

MONTHLY REPORT for ICS

June 2026

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USTR Reinstatement of Port Fees – Request by Senators Kelly and Warren

In early June, Democratic Senators Mark Kelly and Elizabeth Warren sent a letter to the US Trade Representative requesting immediate reinstatement of the suspended Chinese port fees on “Chinese linked vessels” which we presume to mean vessels owned/flagged by Chinese entities and non-Chinese flagged vessels built in Chinese shipyards. Their position is based on their belief that imposition of Chinese port fees are critical to rebuilding the US shipbuilding industry and reducing reliance on China’s maritime industry. It should be recalled that Senator Kelly is one of the sponsors of the SHIPS for America Act which also includes a port fees provision.

Specifically, the letter requests responses to 8 specific questions found at page 4 of the letter.

A copy of the letter may be viewed at the link below. The Senators have requested a response by June 21st, however, as of this writing, CSA has not seen a copy of this response. CSA has been in contact with the USTR but has not received any response on this issue. A copy of the letter may be viewed at [USTR - Kelly Warren - Reinstatement of Chinese port fees](#) .

**USCG – Notice of Availability of Retrospective Analysis of 2012
Ballast Water Discharge Standards and Request for Comments
(Federal Register, June 11, 2026)**

A copy of the report produced by the Volpe Center and the USCG may be downloaded at [Volpe Center - Retrospective Analysis of USCG 2012 Ballast Water Discharge Standards](#).

Regulatory History

In 2012, the USCG/EPA finalized the ballast water discharge standards which became the regulatory framework currently in place under the vessel general permit (VGP). As required, the USCG conducted a regulatory impact analysis (RIA) to assess the projected costs of compliance with the final rule versus the projected environmental benefits of compliance as regards reducing the invasions of aquatic nuisance species from ballast water and hull fouling. This new study updates the original RIA using 13 years of real time data collected since the rule was finalized. There are no suggested changes to the 2012 rule in this document. It is notable that the VIDA regulations from EPA (which contain the ballast water discharge standard) are final and the USCG is working on finalizing their VIDA regulations. The VIDA regulations (EPA and USCG) will enter into effect only when the USCG regulations are finalized.

This notice requests comments on the data, methodology and findings presented including specific comments on the estimated invasion rates, BWMS cost models and assumptions made relative to fleet growth and retrofitting costs for vessels to which the 2012 rule applies. Comments to the docket are due on or before August 10, 2026.

Summary of Notice and Request for Comments and Report Findings

Section 2 – Data Collection

- Outlines the multiple databases used to update the invasions data and cost modeling
- Invasions data was obtained from consolidation of information in the CABI invasive species compendium, National Estuarine and Marine Exotic Species Information System (SERC) and the US Register of Introduced and Invasive Species
- Cost analysis data was obtained from the InvaCost public data base which contains the most up to date compilation and description of economic costs for invasive species globally
- Vessel fleet data and ballast water management methods/systems utilized data from the USCG Marine Information for Safety and Law Enforcement (MISLE) and the USCG/SERC National Ballast Water Information Clearinghouse

which collects, analyzes and interprets data on the BW management practices of commercial ships operating in US waters

- Additional vessel specific data were obtained by a review of the USCG extension requests (64 requests covering 161 vessels) including cost estimates (retrofit) and interviews with select stakeholders including BW equipment manufacturers, a law firm specializing in compliance with US regulations, several vessel operators and a research institution.

Section 3 – 2012 Model Parameter Updates

- Baseline invasion rate of 10.5 invasions per year attributable to shipping is significantly lower than what was previously estimated (14.5)
- Distribution of species by taxonomy slightly different from previous estimation
- Likelihood of invasion from ballast water (versus other vectors) slightly higher than what was previously estimated
- Likelihood of invasion to cause severe economic harm significantly higher than previously predicted
- Invasions attributable to ballast water (versus other ship related vectors) was 44.3% and higher than previously estimated (32%)
- Annual damage from BW invasions across three taxa was significantly lower than previously estimated in large part due to the comparatively smaller geographic areas versus larger geographic areas used in the estimates for the 2012 rule.
- BWMS effectiveness was significantly higher (71%) than the previous estimates ranging from 37-63%
- Costs associated with BWMS purchase, installation and operation were updated from the previous based on real work data collected since the 2012 rule became final and are showing a trend to reduced costs based on maturation of the technology and consolidation of the BWDS to three principal treatment methods.
- Vessel population quantified from USCG and SERC data for vessels greater than 1600 gross tons were assessed by vessel type and by deadweight within each vessel type
- Total vessel population is 10,333 which is close to the 2012 estimation of 10,466 vessels
- Data collected from a variety of sources linked vessel type and deadweight with preferred treatment methods with a focus on treatment capacity needed for particular vessel types
- Manufacturer share of the BW treatment marketplace indicated the largest share of the marketplace was for chemical based and ultraviolet based systems with Alfa Laval dominating the ultraviolet treatment systems market (57.7%) and ERMA FIRST and Techcross dominating the chemical treatment systems (49.1%)
- Analysis of BWMS costs indicated that chemical systems were more expensive than UV based systems largely due to the higher capacities of chemical

systems versus lower capacities of UV systems; however the chemical systems become more cost effective when analyzed at 6000 cubic meters per hour and above

- Costs are reduced to some degree due to the increase in the number of systems with USCG type approval (3 in 2016 to 54 in 2024) which places a downward pressure on observed prices over time
- Installation costs were analyzed based on interviews with shipping companies and focused on the costs associated with retrofit (versus new build) with variations across the system types due to size/capacity of the system, labor and material costs of the shipyard doing the installation, presence of hazardous materials/cargoes (requiring physical segregation of the space in which the system is installed from the hazardous materials/cargoes and specific characteristics of the vessel itself and some installations were found to cost as much or more than the BWMS purchase price itself, depending on vessel size and system type
- Installation costs of a retrofit system varied widely with system type and vessel size and noted costs associated with lost revenue in cases where the shipyard was for the sole purpose of BWMS installation with the typical installation time of 7 days but occasionally as high as 20 days
- Operating costs were analyzed for the 2012 final rule analysis and were updated via interviews with shipping companies; costs per cubic meter of ballast water treated and reduced significantly as the vessel size increased due to economies of scale associated with a higher capacity system
- Annual operating costs varied widely by vessel and system type and capacity and ranged from \$5000-\$33000 for UV systems and \$9000-\$32000 for electrochlorination/electrolysis systems

Section 4 – Retrospective Benefits – Cost/Benefit Estimations and Net Benefits

- Noted significant consolidation in the BWMS market around a few system types with 90% of currently installed systems using ultraviolet, electrolysis or electrochlorination systems
- Acquisition costs are lower than previously estimated in large part due to maturation of the BWMS marketplace and consolidation of system providers
- Expected installation costs for retrofits are higher than previously estimated
- In the long term, the environmental benefits outweigh the system costs (installation, operating) although in the near term, the costs outweighed the benefits due to the higher costs associated with retrofitting (versus new vessel installation during construction)
- Despite the fourfold increase in ballast water discharged in US waters (from 2005 to 2022), the number of invasions appears to be declining in large part to the increase in treated ballast water discharges (versus untreated or subject to ballast water exchange)
- Compliance trends show significant increases in compliance with the discharge

standards from 2013 to 2024 with compliance levels at 94% in 2024

- Net benefits when the cost and benefit data are consolidated indicates net positive benefits occur by 2045 and are expected to increase each year thereafter in large part due to invasions prevented versus a relatively stable cumulative cost of compliance

Section 5 – Special Topics (Biofouling, Species of Interest, Geographic Approach, Vessel Operator Challenges, Historic Cost of the US fleet)

- Based on modeling data, 55.7% of invasions from shipping have the potential to be related to biofouling (versus 44.3% from ballast water discharges)
- 20 species of invasive species have the potential to spread via ballast water although none of these global invaders have yet been reported in US waters
- Use of modeling to establish invasions risks is best available but a more extensive global database on environmental data on a port/country basis would provide better estimates based on real time data
- Challenges observed by vessel operators included cases where BWMS malfunctioned resulting in downtime, additional costs and lost revenue including cases of challenging water conditions (turbidity, water temperature and low salinity) and included several instances where a vessel was required to exit a US port to outside the EEZ to conduct a ballast water exchange before reentry to the US port; instances of 2-3 month wait times for parts and lack of repair technicians were also cited
- Relative to rule applicability, noted significantly reduced number of US flag vessels and increase in non US flag vessels with 50% flagged to three countries (MI, Liberia, Panama)

Section 6 – Conclusions and Recommendations

- Noted benefits of using real time data relative to invasions and geographic distributions but further note better certainty with increased data especially relative to the rate of invasions
- Future research should be done to improve the way in which the multiple invasive species databases could be combined/synthesized
- Noted significant consolidation in the BWMS marketplace with focus on UV, electrolysis and electrochlorination systems produced by a limited number of manufacturers
- Retrofitting costs were higher than previously estimated for the 2012 rule
- Recommends continuing the compliance extension program to add additional real world data relative to retrofits
- More research is needed on installation costs given the installation function has been transferred from manufacturers to shipyards with cost data difficult to assess for foreign shipyard installations
- Cost of the rule increased significantly in the early compliance periods due large percentage of retrofits (vs new construction) with benefits exceeding

costs in later compliance periods due maturation of the marketplace and larger percentage of installations on new builds

- Net benefits of the rule remain positive over time

CSA Comments and Recommendations for Comments

- CSA did not identify any errors in modeling methodologies and data analysis in this study
- We agree that costs of the rule exceed benefits in the early years of analysis but benefits exceed costs over time due to the number of invasions prevented and the lower costs of BWMS installation for new construction (versus retrofits in the early years)
- We believe that retrofit costs during the early compliance periods are underestimated based on information learned from our members where retrofit challenges are encountered multiple times with the same vessel/BWMS system e.g. the problem is not corrected on the first attempt; in fact a few systems on specific vessels encountered multiple compliance challenges during the early operational years and some in fact, were replaced by a different BWMS when the initial system's compliance issues could not be resolved adding significantly to the total costs of compliance
- Although beyond the scope of this notice and request for comments, we may wish to comment on continuing challenges associated with the lack of robustness relative to the type approval process as compared to actual operating parameters in which a particular system must meet the discharge standards and the issues surrounding ballast water treatment in situations of challenging water quality and the need for contingency plans; both issues likely contribute to higher operating costs that are not adequately reflected in the cost analysis in this study.

California Blue Whales and Blue Skies Program – 2026 Program Expansion and Awards Criteria Adjustments

It should be recalled that the State of California implemented a voluntary program, Protecting Blue Whales and Blue Skies Program, a number of years ago which focused on the air emissions reductions and mitigation of whale ship strikes associated with implementation of vessel speed restrictions (VSRs) in coastal areas off of certain California ports.

While the 2026 program was proposed to commence on 1 April 2026, industry worked with both California and federal agencies urging a delay in implementation of the 2026 program to the 2027 season due to time constraints for participants to implement the proposed changes including adjustments to vessel operations and

voyage planning. Regrettably, these officials decided to implement the program starting on 22 April and running thru December 31 2026.

The 2026 program structure will be similar to the 2025 program including press and public relations incentives for participation based on the percent distance traveled by all vessels in a fleet at 10 knots or less. Participation requires enrollment by a shipping company. Full details of the 2026 program can be found at <https://bluewhalesblueskies.org/operators/> including the full program announcement, participation agreement, zone files, whale sightings report by transit form and other additional details.

CSA Comments and Recommendations

- Industry expressed concerns with the state and federal regulators that an announcement which provides less than a month notice for a program with significant changes in the geographic applicability is insufficient for most vessel owners to make the necessary changes in vessel operations, scheduling and voyage routing changes necessary to implement the new program.
- The value of this voluntary program is the fact that it has realized a 65-70% compliance rate by participating companies across all vessel types and provides important environmental benefits relative to reduction of air emissions, underwater radiated noise and mitigation of whale ship strikes in the 2025 covered areas off San Francisco/Monterrey and the Southern California port complexes while at the same time providing incentives for participation via the multi-level awards criteria.
- Note that shipping companies who wish to participate must enroll in the program prior to 22 April to be eligible to the upcoming 2026 program which starts on 22 April 2026.
- Implementation of the new program which now extends offshore the entire state of California without sufficient time for vessels to comply runs the risk of program devaluation through lower compliance rates due solely to insufficient time for vessels to properly plan for transits in the much expanded geographical area.
- With that said, shipping companies are urged to participate where practical noting that even if an enrolled company is unable to meet the minimum program criteria (lowest awards level is 30%), there is no penalty other than the positive press and public relations incentives will not be awarded.

- The 2026 program geographic application is the entire coast off California extending approximately to 55 nautical miles at its maximum distance from the baseline. We have been informed that the 2027 program will propose an extended geographic application extending approximately 70 nautical miles at its maximum distance from the baseline with the 2027 program beginning on 1 April 2027 and extending thru 31 December 2027. More information on the 2027 proposed program will follow under separate cover.

[VSR 2026 - CSA Analysis](#)

[VSR 2026 - VSR Zone Map](#)

[VSR 2026 - Program Agreement](#)

[VSR 2026 - Whale Sighting Form](#)

California Blue Whales and Blue Skies Program – 2026 Program Expansion and Awards Criteria Adjustments – Update on Considerations for Future Participation

- As noted above, industry expressed concerns with the state and federal regulators that an announcement which provides less than a month notice for a program with significant changes in the geographic applicability is insufficient for most vessel owners to make the necessary changes in vessel operations, scheduling and voyage routing changes necessary to implement the new program.
- As the result of intra-industry discussions, companies currently participating are considering termination of their respective contracts for the 2026 season based on a recommendation made by the Pacific Merchant Shipping Association (PMSA). Given that the value of this program is the high level of voluntary participation and if significant resignations from the program occur for the 2026 season, it will send a strong signal to the agencies that better and more timely collaboration with industry is necessary to result in the level of success in past years.
- It is also worth noting that the state legislator that introduced and passed the changes to the new voluntary program is already discussing the possibility of making the program mandatory so it is important than any changes are subject to an impacts analysis by industry before implementation.
- In the meantime, a technical working group has been convened to further industry concerns/discussions with the California Air Resources Board (CARB) and the California and US marine resources protection agencies to ensure future decisions relative to the expanded geographic application is properly informed relative to benefits as well as negative impacts particularly with regard to air emissions from vessels running at low load (which is likely to result in increased NOx emissions).

SHIPS Act Update

The Maritime Action Plan, released in February 2026, noted that the Administration intended to submit legislative proposals to be included in the SHIPS Act. On June 12, 2026, the Administration transmitted these proposals to the Senate, which include:

U.S. Vessel Preference Requirement:

The White House's proposes a "United States Vessel Preference Requirement." This would mandate, for the first time, that a percentage of commercial imports into the U.S. be carried on U.S.-flagged vessels. This provision is designed to create a new market for U.S. ships and would be phased in over several years.

Cargo Preference Enforcement:

The proposal aims to significantly strengthen cargo preference laws. It would increase the requirement for civilian government-impelled cargo to be carried on U.S.-flag vessels from 50% to 100%. It would also immediately remove the current three-year waiting period for foreign-built vessels to be eligible to carry this cargo, a change that Congress had previously delayed until 2030.

Tax Incentives:

The "Maritime Dominance Legislative Proposals" introduce significant tax incentives including:

- A new **Capital Construction Fund for Shipyards (CCFS)**, allowing shipyards to defer taxes on income reinvested into their facilities.
- A **Gross Income Exclusion for Merchant Mariner Foreign Earned Income**, providing a tax benefit to U.S. mariners working on vessels operating internationally.

Workforce Development:

The White House's plan includes an extensive and detailed set of proposals for maritime workforce development. These initiatives aim to reduce the financial barriers to becoming a merchant mariner and include:

- **Civilian Mariner Education and Development (CMED) Payments:** A new program to fund the education of mariners.
- **State Maritime Academy Reimbursement for Training Ship Cadet Tuition and Fees:** To cover the costs of at-sea training.
- **Maritime Service Employment Reimbursement:** Assistance with the costs of obtaining and upgrading credentials.
- **Maritime Workforce National Center of Expertise:** An institution to act as a national repository for best practices in maritime training.

Domestic Repair Requirement:

A novel provision in the White House's proposal is the "Domestic Repair Utilization" requirement. This would mandate that vessels participating in the Maritime Security Program (MSP) have a gradually increasing percentage of their maintenance and repair work performed in U.S. shipyards. This is intended to strengthen the U.S. ship repair industrial base.

Maritime Prosperity Zones (MPZ):

This initiative is a 10-year economic program modeled after 2017 Opportunity Zones to channel private capital and allied investment directly into U.S. shipyards and waterfront communities. Eligible investments in these zones benefit from significant capital gains tax deferrals, alongside targeted federal regulatory relief to bypass bureaucratic permitting delays. By focusing on both physical shipyards and the broader maritime supply chain, the policy aims to rapidly rebuild America's industrial shipbuilding base.

Issue	Maritime Dominance LPs (White House)	SHIPS Act (Senate)	SHIPS Act (House)
U.S. Vessel Preference	Establishes a new requirement for a percentage of imported containerized cargo and RO/RO vehicles be carried on U.S.-flagged vessels. This is a phased-in mandate.	No equivalent provision, but assesses a fee on goods manufactured in China unless carried on a U.S.-flagged vessel. Note: The SHIPS Act has a provision requiring a percentage of U.S. LNG and crude oil exports to be carried on U.S.-flag vessels.	
Cargo Preference	Increases the cargo preference requirement for civilian government cargo from 50% to 100% and immediately removes the three-year waiting period for foreign-built vessels.	No equivalent provision, maintains 50% requirement.	

Issue	Maritime Dominance LPs (White House)	SHIPS Act (Senate)	SHIPS Act (House)
Maritime Security Trust Fund	Establishes a Maritime Security Trust Fund. Focuses on \$1B in appropriations and tariffs on steel and aluminum.	Also establishes a Maritime Security Trust Fund. Mandates Section 301 tariffs on China and includes special taxes on vessels owned/operated by a foreign country of interest, and updated rates on regular tonnage taxes. Also, includes a provision preventing the President from suspending or discounting certain tonnage taxes. Does not include general funding from the Treasury.	
Tax Incentives	Creates a new Capital Construction Fund for Shipyards (CCFS) to allow for tax-deferred investments in shipyard infrastructure and a foreign earned income exclusion for merchant mariners.	No equivalent provision for a CCFS or mariner income exclusion.	Tax-deferred CCFS included, no mariner income exclusion.
Federal Ship Financing (Title XI)	Restores "export authority" to guarantee loans for vessels intended for foreign-flag operations and expands financing for shipyard infrastructure.	Focuses on establishing a revolving loan fund for the Title XI program but does not explicitly include the restoration of export authority.	
Workforce Development	Includes a comprehensive set of programs to fund mariner education, including tuition reimbursement for training ship cadets and a new "Civilian Mariner Education and Development" (CMED) payment program. It also	Does not contain the same breadth of specific mariner training and education funding initiatives.	

Issue	Maritime Dominance LPs (White House)	SHIPS Act (Senate)	SHIPS Act (House)
	establishes a Maritime Workforce National Center of Expertise.		
Domestic Repair	Mandates that vessels in the Maritime Security Program (MSP) have a percentage of their maintenance and repair work done in U.S. shipyards.	Strategic Commercial Fleet (SCF) have a percentage of their maintenance and repair work done in U.S. shipyards.	

Current status:

Congressman Kelly (R-MS) has submitted an amendment to the 2027 National Defense Authorization Act (NDAA) to include the entirety of the SHIPS Act into the NDAA. It is anticipated that a similar amendment will be made on the Senate side to the NDAA.

There are currently 137 co-sponsors in the House ([link](#)) and 24 co-sponsors in the Senate ([link](#))

Members are encouraged to contact their Congressional representative to urge their support and co-sponsorship of the SHIPS Act. A template is available [here](#).