can successfully demonstrate the use of Alternative Fuels, as defined in Section 1 with supporting documents are incentivized \$3,000 per Qualifying Vessel Call. Incentive, including supporting documents, are subject to approval by Port Authority at its sole discretion.

- 4. Conditions of Eligibility for Incentive Reimbursement.** The following conditions must be met to be eligible to receive reimbursement through the CVI Program:

- a) The vessel operating company must be an Enrolled Operator pursuant to Section 2, above;
- b) The OGV for which reimbursement is sought must be an Enrolled Vessel, pursuant to Section 2, above;
- c) The OGV must be registered in the ESI Program, data required for obtaining an ESI Score must be submitted to WPCI, and a valid ESI Score must be maintained for incentive reimbursement qualifying activities;
- d) The OGV for which reimbursement is sought must make a Qualifying Vessel Call; and
- e) The Qualifying Vessel Call must have taken place after enrollment of the vessel and within the CVI Program's operational dates pursuant to Section 2, above.

5. Determination of Vessel Speed Reduction Compliance

To be eligible for VSR points, an Enrolled Vessel call must be compliant with the CVI Program's VSR requirement of an average weighted speed of 10 knots or less from the boundary of the seaward edge of the Participation Zone to the Verrazano Bridge for arrival and/or departure, as shown in the Definitions section of these Terms and Conditions. Vessel speeds will be determined by the AIS speed data at five (5) nautical mile intervals starting at the intersection of the Ambrose Channel centerline and the Territorial Sea Line and moving eastward and, in the other direction, by two (2) intervals equidistant to the Verrazano Bridge. A weighted average based on measured speed and distance traveled within each interval will be used to determine the average speed of the arrival and/or departure transit for each call. To be awarded 20 VSR Points on a per call basis, the Enrolled Vessel must comply with the VSR requirement on an arrival or departure transit. 20 VSR points shall be awarded for compliance with VSR in either arrival or departure transit. If compliance with VSR is achieved in both directions on the same voyage, a total of 40 VSR points shall be added to the ESI score. The weighted average speed shall be determined using the method provided in Attachment A.

Cruise ship operators are eligible to meet the CVI Program's VSR requirement under an Alternative Compliance Plan (ACP). A cruise ship operator may request an ACP from the Port Authority at the time of vessel enrollment. After the ACP request has been received, the ship operator will be sent a spreadsheet to fill out to include information on operational conditions for the specific ship at various speeds, which will be used to determine the ACP weighted average speed cap. The Port Authority will provide the ship operator with an alternative compliance speed or alternative operational criteria to meet VSR for the Enrolled Vessel. If multiple vessels are enrolled, an ACP request must be completed for each vessel. The ship operator can choose either option. Once an ACP is approved, the ship owner must meet the terms of the ACP in order to qualify for VSR points. The ACP will be effective in the same geographical boundary as defined for VSR compliance and VSR points will be awarded in the same manner as described in the above section, using the ACP weighted average speed cap to determine VSR compliance. Ships that are eligible to request an ACP are ships that have high non-propulsion loads that could have a negative environmental impact when complying with VSR speeds in the CVI Program Participation Zone.

6. Recordkeeping & Auditing

The Enrolled Operator will comply with ESI recordkeeping requirements. The Enrolled Operator will facilitate all ESI administrative audits by providing requested data as per the ESI administrative audit guidelines established by WPCI. In addition, the Port Authority may perform random incentive provider audits in accordance with the audit guidelines. The Enrolled Operator will facilitate Port Authority audits by providing access to the ship, its crew and the ship's logs at any time upon reasonable request by the Port Authority and shall continue to provide such access for audit purposes up to four (4) years following the Enrolled Operator's participation in the CVI Program.

If an error is found during the audit process, i.e. an incorrect EIAPP number is reported or an incorrect ESI number is provided, an "adjustment/deduction" will be made from the previous two payment quarters at a minimum and future incentive payment(s) may be adjusted/deducted to correct any such error.

7. Reimbursement Process

Within thirty (30) days after the end of each quarter, the Port Authority will provide to the Enrolled Operator a list of the voyages for all Enrolled OGVs for that Enrolled Operator that called during the quarter, an indication of whether or not they were VSR compliant on arrivals and/or departures, and the ESI Score for each trip. Additionally, such notice shall include any applicable Engine Tier Incentive.

Based on the indicated participation, the Port Authority will calculate the incentive for all compliant Enrolled Vessels. The calculated incentive will be sent to the Enrolled Operator's designated contact with instructions to submit an invoice to the Port Authority for the calculated incentive amount. Invoices should be submitted on company letterhead and include remittance information, vessel voyage details, invoice period and the provided cover sheet as one .pdf document. All invoices may be sent via email or mail to the address below for approval and processing; however, the preferred method for receiving invoices is via email. If approved, the Port Authority will then issue payment via the Port Authority's preferred method based on the submitted invoice.

Port Authority of New York & New Jersey
Clean Vessel Incentive Program
Port Department
4 World Trade Center, 17th Floor
150 Greenwich Street
New York, New York 10007
Attn: Ms. Tanja Grzeskowitz
Email: CVIProgram@panynj.gov

a) Reimbursements are subject to the annual funding cap of approximately \$1.5 million through 2023. If funds run low during the respective CVI Program year, invoices will be paid on a prorated basis during the final quarter with remaining funds available, provided they are received within thirty (30) days of receipt of the quarterly incentive summary. If the annual funding cap has been reached, the Port Authority shall not have any obligation to the Enrolled Operator.

b) Vessels must be enrolled by the end of the quarter to be considered for payment during quarter. Payment for vessels participating but not enrolled in the program will not be reimbursed.

Quarterly Enrollment due dates are:

March 31

June 30

September 30

December 31

The vessel operating company or agent must review and submit the quarterly invoices prior to the end of the following quarter in accordance with the provided instructions for invoice submittal.

8. Program Resources

The Port Authority has created a web page to provide information and resources pertaining to the Program. The web page can be found at <https://www.panynj.gov/port/en/our-port/sustainability/clean-vessel-incentive-program.html>. Included on the site are:

- Program and incentive overview
- Port Authority enrollment forms
- Link to ESI website
- Quarterly update of remaining annual incentives

For additional information, please contact Tanja Grzeskowitz, Clean Vessel Incentive Program Manager at CVIPProgram@panynj.gov.

9. No Commissioner Liability

Neither the Commissioners of the Port Authority, nor any of them, nor any officer, agent or employee thereof, shall be charged personally by an Enrolled Operator with any liability, or held liable to the Enrolled Operator under any term or provision of these Terms and Conditions.

10. Certification and Disclaimer

I, _____ [name], _____ [title] am authorized to sign these Terms and Conditions on behalf of _____ [vessel operating company]. I certify that the information in the CVI Operator Enrollment Package and any other information submitted to the Port Authority for participation in this Program is true and correct as of the date hereof. By submission of this CVI Operator Enrollment Package, I acknowledge that _____ [Enrolled Operator name] is solely responsible for the operation of all Enrolled OGVs participating in this CVI Program. I further acknowledge that participation in this Program, including any reimbursements, will be governed by the terms and conditions presented herein, and that any reimbursement is subject to the funding caps as described herein. I further acknowledge that the Program is a voluntary program and that the crews of the Enrolled OGVs that participate are fully responsible for the safe operation of their ship. It is acknowledged that the only obligation of the Port Authority under this program is to make incentive payments after verification of compliance in accordance with these Terms and Conditions.

Name of Company: _____

By: _____
Authorized Signature Print Name Date

Title: _____

Attachment A

The Weighted Average Speed for participation at the 20 nm level shall be determined by the following formula:

$$\frac{\text{Segment A Average} + \text{Segment B Average} + \dots + \text{Segment E Average}}{\text{Distance A} + \text{Distance B} + \dots + \text{Distance E}}$$

Where:

Segment A Average = [Sum Distance A] x Sum of Average Speeds between Territorial Sea Line and Verrazano Narrows Bridge

Segment B Average = [Sum Distance B] x [Sum of Average Speeds between Territorial Sea Line and 5 nm]

Segment C Average = [Sum Distance C] x [Sum of Average Speeds between 5 nm and 10 nm]

Segment D Average = [Sum Distance D] x [Sum of Average Speeds between 10 nm and 15 nm]

Segment E Average = [Sum Distance E] x [Sum of Average Speeds between 15nm and 20nm]

All speeds (in knots) are measured by the AIS for the segments indicated above. Segment A is from the Verrazano Narrows Bridge to the intersection of the Territorial Sea Line and Ambrose Channel [40.508, -73.965]. Segments B, C, D, and E are arcs at 5 nautical mile intervals from the intersection of the Territorial Sea Line (5 nm, 10 nm, 15 nm, 20 nm). Average speeds, as referenced in the equation above, are calculated by averaging the speeds between two AIS points. The distances (in nautical miles) for each segment, defined as Distance A, B, C, D, and E, are measured from AIS.