



# WAREHOUSE ISR WORKING GROUP

11/13/2019



# OVERVIEW

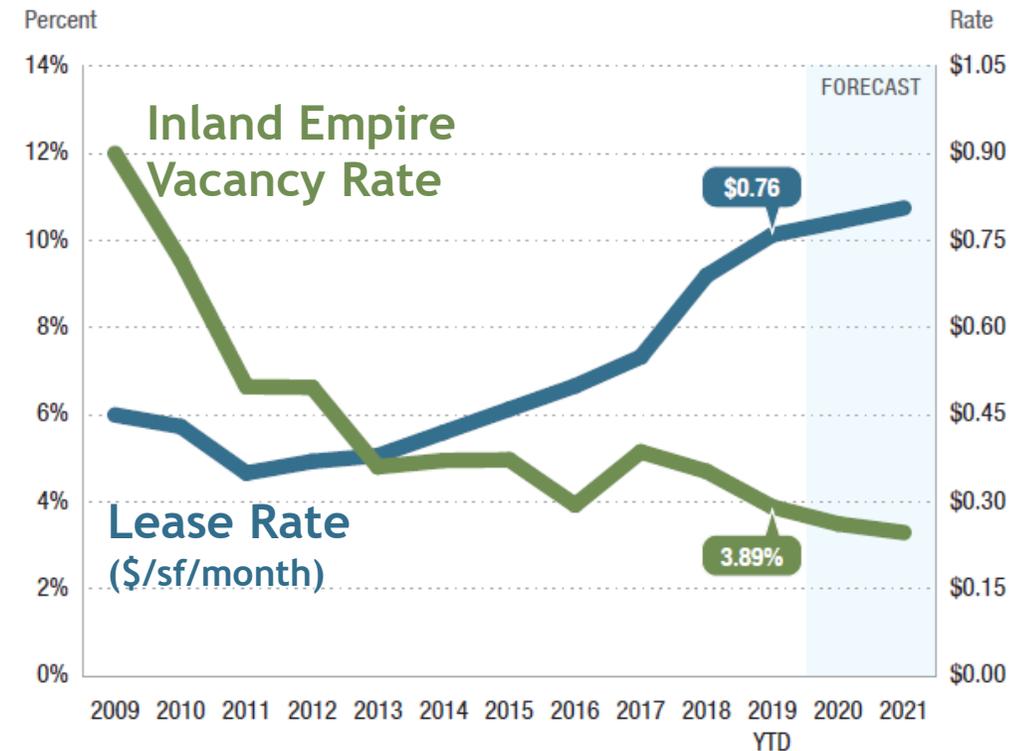
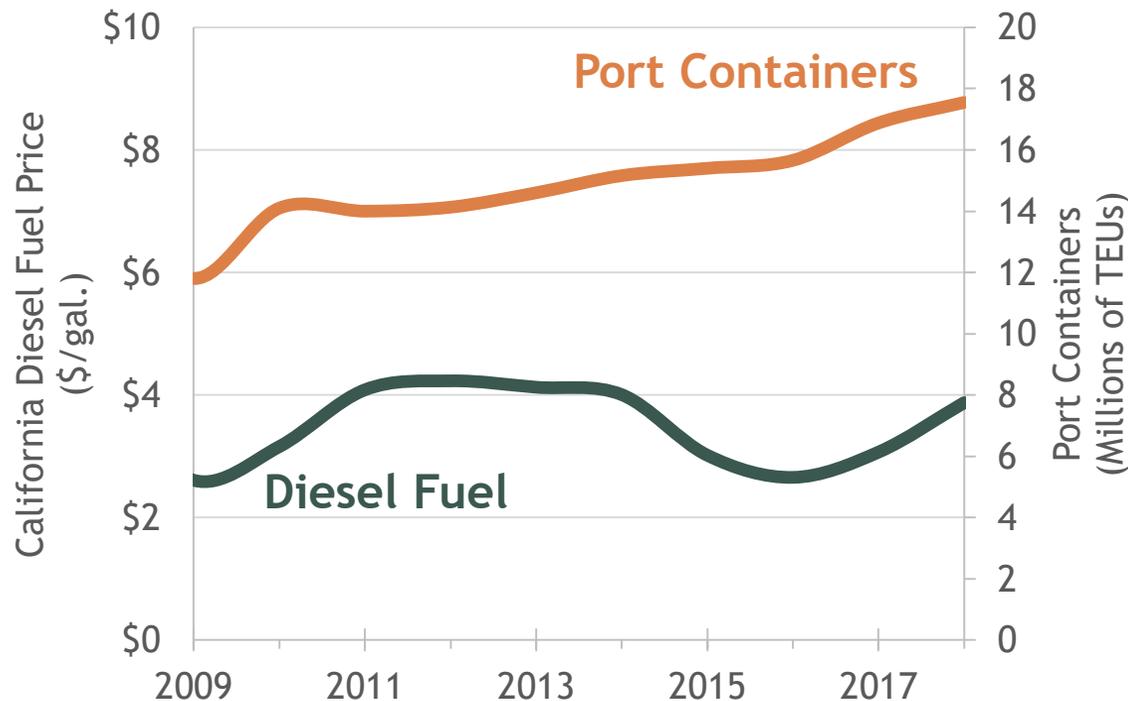
- Background
- Overview of Preliminary Draft Rule Language
- SIP Credit
- Expected Topics for Future Meetings:
  - Continued Discussion of WAIRE Points approach
  - Potential Stringency of Rule
  - Enforcement & Compliance
  - Real world examples

# BACKGROUND

- Business as usual not working
  - Many companies are making significant moves towards cleaner vehicles, but these efforts are sporadic and not widespread
  - Existing and proposed US EPA and CARB regulations are not enough for South Coast to attain federal air quality standards
- From air quality standpoint, warehouse industry is largely unregulated
  - Any new regulation will therefore require new business practices
- Warehouse ISR aims to:
  - Facilitate and enhance local and regional emission reductions together with all other state and federal activities
  - Focus on actions and investments that facilities and facility operators can make
  - Provide multiple options for compliance

# COMPETITIVENESS OF WAREHOUSE REAL ESTATE MARKET IN SOUTHERN CALIFORNIA

- Despite significant increases in fuel prices and lease rates, container volumes have grown and warehouse vacancy has plummeted
- Warehouse ISR is not aiming to reverse the growth of this robust industry



Source: [www.eia.gov](http://www.eia.gov), [www.polb.com](http://www.polb.com), [www.portoflosangeles.gov](http://www.portoflosangeles.gov)

Source: <http://voitco.com/market-reports/>

# PRELIMINARY DRAFT RULE LANGUAGE

- Preliminary Draft Rule Language now available
  - [www.aqmd.gov/fbmsm](http://www.aqmd.gov/fbmsm) and [www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules](http://www.aqmd.gov/home/rules-compliance/rules/scaqmd-rule-book/proposed-rules)
- Aim of providing early look at rule language is to facilitate discussion
  - Rule language expected to change as process continues based on stakeholder feedback
- Requesting stakeholder feedback on this version of the rule language by Dec. 6
  - Written comments, meetings, calls, etc.

## (a) Purpose & (b) Applicability

### ➤ Purpose

- *The purpose of this rule is to reduce local and regional emissions, and to facilitate local and regional emission reductions associated with warehouses and the mobile sources attracted to warehouses.*

### ➤ Applicability

- *This rule applies to owners and operators of warehouses located in the South Coast AQMD with greater than 100,000 square feet of indoor floor space in a single building.*
- Applicability covers all entities that would be regulated in some way by the rule
  - Not all entities will have the same requirements

## (d) Requirements

- Requirements are different between an owner and an operator
  - Operators responsible for most parts of the rule
  - Owners only have reporting requirements
    - Owners have ability to earn WAIRE Points on behalf of operator
- Four main requirements
  - 1) Warehouse Points Compliance Obligation
  - 2) Determining WAIRE Points Earned
  - 3) Restrictions on Transferring WAIRE Points
  - 4) Annual reporting requirement

## (d)(1) Warehouse Points Compliance Obligation (WPCO)

- Warehouse operators must earn points annually
- WAIRE Points will be earned for the actions/investments completed annually and only for the portion of the year that a warehouse operator occupies a warehouse
- WAIRE Points must be earned only for buildings with >100,000 sf dedicated to warehousing activities
- WAIRE Points required are annually calculated as below :

$$WPCO = WATTs \times Stringency \times \left( \begin{array}{c} Annual \\ Variable \end{array} \right)$$

WPCO= WAIRE Points Compliance Obligation

WATTs=Weighted Annual Truck Trips

## (d)(1) Warehouse Points Compliance Obligation (WPCO) - Cont'd

### ➤ Weighted Annual Truck Trips (WATTS)

➤ All truck trips (to or from the warehouse) occurred over the 12 month compliance period

➤ If more than one operator occupied the warehouse, then WATTS is calculated individually for each operator

$$\text{WATTS} = [\textit{Class 4 to 7 Truck Trips}] + [2.5 \times \textit{Class 8 Truck Trips}]$$

➤ If a warehouse operator does not have any information about the number of truck trips due to a force majeure event, then WATTS is calculated as below

$$\text{WATTS} = \textit{Days per Year} \times \textit{Warehouse Size} \times \textit{WTTR}$$

WTTR = Weighted Truck Trip Rate

Warehouses  $\geq 200,000$  = 0.95 trips/tsf

Warehouses  $\geq 100,000$  = 0.67 trips/tsf

Cold Storage Warehouses = 2.17 trips/tsf

## (d)(2) Determining the Number of WAIRE Points Earned

- WAIRE Points for each action/investment are specified in Table 3 - WAIRE Menu
  - WAIRE Points can only be earned by actions/investments that go beyond USEPA, CARB, and South Coast AQMD regulations
  - WAIRE Points can not be earned from the WAIRE Points menu if the actions are already required by USEPA, CARB or South Coast AQMD
- Three elements will be used to determine the number of WAIRE Points for each menu item
  - Cost, direct emission reduction, and local benefit
- WAIRE Points can be earned from any menu item, or multiple menu items
- Future Technical Working Group will discuss calculations for WAIRE Menu

## (d)(3) Transferring WAIRE Points

- Transferring WAIRE Points is restricted to three cases
  1. Operators can transferring WAIRE Points to a different warehouse they operate
    - WAIRE Points are discounted by the Local Benefit
  2. Operators can transferring WAIRE Points to themselves in a different compliance year
    - Points only transferrable up to three years
      - Early action on a EPA/CARB/South Coast AQMD regulation used for ISR compliance cannot be rolled into a future year if that regulation already requires the action in the future year
  3. Owners can earn points for their warehouse, and transfer them to the warehouse operator

## (d)(4) Annual Reporting Requirement

- Warehouses must submit annual reports to South Coast AQMD to demonstrate how they complied with the rule
  - Annual WAIRE Reports due no more than 30 days after the end of the compliance period (July 1 to June 30)
  - If the warehouse operator vacates the warehouse before June 30<sup>th</sup> in any year, then the Annual WAIRE Report is due when the operator vacates the building
    - All WAIRE points for that compliance period must be earned before the operator vacates the warehouse

## (e) REPORTING, NOTIFICATION, AND RECORDKEEPING REQUIREMENTS

- Four main reporting/notification/recordkeeping requirements
  - Owner Notification Requirements
  - Operator Initial Site Information Report
  - Operator Annual WAIRE Report
  - Recordkeeping

## (e)(1) WAREHOUSE OPERATIONS NOTIFICATION

- Warehouse Operations Notification
  - The warehouse owner shall notify the South Coast AQMD after the following events:
    - Two months after rule adoption
    - Two weeks after any new warehouse operator has taken over, after a warehouse changes its square footage, or upon request from the Executive Officer
  - The notification shall include:
    - Business name and contact information of the current warehouse operator
    - Duration of the current lease term
    - Total warehouse size, and square footage dedicated to warehousing activities for each operator in a warehouse
    - Business name and contact information of the previous warehouse operator and the end date of the previous warehouse operator's warehousing activities at that site, if applicable.

## (e)(3) INITIAL SITE INFORMATION REPORT

- Initial Site Information Report due by January 1 of the year that they must submit their first annual WAIRE Report for that warehouse
- Report Elements:
  - Total warehouse building size, and floor area dedicated to warehousing activities
    - Warehouses >100k sq. ft., but with <100k sq. ft. of floor area dedicated to warehousing activities are exempt from further reporting (and all other parts of the rule)
  - Truck trip data
    - Number of truck trips in the previous 12 month period
      - Two categories: (1) class 4 through truck class 7 and (2) truck class 8.
    - Total number of truck trips anticipated during the current compliance period

## (e)(3) INITIAL SITE INFORMATION REPORT - continued

- Report Elements - continued
  - If the warehouse operator owns or leases a truck fleet
    - Number of trucks in the fleet, by truck class, and fuel type
    - Total VMT by truck class and fuel type
    - Typical dwell time at the facility by truck class
  - If alternative fueling station(s) or electric charging station(s) are onsite
    - Number of installed stations and the fuel type, max fuel dispensing rate, max amount of fuel that can be dispensed daily, and fueling system pressure, if applicable
    - Types of vehicles served
    - Total fuel dispensed or charging provided in the previous 12 month period
  - If yard trucks are onsite
    - Number of yard trucks, their fuel type, total annual hours of operation

## (e)(3) INITIAL SITE INFORMATION REPORT - continued

- Report Elements - continued
  - If energy generation equipment and/or energy storage equipment is onsite
    - Rated capacity of the energy generation or storage system
    - Total energy generation and/or usage of the energy storage system expected during the current compliance period
  - Anticipated WAIRE Menu items that will be used in the upcoming WAIRE Annual Report
    - Actual menu items used in Annual WAIRE Report do not need to conform to Initial Site Information Report

## (e)(4) ANNUAL WAIRE REPORT AND (e)(5) RECORDKEEPING

- The Annual WAIRE Report shall include:
  - Number of truck trips during the compliance period
  - Reporting components for each menu item used for compliance
    - Listed in Table 3 - WAIRE Menu
- Online reporting only
- Recordkeeping
  - Records must be kept by owner/operator, as applicable, for three years

## (f) MITIGATION FEE AND REGULATION III ADMINISTRATIVE FEE

- Mitigation fee option available if a warehouse operator does not choose to complete sufficient actions/investments in WAIRE Menu
  - Mitigation fee can be used to make up a shortfall if not enough WAIRE Points earned
  - Mitigation fee level to be determined
- Proposing to include escalation of mitigation fee if it is used for more than 50% of compliance in consecutive years
- An administrative fee will also be included, but will be in Regulation III, not in Rule 2305
  - Amendment to Regulation III will accompany Rule 2305 with Board vote
  - Administrative fee used to fund South Coast AQMD compliance staff for WAIRE Program
  - Administrative fee level to be determined

# SIP CREDIT - BASICS

- SIP Credit = adjustments to the official emissions inventory used to determine if air quality plans will attain federal air quality standards
- A. Prospective SIP credit obtained when a rule is passed based on regulatory limits
  - Stationary source example: Emission limits on specific processes at factories, refineries, etc.
  - Mobile source example: Manufacturer engine standards
- B. Adjustments to SIP inventory also occur during AQMP development
  - Fleet information example: DMV registrations may be different than forecasts available during regulatory development
  - Growth example: Latest economic forecasts built into RTP modeling affect basin-wide VMT

Regulatory controls  
and/or limits

Emissions inventory  
adjustments based on  
new assumptions about  
fleets, growth, etc.

# SIP CREDIT - ACCOUNTING

- SIP inventory accounting conducted by CARB and South Coast AQMD
  - Subject to approval by EPA
  - Regulated industry does not conduct SIP Credit accounting
    - SIP Credit obtained through industry compliance with regulations
- Analysis ensures that overlapping programs/regulations do not result in double counting
  - Example: Truck & Bus rule and Carl Moyer funding
- Possibility to conduct SIP credit accounting in three different processes
  - At time of rule adoption
  - Post-rule adoption analysis
  - Comprehensive industry sector analysis during AQMP development

# EXPECTED SIP CREDIT APPROACH FOR WAIRE PROGRAM

## At Time of Rule Adoption

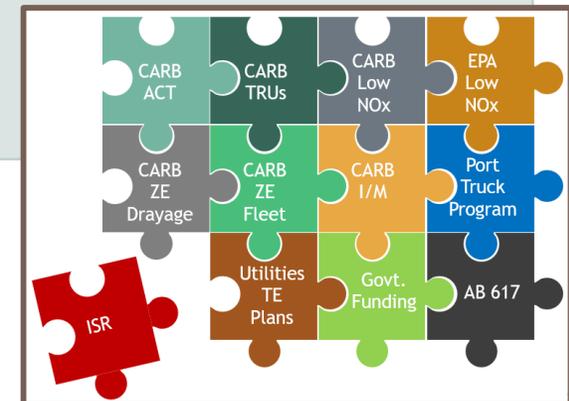
- Conservative assumptions possible for some WAIRE Program items
  - Truck purchase
  - Yard Tractor purchase
  - Mitigation Fee

## Post-Rule Adoption Analysis

- Original assumptions during rule development can be revisited based on actual compliance options chosen

## Inventory Analysis During AQMP Development

- Comprehensive fleet analysis that considers all EPA/CARB/South Coast AQMD actions



## NEXT STEPS

- Technical Working Group Dec. 10
- Full Working Group Dec. 13
- Continue to develop rule concept and draft rule language
- Continue to receive input from stakeholders
  
- Contact:
  - Ian MacMillan, [imacmillan@aqmd.gov](mailto:imacmillan@aqmd.gov), (909) 396-3244
  - Victor Juan, [yjuan@aqmd.gov](mailto:yjuan@aqmd.gov), (909) 396-2374
  - [www.aqmd.gov/fbmsm](http://www.aqmd.gov/fbmsm) for more info