



## California Council for Environmental and Economic Balance

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January 17, 2017

Mr. Henry Hogo

Assistant Deputy Executive Officer, Science and Technology Advancement

South Coast Air Quality Management District

Submitted electronically to [hhogo@aqmd.gov](mailto:hhogo@aqmd.gov)

RE: DRAFT Financial Incentives Funding Action Plan for the 2016 AQMP

Dear Henry,

On behalf of the members of the California Council for Environmental and Economic Balance, we provide you with our comments on the December 2016 draft financial incentives funding action plan (“funding plan”). CCEEB is a non-profit, non-partisan coalition of business, labor, and public leaders, which advances balanced policies for a strong economy and a healthy environment. CCEEB has been actively engaged in development of the District’s 2016 Air Quality Management Plan, and we strongly support the approach of the District and the state Air Resources Board to supplement aggressive direct control measures with financial incentives for mobile and stationary sources. Refinement and implementation of the funding plan will require significant and sustained District resources, as well as an express commitment from the Governing Board, District staff, and ARB that all efforts will be made to secure the needed sources of funding as expeditiously as possible. CCEEB asks that such a commitment be explicit in the funding plan and in any Governing Board resolution to adopt the AQMP.

The need for an innovative incentive program as part of this AQMP is very readily apparent. Attainment of the 80 ppb ozone standard by 2023, just 6 years away, presents the District with one of its greatest challenges ever. Historical turnover rates for equipment, ranging from heavy-duty trucks to boilers, will fall short of the necessary replacement with zero or near zero emission equipment that is needed to attain this standard. In order for a purely regulatory approach to achieve the necessary turnover rate, a purely rule based approach would have to include a requirement that owner/operators be mandated to retire their equipment earlier than fulfillment of the useful life, or earlier than they may want to. Such a regulation would raise serious implementation problems, and possibly legal problems, e.g. a governmental “taking” of private property. An incentive approach, i.e. a “carrot” rather than a “stick,” avoids these potential controversies by giving owner/operators encouragement to replace

equipment with much cleaner and more energy efficient devices. Attainment of the 2023 standard will require very high turnover rates for the programs, and consensus among stakeholders helps avoid controversy.

In terms of the AQMP, it is our understanding that staff will not be submitting the funding plan to EPA as part of the State Implementation Plan, but that staff is engaging partners at EPA and ARB in the development and implementation of the draft funding plan. CCEEB supports and agrees with this approach.

The draft funding plan lays out seven guiding principles for securing and allocating incentive funds. While CCEEB has no objection to the proposed principles, we note that none speak to how the District will prioritize and schedule its resources and actions among the many identified potential funding sources. We support principle four, which commits the District to working with interested stakeholders to build consensus for priorities, but even this lacks details about what criteria will be used to evaluate and prioritize both funding sources and allocation of funds. CCEEB recommends that this be made an early part of the discussion at the incentives working group.

CCEEB hopes the working group will address additional key topics missing from the funding plan. For example, there is an inherent tension between seeking the most cost effective reductions versus investing in advanced control technologies that are economically infeasible and would not be made without financial support. An appropriate balance between these objectives needs to be worked out in any plan for allocations. Another area for discussion is the need to align the funding plan with the draft AQMP and focus on financial incentives to accelerate the turnover of both mobile and stationary sources. For example, the draft AQMP acknowledges the great need for stationary source incentives as part of implementation of CMB-01, CMB-02 and CMB-04. However, the draft funding plan speaks primarily in terms of incentives to implement ARB mobile source measures for the “further deployment of clean technology.” CCEEB believes the working group could be instrumental in helping the District, ARB, and the state Legislature find the best balance among these different source categories.

Additionally, CCEEB recommends the addition of a new guiding principle that states that any financial incentives be funded and implemented in ways that support the economy of the region and do not put South Coast businesses at a competitive disadvantage to other areas. Such a principle would recognize the potential economic impacts of assessing some of the fees proposed in the draft funding plan.

Our final comment relates to the statement on page I-1 that, “many of the older vehicles and equipment are owned and operated in environmental justice and disadvantaged communities where most owners and operators may not have the financial resources to replace their older vehicles and equipment.” CCEEB supports the District identifying owners and operators in need of financial assistance, and we believe that the best way to identify these individuals is to focus on the financial circumstances

of individual owners, regardless of their geographic location. The District may have other reasons to prioritize some allocations in disadvantaged communities. If so, these should be stated clearly in the draft Funding Plan.

CCEEB notes, however, that the purpose of the AQMP and the associated incentive funding is to control *regional* ozone formation, and as such, the highest priority must be given to maximizing the *regional* reduction of ozone precursors, primarily NOx. CCEEB recommends that this fundamental and overriding objective be made explicit in the draft funding plan and in future discussion between the District and its partners.

We appreciate the sound work that the staffs of the District and ARB have made towards developing the draft funding plan, and we support approval of the plan and adoption of the 2016 AQMP at the Governing Board's February 3 hearing. CCEEB commits itself to partnering with both agencies to further refine and implement the funding plan, and to participating in discussions at the working group. Should you or your colleagues have any immediate questions regarding our comments, please contact me at [billq@cceeb.org](mailto:billq@cceeb.org) or (415) 512-7890 ext. 115.

Sincerely,

A handwritten signature in blue ink that reads "Bill Quinn". The signature is fluid and cursive, with the first name "Bill" being larger and more prominent than the last name "Quinn".

Bill Quinn

cc: Mr. Wayne Nastri, SCAQMD  
Dr. Philip Fine, SCAQMD  
Ms. Barbara Baird, SCAQMD  
Mr. Kurt Karperos, ARB  
Ms. Karen Magliano, ARB  
Mr. Gerald Secundy, CCEEB  
Ms. Kendra Daijogo, The Gualco Group, Inc. and CCEEB consultant