PROPOSED WAREHOUSE INDIRECT SOURCE RULE (ISR)

COMMUNITY MEETING

FEBRUARY 17, 2021
Please silence your cell or desk phone to avoid feedback or interference.

Everyone except the presenter will be muted unless called on by the host.

Please use the ‘raise hand’ feature if you have a question or comment.

**ZOOM WEBINAR:**
Click on the “raise your hand” button at the bottom of your screen.

**TELECONFERENCE:**
Dial *9 to “raise your hand”
Proposed Rules 2305 and 316: Victor Juan
vjuan@aqmd.gov
During public comment, please make your comments with courtesy and civility.

Please refrain from making profane or discriminatory comments.

Failure to comply may result in your mic being muted or you being dropped from the ZOOM or teleconference meeting lines.
INTERACTIVE MEETING FEATURES

➢ Meeting attendees are encouraged to participate in activities during or after the meeting

➢ Online feedback form *(Link will be open until March 2)*
  1. Tell your story and share your experience with warehouses
  2. Share what you most want the South Coast AQMD Board to consider with the proposed rule
     ➢ [https://bit.ly/3b06qKb](https://bit.ly/3b06qKb) <-Link is also listed in the Zoom Q&A

➢ Polling
  ➢ Live polls and links will be provided during presentation

➢ Question & Answer

*We appreciate your patience as we try these new approaches for receiving feedback*
What city are you joining the meeting from?

https://www.menti.com/6jbgn42i7r <-Link is also listed in the Zoom Q&A
Goals for this Meeting

➢ South Coast AQMD staff will share information on air quality and present an overview of the proposed regulation for warehouses

➢ We recognize the experience that meeting attendees have in these and other equally important subjects

➢ We want to hear your perspectives
SECOND POLL QUESTION

➢ Which of these items do you have the most experience with?
  ➢ Warehouse operations
  ➢ Trucking
  ➢ Lived experience near warehouses
  ➢ Air quality
  ➢ Government and/or the law
  ➢ Vehicle technologies and/or fueling
  ➢ Other
On a scale of 1 to 5 (5 is highest):
“I know what South Coast AQMD does”
BACKGROUND OF THE SOUTH COAST AQMD

- Multi-County Air Pollution Control Agency
  - ~17 million people (>40% of CA)
- Governed by a Board of local elected and appointed officials
  - Separate from CA Air Resources Board
- Responsible for monitoring air quality and meeting federal and state air quality standards
- ~28,000 permitted sources
  - Refineries, power plants, gas stations, etc.
- Provide incentive funding for near-zero and zero emission technologies
Primary Pollutant of Concern for Regional Smog
Nitrogen Oxides (NOx)

*Reductions needed to meet federal ozone air quality standards

Stationary Sources
Mobile Sources

2019 Emissions Inventory

- Stationary Sources (refineries, factories, etc.)
- Mobile Sources (trucks, trains, etc.)

- Baseline from Existing Regulations (as of 2017)
- Reductions needed to meet federal ozone air quality standards
LEGAL AUTHORITY AND RESPONSIBILITY FOR MOBILE SOURCE EMISSIONS

Federal
U.S. EPA
Sets air quality standards
Sets tailpipe standards

State
California
Air Resources Board
Sets tailpipe standards and in-use fleet standards

Regional
South Coast AQMD
Government fleet standards
Indirect Source Authority

Air Quality Goals

No single agency can address all air quality challenges
Proposed Rules 2305 and 316 developed following South Coast AQMD Board direction in May 2018 to prepare a draft Warehouse Indirect Source Rule (ISR).

Development of warehouse control measure included in Board-approved 2016 Air Quality Management Plan and four different AB 617 Community Emission Reduction Plans.

Warehouse ISR = PR 2305 = WAIRE Program
Regional air quality (ozone, fine PM) continues to exceed federal air quality standards

Need persists even during the COVID-19 pandemic

NOx

Goods movement sources make up about half of total NOx in air basin

Trucks are largest source of NOx

Warehouse ISR on its own cannot bring region into attainment with federal standards

Warehouse ISR can meaningfully contribute to addressing overall need
NEED FOR WAREHOUSE ISR - ENVIRONMENTAL BURDEN ON COMMUNITIES NEAR WAREHOUSES

CalEnviroScreen Percentile
(population-weighted average)

South Coast AQMD

61st
Communities <0.5 mile of a warehouse

80th
Higher score = higher pollution burden
WAREHOUSE ISR NEED - ADDITIONAL ACTION NEEDED

Existing and Proposed CARB & EPA Regulations will not Attain Federal Standards On Time

Sufficient Incentive Funding not Currently Available

- 2016 AQMP Goal = $1B/yr
- 2020 Level = $212M
- 2016 Level = $62M

Statewide Benefits Needed in South Coast AQMD

Light Duty Example

- Median Air Quality Index
- Number of Vehicles
  - 10 million
  - 5 million
  - 1 million
- Percent of Vehicles that are ZEV or PHEV
**SCOPE OF PROPOSED WAREHOUSE ISR**

**Estimated NOx Emissions**
Associated with Warehouses
Without Warehouse ISR

<table>
<thead>
<tr>
<th>Year</th>
<th>Cargo Handling Equipment</th>
<th>Transp. Refrig. Units</th>
<th>Passenger Cars</th>
<th>Trucks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>40</td>
<td>5</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>2023</td>
<td>35</td>
<td>4</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>2031</td>
<td>30</td>
<td>3</td>
<td>15</td>
<td>3</td>
</tr>
</tbody>
</table>

*Accounts for warehouse growth and CARB regulations (HD I&M, Low NOx Omnibus, ACT)*

**Facilities Covered Under PR 2305 & 316**

- **~3,300 Facilities**
- **~400 Facilities** Reporting Only
- **~2,900 Facilities** Required to Take Actions
- **~4,000 Operators** Multi-Tenant Buildings
*Relationship among four entities varies from warehouse to warehouse*
OVERVIEW OF PR 2305

Requirements

- Annually Earn WAIRE Points
- Warehouse Actions and Investments to Reduce Emissions (WAIRE) Menu
  - Mitigation Fee
  - Custom WAIRE Plan
  - Limited transferring/banking with early or over-compliance

Reporting

- Warehouse Operations Notification
- Initial Site Information Report
- Annual WAIRE Report

Applicability
- Owners and operators of warehouses ≥ 100,000 sf
- Owners are only subject to reporting, but they can voluntarily earn points

Phase-In
- Warehouses introduced into program over 3 years
- Largest are first
- Once in, stringency increases over 3 years

Funds projects in communities near warehouses that paid the mitigation fee
What’s Most Important to You with this rule?

➢ We’d like your feedback!
➢ Feel free to provide your thoughts using the link below
➢ https://bit.ly/3b06qKb <-Link is also listed in the Zoom Q&A
Stringency determines how many WAIRE Points a warehouse operator needs to earn every year.

- Proposed stringency considers 1) air quality need, 2) significance of indirect emissions from warehouses, 3) potential emission reductions, 4) impact to industry
- Current staff proposal: stringency = 0.0025 Points/WATT, phase-in = 3 years

<table>
<thead>
<tr>
<th>Warehouse Points Compliance Obligation</th>
<th>Weighted Annual Truck Trips (WATTs)</th>
<th>Stringency (Points/WATT)</th>
<th>Annual Variable (Phase-in schedule)</th>
</tr>
</thead>
</table>
POTENTIAL IMPACT OF WAREHOUSE INDIRECT SOURCE RULE

➢ Preliminary Draft Analysis:
  ➢ NOx reductions = ~2.5 - 4 tons per day beyond CARB rules for most scenarios
    ➢ ~10% - 15% reduction from baseline, similar reductions for DPM
    ➢ Significant emission reductions expected by 2023
  ➢ Potential costs vary widely depending on approach chosen by warehouse operators
    ➢ Range of costs is ~$0.05/sf/yr to ~$0.78/sf/yr
      ➢ ‘Typical’ 250,000 sf warehouse annual cost of compliance = -$12,500 - $195,000
    ➢ Total cost ~$35M to ~$630M per year
    ➢ Cost-effectiveness similar to stationary source control measures (low end) and mobile source funding programs (high end)
      ➢ More expensive options allowed within the rule if operator so chooses

For comparison: CARB’s ‘most significant NOx regulation in a decade’ = 7 tpd by 2031 (Low NOx Omnibus for trucks)

➢ Current rents are ~$10/sf/yr
➢ Past decade has averaged ~$0.50/sf/yr increase
➢ Vacancy <5%
Warehouse ISR analysis tiers off of comprehensive 2016 AQMP analysis

- Assumes the benefits from implementing 2016 AQMP applies equally to emission reductions from Warehouse ISR*
- Benefits only shown from reduced PM2.5, the pollutant with highest impact
- Ozone benefits not quantified, but would increase the benefit
- Benefits from reducing regional pollution are ~20-25% greater per capita in EJ communities

*Reductions of about 3 ton/day NOx and 50 lbs/day PM 2.5
In three words or less, this is my top priority for the proposed Warehouse ISR

https://www.menti.com/td1zwfjhqc <-Link is also listed in the Zoom Q&A
Where to Get More Information

- Preliminary Draft Staff Report:

- Draft Staff Report and Draft Socioeconomic Impact Assessment available for review and comment on March 3

- Draft Environmental Assessment (CEQA):
  [www.aqmd.gov/home/research/documents-reports/lead-agency-scaqmd-projects](http://www.aqmd.gov/home/research/documents-reports/lead-agency-scaqmd-projects)

- Additional information:
  [www.aqmd.gov/fbmsm](http://www.aqmd.gov/fbmsm)

Staff is available for Office Hours by appointment for any interested stakeholders
Contact Victor Juan at vjuan@aqmd.gov or (909) 396-2374
South Coast AQMD Mobile Source Committee - Feb. 19
Set Hearing - Mar. 5
Public Hearing - Apr. 2

Comments on the Preliminary Draft Staff Report due March 2
  Send to: vjuan@aqmd.gov

Comments on the Draft CEQA document due March 12
  Send to: rbanuelos@aqmd.gov
OPEN DISCUSSION

➢ Click the ‘raise hand’ button in Zoom
➢ For callers, dial *9 to ‘raise your hand’