

BOARD MEETING DATE: February 6, 2026

AGENDA NO. 4

PROPOSAL: Reallocate Funds, Amend and Execute Agreements and Contracts to Support Ocean-Going Vessel Retrofit Projects

SYNOPSIS: South Coast AQMD received a 2020 U.S. EPA Targeted Airshed Grant to partner with Mediterranean Shipping Company (MSC) and Ports of Los Angeles and Long Beach to retrofit two ocean-going vessels. However, there was a change in one of the vessel's availabilities, resulting in MSC being unable to complete one of the planned retrofits. Therefore, some funds remain that can be allocated to another retrofit project with a similar scope. Chevron Shipping Company has volunteered one of its Tier 2 tanker vessels for this retrofit development and installation contingent on U.S. EPA approval. These actions are to: 1) reallocate the remaining U.S. EPA and Ports of Los Angeles and Long Beach contributions in the amount of \$3.9 million from MSC to Chevron Shipping Company for the tanker vessel retrofit; 2) amend the existing MOU with the Ports of Los Angeles and Long Beach (San Pedro Bay Ports) to incorporate the revised project scope; 3) amend and extend the contract with MSC, upon approval from U.S. EPA and, 4) contingent upon U.S. EPA approval, execute a contract with Chevron Shipping Company for up to \$3.9 million from the Clean Shipping Technology Demonstration Special Revenue Fund (83) to retrofit a tanker vessel.

COMMITTEE: Technology, January 23, 2026; Recommended for Approval

RECOMMENDED ACTIONS:

Authorize the Executive Officer to:

1. Reallocate the remaining U.S. EPA Targeted Airshed Grant and San Pedro Bay Ports contribution in the amount of \$3.9 million to Chevron Shipping Company for the tanker vessel retrofit;
2. Amend the existing MOU with San Pedro Bay Ports to incorporate the revised project scope;
3. Amend and extend the contract with MSC upon U.S. EPA approval; and

4. Contingent upon EPA approval, execute a contract with Chevron Shipping Company from the Clean Shipping Technology Demonstration Special Revenue Fund (83) for up to \$3.9 million, consisting of \$3.3 million from the U.S. EPA Targeted Airshed Grant and \$600,000 from the San Pedro Bay Ports.

Wayne Nastri
Executive Officer

AK:MW:MH

Background

The 2022 AQMP identifies the need for substantial NOx reductions to achieve ozone and PM2.5 National Ambient Air Quality Standards. Ocean-going vessels (OGVs) are a significant source of NOx and PM2.5 emissions and emission reductions from these vessels are needed to support attainment of federal ozone and PM2.5 standards. OGVs remain one of the largest NOx-emitting categories in the South Coast Air Basin. While new IMO Tier III vessels produce lower emissions, the global fleet turnover is slow, and there are few Tier III vessels expected to be in operation before 2030. As a result, retrofitting existing vessels provides one of the most viable near-term strategies to achieve emissions reductions.

South Coast AQMD has a long partnership with the Ports of Los Angeles and Long Beach (San Pedro Bay Ports), shipping lines, and technology providers to deploy and demonstrate retrofit technologies. In September 2020, September 2021, and June 2023, the Board recognized a U.S. EPA Targeted Airshed Grant (TAG) award, approved a contract award to Mediterranean Shipping Company (MSC), recognized the cost share from San Pedro Bay Ports, and entered into an MOU with the San Pedro Bay Ports to support the development, installation, and demonstration of retrofit technologies for OGVs. The MSC project scope involves retrofitting two Tier II candidate OGVs with advanced emission-control technologies. However, due to scheduling and engineering constraints, the second MSC candidate vessel became unavailable for retrofit, which resulted in \$3.3 million in U.S. EPA funds and \$600,000 in San Pedro Bay Ports' cost-share becoming available.

Proposal

To ensure the timely deployment of the retrofit technologies to achieve emissions reductions under this grant, staff is proposing to reallocate the remaining funding to retrofit a Chevron Shipping Company tanker vessel.

Chevron Shipping Company operates multiple Tier II tanker vessels that frequently call at the San Pedro Bay Ports, representing a suitable platform for the deployment of the

same class of retrofit technologies contemplated in the earlier MSC effort. Redirecting the remaining project funds to the Chevron Shipping Company vessel maintains the alignment with the TAG program objectives, continues the development of scalable retrofit technologies for marine engines, and provides quantifiable NOx and PM2.5 emission reductions consistent with the South Coast AQMD air quality goals.

Staff recommends reallocating the unspent funds for the MSC contract to Chevron Shipping Company to replace the portion of the OGV retrofit project that was not completed by MSC, contingent upon EPA approval executing a contract with Chevron Shipping Company for the retrofit, and amending the agreements with MSC and the MOU with San Pedro Bay Ports. In addition, the retrofit project under the MSC contract will require additional time for final approval and testing until March 2027. The additional time for the MSC project was approved by the U.S. EPA and the MSC contract will be amended to extend the project completion deadline.

Sole Source Justification

Section VIII.B.2 of the Procurement Policy and Procedure identifies four major provisions under which a sole source award. The request for sole source award for the Chevron Shipping Company contract is made under provision B.2.d.(1) projects involving cost sharing by multiple sponsors. The contract with Chevron Shipping Company will be fully funded by San Pedro Bay Ports and U.S. EPA TAG funds. Additionally, Section VIII.B.3 of the Procurement Policy and Procedure identifies four major provisions under which contracts funded in whole or in part with federal funds may be made as a sole source award. The request for sole source award for the Chevron Shipping Company contract is made under the provision B.3.c, which states the awarding federal agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity.

Benefits to South Coast AQMD

The 2022 AQMP calls for adopting zero-emission and low-NOx technologies, where feasible, and for providing incentive funding to reduce mobile source emissions to meet the National Ambient Air Quality Standards. South Coast AQMD supports numerous activities to advance new technologies and meet regional air quality goals. The successful implementation of various incentives and demonstration projects is a direct result of these technological advancement activities. The new tanker vessel retrofit technologies for large marine engines – consistent with the South Coast AQMD prior OGV technology demonstration efforts- offer near-term reductions while Tier III vessels remain limited. This project will provide annual NOx and PM reductions of 97 and 3.4 tons.

Resource Impacts

There is no additional resource impacts as the contracts were previously encumbered. All the fiscal activity is within Fund (83). These actions primarily reallocate existing U.S. EPA TAG and cost-share funds, modify the MSC contract, and authorize a new contract with the Chevron Shipping Company.