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Subject: Comments on Proposed Cooperative Agreement between South Coast Air Quality Management District and the Ports of Long Beach and Los Angeles

Dear Mr. MacMillian:

Thank you for the opportunity to provide comments on the proposed Cooperative Agreement between the South Coast Air Quality Management District (SCAQMD) and the Ports of Long Beach and Los Angeles. On behalf of its members serving the Ports of Long Beach and Los Angeles, the Pacific Merchant Shipping Association (PMSA) wishes to express its support for the Cooperative Agreement.

The proposed Cooperative Agreement exemplifies the collaborative approach that has successfully reduced diesel emissions in and beyond the San Pedro Bay port complex by 90%. The Cooperative Agreement will plan and implement a zero-emissions infrastructure plan faster and with less uncertainty than what would have been possible through a regulatory approach. In addition, given the recent changes in regulation and policy at a national level and the subsequent follow-on effects in California, a collaborative approach is more sustainable, will engender high levels of participation, and is more likely to succeed at reducing more emissions faster and with less potential disruption.

While PMSA supports the Cooperative Agreement, there are a number of technical issues that should be addressed within the agreement.

Protect Business Confidential Information

Marine Terminal Operators and Ocean Carriers compete on a number of bases; this includes environmental performance. PMSA's members have been working on reducing emissions, improving efficiency, managing costs, and facilitating economically feasible decarbonization for over 20 years. To that end, every decarbonization strategy that has been implemented in San Pedro Bay has been unique. This reflects the innovation and competitiveness that the maritime industry brings to finding solutions for complex operational problems. And, decarbonization continues to be among the most challenging and most capital-intensive problems facing the industry today.

As a result of these concerns, and especially because there exists the potential for business winners and losers with respect to the nature, location, timing, and scale of the implementation of port-related infrastructure, the processes embodied by the Cooperative Agreement must protect the confidential business information that is part and parcel of developing a decarbonization strategy.

PMSA strongly recommends that the Cooperative Agreement explicitly protect Business Confidential information. Moreover, whenever any specific private terminal or carrier information is utilized, we request that the Cooperative Agreement direct that a method similar to data collection for the ports' annual emissions inventory be used: engage a third party that to collect data, protect that data through non-disclosure agreements, and submit aggregated, anonymized data through tenant's respective ports. This will ensure that confidential data is protected and provide terminal operators and ocean carriers with the confidence to participate in data collection efforts.

Schedules Must Accommodate Any Need to Modify Leases

One outcome of infrastructure planning and development for zero-emissions infrastructure will likely be the need to modify existing leases within the harbor complex, as zero-emissions infrastructure will ultimately require significant investments on the part of both the ports and their tenants. These financial commitments will require a long-term horizon in order to make such investments viable.

The Cooperative Agreement contains an accelerated schedule to develop and begin implementing an infrastructure plan. However, it is unclear how the development of that plan will interact with any future lease modifications that may be required or if the plans themselves would incorporate the impact of future lease negotiations on schedule. Alternatively, it is unclear if the plans intend to avoid addressing lease negotiation timeline considerations by limiting plan scope to areas outside leased premises. Either way, PMSA urges SCAQMD and the ports to address the interplay of the Cooperative Agreement and leases upfront in their infrastructure plans by allowing for schedules to accommodate any needed lease modifications.

Addressing Uncertain Technology Pathways and Planning for Demonstration Setbacks

The ultimate zero-emission technologies that will be used throughout San Pedro Bay remain uncertain. One of the outcomes of this technology uncertainty is encountering inevitable technology dead ends.

Whether it is operational constraints, range limitations, financial constraints, or other equipment parameters, some of the demonstrations will not be successful. This will result in new deployments starting anew with an upgraded technology platform. While some will view this as a failure, it is, in fact, a feature of technology development. This process is already ongoing in San Pedro Bay and needs to be reflected in any infrastructure planning. For example, several significant zero-emission deployments have already been rendered obsolete and will need to be wholly replaced. However, it is unclear how the Cooperative Agreement or subsequent infrastructure plans will accommodate this process. PMSA encourages SCAQMD and the ports to be explicit in how this normal, natural, and good faith technology development process will be accommodated throughout the term of the agreement.

The recent changes in the regulatory framework nationally and, as a result, in California serve only to increase this uncertainty and, possibly, delay equipment deployments. For example, with respect to cargo-handling equipment, both electrification and hydrogen remain contenders, including a possible mix of technologies. Until terminal operators understand which technologies will meet their operational needs, and which decarbonization pathways may be favorably or unfavorably viewed by regulators and utilities, the infrastructure plans envisioned under the Cooperative Agreement need to be sufficiently adaptable to allow both technologies to be supported.

Similarly, from a vessel perspective, alternative maritime fuels are the most likely candidate to further decarbonization. Approximately 80% of new, large containership orders are natural gas- or methanol-capable. However, their use in San Pedro Bay will be contingent on the availability of alternative fuels in San Pedro Bay. Yet, natural gas or methanol may not be the vessel fuel endpoint, with possibilities such as hydrogen and ammonia among future possible contenders. Again, infrastructure plans must be sufficiently adaptable to allow for this shifting landscape. PMSA requests that the Cooperative Agreement reflect this uncertainty and encourage future infrastructure planning to support the current dual fuel fleets and remain fuel agnostic.

Maintain Flexibility for Changing Circumstances

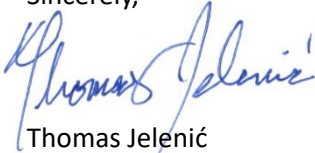
Over the past five years, the port complex has seen a pandemic, a significant cargo decline, a significant cargo surge, and multiple rounds of tariffs, among the backdrop of all the other issues facing the maritime industry and Southern California. The Cooperative Agreement is a more flexible vehicle to deal with changing economic conditions than a regulatory approach could ever be. That flexibility should be emphasized. Ultimately, an economically successful port is necessary for an environmentally successful port. The transition to zero-emissions will be long and expensive. The only way to ensure the resources are available to fund this transition is by ensuring that this port complex can attract the cargo that will generate the necessary revenue. If the plan is not flexible it will risk cargo diversion. With cargo diversion, Southern California will lose twice. First, the ports and their tenants will lose the resources necessary to fund the transition. Second, it will divert cargo to less environmentally sustainable ports that will further slow decarbonization.

Conclusion

PMSA supports the Cooperative Agreement. The transition to zero emissions in San Pedro Bay will be difficult and expensive. This agreement represents the best chance to complete that transition successfully. PMSA encourages SCAQMD and the Ports of Long Beach and Los Angeles to consider the comments presented here that will strengthen the agreement, create agreement resiliency, feasibility, and flexibility, and ensure that the Ports and their customers will be capable of meeting the challenges of future circumstances without damaging our economic competitiveness.

PMSA looks forward to working with the staff of SCAQMD, Port of Long Beach, and Port of Los Angeles through the implementation of the Cooperative Agreement.

Sincerely,



Thomas Jelenić
Vice President