

BOARD MEETING DATE: May 2, 2014

AGENDA NO. 21

REPORT: Mobile Source Committee

SYNOPSIS: The Mobile Source Committee met Friday, April 18, 2014.  
Following is a summary of that meeting.

RECOMMENDED ACTION:  
Receive and file.

Dr. Clark E. Parker, Sr., Chair  
Mobile Source Committee

EC:fmt

---

### **Attendance**

Dr. Parker (*via videoconference*) called the meeting to order at 9:03 a.m. Dr. Joseph Lyou, Mayor Judith Mitchell and Mayor Pro Tem Ben Benoit were present at SCAQMD headquarters. Supervisor Shawn Nelson was absent.

The following items were presented:

### **INFORMATIONAL ITEMS:**

#### **1) Proposed Amendments to Rule 2202 - On-Road Motor Vehicle Mitigation Options, Rule 2202 Implementation Guidelines, and Rule 311 - Air Quality Investment Program Fees**

Ms. Carol Gomez, Planning & Rules Manager, presented a summary of proposed amendments to Rule 2202 – On-Road Motor Vehicle Mitigation Options, Rule 2202 Implementation Guidelines, and Rule 311 - Air Quality Investment Program Fees, which are scheduled for the Board’s consideration at its June 6, 2014 meeting. At the end of 2013 a large number of NOx ERCs held in the New Source Review (NSR) bank were transferred into Rule 2202, raising some concerns regarding future stationary source credit availability. Consequently, the Board approved a temporary moratorium in January 2014 on NOx ERC transfers into Rule 2202 to allow time to review the status of the stationary source emission banks and potential impacts of additional transfers into the Rule 2202 program.

Rule 2202 applies to worksites of 250 or more employees, of which approximately 1,300 worksites are regulated. Worksites have three options for rule compliance: the Employee Commute Reduction Program (ECRP), the Air Quality Investment Program (AQIP), and Emission Reduction Strategies (ERS). The proposed amendments address the ERS, specifically emission reduction credits (ERCs), and the AQIP compliance options. ERS has a number of credit sources other than ERCs that are available for use within the Rule 2202 program. In staff evaluation of the credits currently available within the Rule, along with emission reductions from AQIP and ECRP, staff is not anticipating any issues with meeting the rule reduction targets. On the other hand when looking at the historical use of ERCs in the stationary source programs, there continues to be a concern regarding the future availability of NO<sub>x</sub> ERCs. To address this issue staff is proposing a permanent moratorium on all ERC transfers into the Rule 2202 program. Short-term emission reduction credits (STERCs) would continue to be allowed into the program as they have a relatively short life (seven years).

ERCs that currently reside within the Rule 2202 program would be allowed to stay in, but staff is proposing that they be annually discounted. Rule 2202 reduction targets are adjusted annually downward using EMFAC to account for fleet turnover. However ERCs in Rule 2202 are used as an annual discrete credit, meaning their value does not change. Under the staff proposal, this discount would begin in the 8<sup>th</sup> year after transfer into the program, to allow for seven years with no discount similar to an STERC. In addition the 10% discount that was taken when the credit originally came into the program would be reinstated at the time the new annual discount is to begin. The annual discount would be effective January 1, 2015.

Staff has taken this opportunity to evaluate the Rule 311, AQIP per peak window employee fee, which has remained at its current fee rates of \$60 per employee for an annual program, and \$125 an employee for a triennial submittal since 1995. In evaluating the costs and emission reductions achieved for AQIP projects that have been funded over the last five years, staff has found that we can continue to obtain the emission compliance targets with a fee of \$45 per peak window employee. The triennial rate of \$125 will remain the same.

Ms. Gomez commented that Rule 2202 and its accompanying Implementation Guidelines have not been modified since 2004; therefore, there are a number of administrative updates and clarifications that staff is suggesting. The modifications include clarification of administrative procedures, adding or updating definitions, codifying current practice such as administration of change of status, and removal of outdated sections.

Several public comments have been received, including to continue allowing ERC transfers into Rule 2202 and to not discount current ERCs held in the program. As discussed above, the moratorium on all ERC transfers into Rule 2202 is needed to ensure the NSR market viability. The discount addresses the fact that the ERC value remains the same while the Rule 2202 reduction targets are annually declining. The discount will not begin for eight years which will address comments relating to investments already made. Ms Gomez also noted that a request was made for SCAQMD staff to approve additional protocols to obtain emission reduction credits. Ms. Gomez explained that a provision in the Implementation Guideline allows for additional protocols, and that staff is currently evaluating a couple of options. Dr. Chang also noted that additional protocols proposed by staff at the request of project developers would be presented to the Mobile Source Committee for approval, as per the Implementation Guidelines. A comment was made requesting credit trading status for excess average vehicle ridership (AVR) obtained; and another to look at ways to reduce ECRP program costs. Staff is not addressing ECRP amendments at this time, but has committed to initiate program discussions later this year. The discussions will include potential incentives for surpassing a target AVR, and program simplifications.

Mayor Pro Tem Benoit asked what incentives are currently being considered for employers that have exceeded their AVR target. Dr. Chang replied that staff will work with stakeholders to come up with creative incentives such as an averaging period. Dr. Parker inquired about the cost to implement the SCAQMD's Rideshare Program. Ms. Gomez stated that employees receive a pro-rated incentive amount based on the participation level and the commute type. Dr. Chang noted that rideshare incentives are offered to employees hired prior to 2006. Dr. Parker also requested further clarification on the cost evaluation leading to the \$45 per employee under the AQIP. Ms. Gomez replied that staff reviewed the costs, emissions credits achieved, and costs per pound of emissions for projects submitted under AQIP over the last five years.

Dr. Lyou asked whether the ERCs in the stationary source program are discounted, and if so how much. Dr. Chang explained that ERCs once used under NSR, these emissions could be further reduced due to the implementation of Best Available Retrofit Control Technologies (BARCT). Dr. Lyou also asked whether there are any differences between the stationary source and mobile source discounting of ERCs. Staff stated that the annual discounting of ERCs in the mobile source program is driven by fleet turnover, yet the "discounting" in the stationary source program is primarily due to periodic BARCT evaluation once used to obtain an NSR permit. Dr. Lyou asked whether changing the AQIP fee would raise Proposition 26 issues. Ms. Barbara Baird, Chief Deputy Counsel, stated that changing the AQIP fee would not raise any Proposition 26 issues because the AQIP fee is one of three compliance options available to employers subject to Rule 2202. Ms. Baird noted that the AQIP fee is not a mandatory fee, and that the employer is free to use one of the other

compliance methodologies. Dr. Lyou stated his support for staff to evaluate further incentives for sites that exceed their AVR target.

## **2) Update on Recent International Maritime Organization (IMO) Action Regarding Tier III NOx Emissions Standard**

Mr. Henry Hogo, Assistant Deputy Executive Officer/Science & Technology Advancement, provided an update on the recent International Maritime Organization (IMO) action on the proposed delay in implementation of the Tier III NOx emission standard for new vessel builds from 2016 to 2021. A brief background on the IMO emissions standards and marine fuel sulfur content requirements for oceangoing vessels (adopted in 2008) was first provided. The IMO regulations set new global NOx emission standards for marine vessel builds beginning in 2011 resulting in a 20% reduction in NOx emissions. To reduce sulfur oxide and particulate matter emissions, the regulations set a limit on the sulfur content of marine fuels to at 3.5% (35,000 ppm sulfur content) beginning in 2012 and 0.5% (5,000 ppm sulfur content) beginning in 2020 (implementation could be delayed to 2025 subject to availability review in 2018).

In addition to the global standards, IMO established a mechanism where a country or countries can designate an “emissions control area (ECA)” where more stringent control requirements could be implemented. Under an ECA, marine vessels would be required to use marine fuel with a sulfur content of 1.0% (10,000 ppm sulfur content) or less beginning 2010 to 2014 and marine fuel with a sulfur content of 0.1% (1,000 ppm sulfur content) or less beginning 2015. In addition, any vessels built after 2016 must meet a more stringent NOx emissions standard that is 80% cleaner than the Tier I NOx emissions standard only if the vessel enters an ECA (known as Tier III NOx standard). The U.S. and Canada applied for a “North American ECA” and IMO adopted the U.S. and Canadian application on March 26, 2010.

As part of the ECA, a technology assessment review was conducted to determine if there are control technologies that will achieve the Tier III standards. The technology review provided to IMO in May 2013 indicated that there are several control technologies that can achieve the Tier III NOx emissions standard beginning in 2016. However, the Russian Federation petitioned IMO to delay the implementation of the Tier III standards until 2021. The amendment applies only to the Tier III NOx standard and does not impact the implementation of the sulfur content requirements and was proposed for approval in May 2013. The amendment was considered for final ratification in April 2014.

On April 4, 2014, the IMO finalized its consideration of the proposed amendments decided to keep the 2016 implementation requirements for new vessel builds with engines meeting the Tier III NOx emissions standard that enter existing ECAs (i.e., the North American and Caribbean ECAs). However, new vessel builds after 2016 do

not need to meet the Tier III NOx emissions standard if the vessels do not enter any existing ECAs. For any new ECAs established some point in the future, vessel builds after the ECA is established will be required to have engines meeting Tier III NOx emissions standard if those vessels enter an ECA. For example, if an ECA is established in 2025, then vessel builds after 2025 will be required to have engines meeting Tier III NOx emissions standard if those vessels enter an ECA.

Mr. Hogo indicated that the final IMO action to keep the 2016 requirement for existing ECAs will not have an impact on the ozone attainment demonstration for 2023; however, with the delay of new vessel builds until new ECAs are established in the future, there is a potential that there will be a smaller number of Tier III vessels beginning in 2016. Relative to the recent actions and the overall development of the IMO regulations in 2008, the SCAQMD played an important role in influencing the adoption of the regulations and ensuring that the proposed delay in the Tier III NOx standard does not occur. If the delay was ratified, the SCAQMD staff indicated to U.S. EPA and Congressional members that the federal government would need to adopt new regulations to make up for the emission reductions foregone from marine vessels.

A question was asked on the percentage makeup of Tier I, II, and III vessels that call on the Ports. Staff indicated that the mix is mostly Tier I vessels since the requirements for Tier II vessels only began in 2011 and new Tier III vessels will be built beginning in 2016. The Ports do track the types of vessels that call on the Ports as part of their emissions inventory program and as part of their incentives program for cleaner vessel calls.

A question was asked regarding the European ECA that is currently in existence and its applicability to NOx. Staff indicated that the European ECA is only for sulfur oxides (SOx) and there are no ECAs for NOx at this time.

A question was asked relative to the implication of not having as many Tier III vessels calling on the Ports. Staff indicated that the Ports have established rebate programs for cleaner vessels to call at the Ports. The Port of Los Angeles uses an “environmental ship index” to score cleaner vessels and provide rebates based on the level of emissions associated with the cleaner vessels. In Sweden, national tariffs have been established that are considered “fee neutral” (i.e., the tariffs for all vessels calling at Swedish ports were increased and discounts are provided to vessels that have lower emissions).

A question was asked about the cost of Tier III control technologies. Staff indicated that the cost to retrofit with SCR technologies were on the order of \$1 to \$2 million per vehicle based on information from Baltic Sea operators that have applied the SCR technologies. The cost may be higher based on the size of the engine.

A question was asked whether there are incentives funding for Tier III retrofits. Staff indicated that there is currently no funding for Tier III retrofits. There have been questions whether local funding can be made available to retrofit vessels that are “internationally flagged” and these vessels may not be dedicated to call on local ports. However, the Ports are looking at possible funding opportunities.

A question was asked on the authority to regulate marine vessels. Ms. Baird indicated that the federal Clean Air Act limits local and state authority to regulate nonroad engines which includes marine engines. The U.S. EPA does have the authority to regulate marine engines and has done so for domestic or U.S. flagged vessels. However, the U.S. EPA has not decided whether the Clean Air Act allows the EPA to regulate foreign flagged vessels and has relied on the IMO to regulate foreign flagged vessels. A comment was made that CARB has regulated fuel for marine vessels. Ms. Baird indicated that this is allowed under the Clean Air Act since the regulations apply to in-use operations. Ms. Baird indicated that the Pacific Merchants Shipping Association (PMSA) had sued CARB on the ability to apply the low-sulfur marine fuel regulation to vessels that are outside the “3 mile territorial zone,” typically considered international waters. The U.S. District Court of Appeals had ruled in favor of CARB and the issue was not considered by the U.S. Supreme Court. Other litigation has occurred challenging the establishment of the ECA, but has been unsuccessful.

### **3) Overview of the Los Angeles 2020 Commission Recommendation Regarding the Ports of Los Angeles and Long Beach**

Staff provided an overview of the City of Los Angeles 2020 Commission recommendations to the mayor and city council of Los Angeles regarding the City’s financial situation and job growth. In early 2013, the Los Angeles City Council President requested that former U.S. Secretary of Commerce Mickey Kantor form a panel to study and report on fiscal stability and job growth in Los Angeles. The 2020 Commission, (consisting of 13 representatives from various sectors including labor, business, academia, government, and nonprofit organizations), held meetings with business leaders, governmental departments, and community leaders during 2013 and released two reports: “A Time for Truth” in January 2014 and “A Time for Action” in April 2014. The “A Time for Truth” report described 17 areas where the City is faced with fiscal and social challenges ranging from the income level of residents to public education, traffic congestion and other environmental issues, and issues related to City Hall administration and small businesses. This report provided a view of the state of the City that led to the second report, “A Time for Action”.

The second report provided three general recommendations for the City to take action. Two of the recommendations focus on the City’s administration and budget, and the third recommendation focuses on job growth.

As part of job growth, the 2020 Commission recommended three actions: collaboration as a region to bring more jobs and investments, and tax revenue; focus on economic clusters to generate jobs of the future; and update community plans to enhance neighborhood input and establish a thoughtful growth strategy. The economic cluster recommendation includes: creation of a “bioscience and technology” center; and an “environmental regulation and testing” center. The latter recommendation is to encourage the California Air Resources Board (CARB) to locate its new campus within the City of Los Angeles. According to the report, having CARB located in the City will bring new job opportunities to the City and increase the City’s tax revenue base.

Staff indicated that relative to job growth, the Commission recommended combining the ports of Los Angeles and Long Beach under a joint powers agreement. The report cited that over the last ten years, the two ports have lost market share on an order equal to that of the combined Ports of Seattle and Tacoma. According to the report, a combined port will create more cooperation to bring new business rather than a competitive environment between the two ports. The report indicated that this type of cooperation is occurring in other regions of the U.S. and those ports have developed successful partnerships. A joint powers agreement will allow the ports to manage future strategy and direction as well as capital planning and rate-setting. Staff indicated that there have been several news articles and editorials regarding the proposal.

The two reports were received by the Mayor of Los Angeles and the City Council, who may decide to act on the recommendations in some manner or not at all. There may be a formal presentation of the recommendations to City Council at some point in the future.

#### **4) Comments on Caltrans Freight Mobility Plan**

Mr. Peter Greenwald, Sr. Policy Advisor, provided a status report regarding the draft California Freight Mobility Plan. Caltrans states that the plan will define the overall State Freight Vision and identify goals, objectives, strategies, performance measures, and a select set of high-priority projects to achieve that vision. The Plan is scheduled to be finalized by December 31, 2014. Currently, Caltrans is providing chapters for stakeholder input. Key chapters on the Freight Improvement Strategy and Implementation Plan have not yet been released. SCAQMD staff submitted a preliminary comment letter on April 8, 2014. The comments recommend matters to be addressed in upcoming chapters, and focus on technology, efficiency, and distance to receptors. Recommendations address demonstration and deployment of advanced clean technologies; infrastructure that enables or incentivizes use of advanced technologies (e.g. charging and fueling); design of new emissions and fuel-efficiency standards to incentivize zero and near-zero emission vehicles; collaborative programs

with shippers and carriers; clean technology policies for government fleets; efficiency strategies that reduce congestion, vehicle miles traveled, fuel use, and emissions (e.g. intelligent transportation systems, on-dock rail); and locating new freight facilities and truck routes to avoid significant health risks. Dr. Lyou requested that staff follow up with Caltrans staff, and Mayor Mitchell requested that staff emphasize the importance of the proposed zero-emission freight corridor on the I-710.

### **DISCUSSION ITEM:**

#### **5) Date of Next Mobile Source Committee Meeting**

The Committee discussed rescheduling the May 16, 2014 meeting, as it conflicts with the Board Retreat. The Committee asked staff if there are any agenda items scheduled for review in May. Staff stated that the proposed amendments to Rule 2202 would be agendized in May if there are additional comments and/or recommendations for the Committee's review. Therefore, the Committee agreed to meet on May 16<sup>th</sup> in Palm Desert prior to the start of the Board Retreat, if necessary.

### **WRITTEN REPORTS:**

#### **6) Rule 2202 Activity Report**

The report was received as submitted.

#### **7) Monthly Report on Environmental Justice Initiatives – CEQA Document Commenting Update**

The report was received as submitted.

### **OTHER BUSINESS:**

None

### **PUBLIC COMMENT:**

None

The meeting was adjourned at 10:27 a.m.

### **Attachment**

Attendance Roster



**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT  
MOBILE SOURCE COMMITTEE MEETING  
Attendance Roster- April 18, 2014**

NAME	AFFILIATION
Chair Dr. Clark E. Parker, Sr.	SCAQMD Governing Board ( <i>via videoconference</i> )
Vice Chair Dr. Joseph Lyou	SCAQMD Governing Board
Committee Member Judith Mitchell	SCAQMD Governing Board
Committee Member Ben Benoit	SCAQMD Governing Board
Board Asst/Consultant Ruthanne Taylor Berger	SCAQMD Governing Board ( <i>B. Benoit</i> )
Board Asst/Consultant Frank Cardenas	SCAQMD Governing Board ( <i>Cacciotti</i> )
Curtis Coleman	Southern California Air Quality Alliance
Richard Friedman	Earthguard Environmental Services
Susan Stark	Tesoro
Lee Wallace	So Cal Gas Company/San Diego Gas & Electric
Bill Pearce	Boeing
Elaine Chang	SCAQMD Staff
Philip Fine	SCAQMD Staff
Barbara Baird	SCAQMD Staff
Matt Miyasato	SCAQMD Staff
Henry Hogo	SCAQMD Staff
Peter Greenwald	SCAQMD Staff
Laki Tisopulos	SCAQMD Staff
Marc Carrel	SCAQMD Staff
Joe Cassmassi	SCAQMD Staff
Carol Gomez	SCAQMD Staff
Ernest Lopez	SCAQMD Staff
Antonio Thomas	SCAQMD Staff
Patti Whiting	SCAQMD Staff
Kim White	SCAQMD Staff
Kathryn Higgins	SCAQMD Staff
Lane Garcia	SCAQMD Staff