

APPENDIX A
PROPOSED REGULATIONS

PROPOSED REGULATION ORDER

Adopt new sections 2600 through 2610, California Code of Regulations, to read as set forth on the following pages:

Section 2600	- Purpose
Section 2601	- Definitions
Section 2602	- District Responsibility
Section 2603	- Vehicle Eligibility
Section 2604	- Voluntary Accelerated Vehicle Retirement Enterprise Operator Requirements
Section 2605	- Offering Vehicles to the Public
Section 2606	- Advertising
Section 2607	- Emission Reduction Credits
Section 2608	- Records, Auditing, and Enforcement
Section 2609	- Pilot Program
Section 2610	- Procurement of Credits for SIP Measure M1

Note: The entire text of these regulations is new language proposed to be added to the California Code of Regulations.

Amended (Insert date of finalized regulations.)

Add Title 13, California Code of Regulations, Chapter 13, Article 1, Sections 2600 - 2610 to read as follows:

Title 13, California Code of Regulations

Division 3, Air Resources Board

Chapter 13, Voluntary Accelerated Vehicle Retirement Enterprises

Article 1, Voluntary Accelerated Light-Duty Vehicle Retirement Enterprises

§2600 Purpose: The provisions of this article apply to the generation of emission reduction credits through the accelerated retirement of light-duty on-road motor vehicles, including passenger cars and light-duty trucks.

§2601 Definitions:

- (a) “voluntary accelerated vehicle retirement” (“VAVR”) means the use of cash payments or other incentives to encourage a vehicle owner to voluntarily retire his or her vehicle from service earlier than otherwise would have occurred;
- (b) “Inspection and Maintenance Program” (“I/M”) or “Smog Check” means the motor vehicle inspection program established by the Health and Safety Code section 44000, et seq.;
- (c) “enterprise operator” means a person who conducts a voluntary accelerated vehicle retirement enterprise according to these regulations. The enterprise operator purchases vehicles, arranges for a vehicle’s permanent removal from operation, and receives any emission reduction credit generated thereby;
- (d) “dismantler” means the person or business, defined and licensed according to the requirements of the California Vehicle Code §220, §221, §11500, et seq., and other business codes and the regulations of the Department of Motor Vehicles, who dismantles or otherwise removes from service those vehicles obtained as part of a voluntary accelerated vehicle retirement enterprise;
- (e) “emission reduction credit” means a credit representing the amount of emission reductions from accelerated retirement of vehicles, which can be applied to the emission reduction obligations of another source or to air quality attainment goals. VAVR enterprises can generate emission reduction credits that may be sold on the open market;
- (f) “pilot program” means a limited VAVR enterprise to be conducted under contract to the Air Resources Board (“ARB” or “Board”), to be completed no later than two (2) years following adoption of these regulations, with the intent of assessing the effectiveness of such enterprises and of these regulations;
- (g) “SIP” means the State Implementation Plan for ozone attainment, approved by the Board in 1994 and as subsequently amended;
- (h) “measure M1” means the mobile source control measure of the SIP that calls for utilizing VAVR enterprises in the South Coast Air Basin for the purpose of achieving needed emission reductions;
- (i) “NOx” means oxides of nitrogen, NO and NO₂, measured as NO₂, emitted in automotive exhaust;

- (j) “CO” means carbon monoxide, as emitted in automotive exhaust;
- (k) “PM” means particulate matter, as emitted in automotive exhaust;
- (l) “ROG” means reactive organic gases, as emitted in both automotive exhaust and evaporative emissions;
- (m) “district” means local air quality management district or air pollution control district that has responsibility for administering VAVR enterprises within its jurisdiction;
- (n) “Executive Officer” means the Executive Officer of the Air Resources Board;
- (o) “collector-interest vehicle” means any vehicle purchased by a car collector or car enthusiast primarily for its historic or esthetic value, rather than primarily as a means of transportation;
- (p) “unrepaired gross polluter” means a vehicle identified by the Smog Check II program as failing required emissions testing with emission levels in the gross polluter category, and which has not been repaired and subsequently retested to show its emission levels have been brought into compliance. This includes, but is not limited to, vehicles registered and operating under the authority of a repair cost waiver or economic hardship extension;
- (q) “unrepaired high emitter” means a vehicle identified by the Smog Check II program as failing required emissions testing with emission levels in the high emitter category, and which has not been repaired and subsequently retested to show its emission levels have been brought into compliance. This includes, but is not limited to, vehicles registered and operating under the authority of a repair cost waiver or economic hardship extension;

§2602 District Responsibility

- (a) Within six (6) months of the date of adoption of these regulations, each district allowing the operation of VAVR programs within its jurisdiction will implement and enforce these regulations, or will amend existing rules to comply with these regulations;
- (b) Existing operators of accelerated retirement enterprises shall comply with district rules and these regulations;
- (c) Each participating district shall have responsibility, with ARB oversight, for administering and auditing VAVR enterprises conducted within its jurisdiction;
- (d) In accordance with all state, federal and local laws, rules and regulations, each participating district shall administer and monitor the use of credits generated by enterprises operated under these regulations and shall, with ARB oversight, certify or reject the accuracy and validity of any credits generated, as required;
- (e) Each participating district will retain the records received according to subparagraph §2608(a)(1) for a period not less than the life of the related credits;

§2603 Vehicle Eligibility

- (a) To be eligible for generation of emission reduction credits through a VAVR enterprise, a vehicle shall meet the following criteria:
 - (1) It shall be voluntarily sold to the enterprise operator for a price mutually agreed between the vehicle seller and the enterprise operator;

- (2) It shall be currently registered with the Department of Motor Vehicles as an operable vehicle, and shall have been so registered for twenty-four (24) consecutive months immediately prior to the final date of sale to the VAVR enterprise, to an address or addresses within the district in which the enterprise is being operated.
 - (i) A vehicle may also be eligible if the owner of the vehicle placed the vehicle in planned nonoperational status per Vehicle Code §4604, et seq., for a total of two (2) months during the continuous twenty-four (24) month registration period, occurring at least three (3) months prior to the date of sale to the VAVR enterprise. Smog Checks must be performed as required by the Department of Motor Vehicles in order for the vehicle to be considered registered;
 - (ii) A vehicle may also be eligible if the registration has lapsed during the previous twenty-four (24) months for a period not to exceed fourteen (14) consecutive days, in a manner consistent with a delay in processing the normal vehicle registration renewal. Smog Checks must be performed as required by the Department of Motor Vehicles in order for the vehicle to be considered registered;
 - (iii) If a vehicle owner has sold a vehicle to an enterprise operator within the previous twelve (12) months, any subsequent vehicles offered by the same owner must have been registered continuously to that owner for the previous twenty-four (24) month period, in addition to meeting all other requirements of this section;
 - (iv) Determination of an individual vehicle's registration history shall be based on:
 - (A) registration data for that vehicle obtained from Department of Motor Vehicles records or Bureau of Automotive Repair Smog Check data base records;
 - (B) If (A) provides inconclusive results for an individual vehicle, then copies of the applicable vehicle registration certificates or planned nonoperation status certificates covering the necessary time period may be used;
- (3) It shall be a passenger car or a light-duty truck;
- (4) It shall be driven to the purchase site under its own power;
- (5) It shall not be flagged as an unrepaired high emitter or an unrepaired gross polluter in the Bureau of Automotive Repair's Smog Check data base, and shall not be operating under a Smog Check repair cost waiver or economic hardship extension;
- (6) If a vehicle volunteered for retirement is within ninety (90) days of its next required Smog Check inspection, the following criteria must be met:
 - (i) The vehicle shall pass the Smog Check test without receiving a repair cost waiver or economic hardship extension prior to acceptance by a VAVR enterprise operator;

- (ii) Owners of vehicles requiring Smog Checks pursuant to §2603(a)(6)(i) shall be required to submit documentation issued by a Bureau of Automotive Repair-licensed Smog Check station to the VAVR enterprise operator, demonstrating compliance with §2603(a)(6)(i);
- (b) Each vehicle shall pass a functional and equipment eligibility inspection performed by a Bureau of Automotive Repair Smog Check referee station inspector (inspector), or other ARB-approved inspector. The following elements shall be included in the inspection:
 - (1) The candidate vehicle must have been driven to the inspection site under its own power. If an inspector has knowledge that a vehicle was towed or pushed for any portion of the trip to the inspection site, then the inspector shall not approve the vehicle for eligibility in a VAVR program;
 - (2) The inspector shall inspect the vehicle to ensure it meets the following requirements and shall reject the vehicle for emission reduction credit generation if the vehicle fails any of these requirements;
 - (i) All doors shall be present and at a minimum one door per passenger compartment shall be operable. Doors shall be deemed operable if they can open and remain closed without the use of ropes, wire, or tape, or any other add-on device or material that was not part of the original design of the vehicle;
 - (ii) The trunk lid shall remain closed without the use of ropes, wire, or tape, or any other add-on device or material that was not part of original design of the vehicle;
 - (iii) The hood (metal cover providing access to the engine) shall open and shall remain closed utilizing a functional latching mechanism without the use of bungee cords, strapping, ropes, wire, or chains, or any other external device or material that was not part of the original design of the vehicle;
 - (iv) The dashboard shall contain warning lights and gauges (except clock and/or tachometer) as originally supplied by manufacturer, or functionally equivalent aftermarket replacements;
 - (v) Windshield wipers shall be present and operational;
 - (vi) The windshield and rear window shall not contain any holes, or holes that are covered by tape or any other external component, or any other defective condition that impairs the driver's vision. In addition, the windshield and rear window shall not be held in place by external components that were not part of the original design of the vehicle;
 - (vii) The driver's seat shall not be reinforced or supported by add-on components such as blocks, tires, boards, pillows, or ropes in order to be functional;
 - (viii) Interior pedals (flat surface attached to a lever(s) controlling the

- brake, clutch, and accelerators) shall be present;
- (ix) The vehicle shall contain bumpers, fenders, exhaust system, and side and quarter panels as originally supplied by the manufacturer or aftermarket part equivalent; these components shall not be damaged to the extent that the operability of the vehicle is impaired.
 - (x) The vehicle shall not contain any holes in the floorboard or any holes penetrating through the body into the passenger compartment. A hole originally designed into the floorboard by the vehicle manufacturer for drainage shall be exempt from this requirement.
 - (xi) Headlights as well as tail and brake lights shall be present and operational. Burned out light bulbs shall not result in a failure of this requirement provided that the operability of the above lighting systems can be verified.
 - (xii) Driver's side and opposing side window shall be present, and not supported by any add-on component that was not part of the original design of the vehicle. Other side windows or functional replacements shall be present.;
 - (xiii) The requirements of §2603(a)(3), §2603(a)(5) and §2603(a)(6) regarding Smog Check status have been met;
 - (xiv) There should be no obvious indications that the vehicle is not operated on a routine basis for extended periods of time;
- (3) The inspector shall inspect the vehicle to ensure it meets the following requirements and shall reject the vehicle for emission reduction credit generation if the vehicle fails any two of these requirements;
- (i) Turn signal lights shall be present and operational. Burned out light bulbs shall not result in a failure of this requirement provided that the operability of the above lighting system can be verified;
 - (ii) Driver's side window and opposing side passenger window shall be operational. Operability shall be determined by the inspector raising and lowering the windows using the window handle, crank, or power window switch located inside of vehicle. Inability of windows to be raised and lowered shall result in noncompliance with this requirement;
 - (iii) Rear-view mirror and side-view mirror shall be present and operational;
 - (iv) The vehicle shall contain interior door panels as originally supplied by the vehicle manufacturer or aftermarket equivalent. Interior door panels shall be attached to the door without the use of any external device or material not designed for the vehicle;
 - (v) The vehicle body shall not contain any holes that exceed two inches in length at the widest point;
- (4) The inspector shall complete the following functional inspection, and shall

reject the vehicle for credit generation if the vehicle fails to complete any one of the requirements. Prior to implementing the functional inspection, the vehicle engine shall be turned off;

- (i) Insert key, vehicle engine shall start using keyed ignition system. In addition to the keyed ignition switch, ignition or fuel kill switch may be activated if required to start engine;
 - (ii) Vehicle shall idle without the use of accelerator pedal for a minimum of ten seconds;
 - (iii) Transmission shall be shifted into forward gear with brake pedal applied. Vehicle engine shall remain operating without use of accelerator pedal for a minimum of ten seconds. Vehicles equipped with manual transmissions shall be exempt from this requirement.
 - (iv) The vehicle shall be driven forward and in reverse for a minimum of 25 feet under its own power;
 - (v) Under its own power, the vehicle shall be driven forward for a minimum of 100 feet starting at 0 miles per hour, and the vehicle shall completely stop at the end of this test using the vehicle's braking system. The vehicle shall travel the first 60 feet of this test within 5.5 seconds. After 100 feet have been traveled, the vehicle shall turn around and return to its point of origin;
- (5) The inspector shall reject the vehicle for emission reduction credit generation if any of the following occurs during implementation of the functional tests specified in §2603(b)(2), §2603(b)(3), and §2603(b)(4);
- (i) Engine shuts down subsequent to keyed ignition start;
 - (ii) Emissions of whining, grinding, clanking, squealing, or knocking noises, or noises from engine backfire;
 - (iii) The brake pedal drops to the floor when the inspector attempts to stop the vehicle.
- (6) Upon satisfactory completion of the inspection, the inspector will issue a certificate of functional and equipment eligibility;
- (i) A master copy of the certificate of functional and equipment eligibility is included in the document “Voluntary Accelerated Vehicle Retirement Certificate of Functional and Equipment Eligibility Inspection Form”, incorporated herein by reference;
- (7) Vehicles that do not meet the functional and equipment eligibility criteria of this section, as determined by the inspector, shall not be issued a certificate of functional and equipment eligibility and cannot be retired to generate emission reduction credits through a VAVR enterprise;
- (i) A vehicle owner who disputes the outcome of an eligibility inspection shall submit the matter in writing within fourteen (14) days of the date of the inspection, with full description of the specific issue and with copies of any applicable documentation, to

the district for resolution. Should the district subsequently determine that the vehicle meets the eligibility requirements of this section, the district will issue to the vehicle owner a certificate of eligibility, valid for a period not to exceed twenty-one (21) days from the date of issue;

- (c) Districts may adopt vehicle functional and equipment eligibility inspection requirements that are more stringent than those specified in §2603(b). In doing so, districts may not omit or weaken any of the required functional or equipment tests; they may only add additional tests or adopt a more stringent

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d test.

§2604 VAVR Enterprise Operator Requirements

- (a) The enterprise operator shall either:
 - (1) be an auto dismantler, licensed according to the requirements of the California Vehicle Code and other business codes and the regulations of the Department of Motor Vehicles, for the purpose of vehicle disposal after purchase, or:
 - (2) have a binding agreement with a duly authorized auto dismantler, for the purpose of vehicle disposal after purchase;
- (b) At least thirty (30) days prior to commencing operations as a voluntary accelerated vehicle retirement enterprise operator, the operator shall notify the local district, in writing, of the intent to conduct such operations;
 - (1) The notification shall be submitted on forms specified by a district and shall contain information demonstrating the ability to comply with all provisions of this rule. This information shall include, but is not limited to, enterprise operator name and business address, licensed auto dismantler name and business address, anticipated initiation date and duration of vehicle retirement operation, time of vehicle intake, a written statement from the auto dismantler under penalty of perjury certifying compliance with local water conservation regulations, state, county, and city energy and hazardous materials response regulations, and local water agency soil, surface, and ground water contamination regulations, and any other information requested in applicable district rules;
 - (2) The local district shall have the right to refuse permission to generate emission reduction credits through voluntary accelerated vehicle retirement to any requesting operator deemed by the local district as not meeting the requirements of these regulations or any applicable district rules;
 - (3) The district may assess an application fee to cover the costs of this approval process;
- (c) The enterprise operator shall be required to contract with Smog Check referee stations, or another ARB-approved inspection entity, to provide inspector services to perform the vehicle functional and equipment eligibility inspection specified in section §2603(b) on-site at VAVR enterprise locations.
- (d) For a vehicle purchased as part of a VAVR enterprise and whose accelerated retirement creates emission reductions to be used as the basis for generating emission reduction credits, the enterprise operator shall:
 - (1) verify that the vehicle meets the vehicle registration eligibility requirements of §2603(a)(2); and
 - (2) obtain from the vehicle owner the certificate of functional and equipment eligibility issued per §2603(b);

- (e) At time of final sale of a vehicle to the VAVR enterprise, the enterprise operator shall verify that the person delivering the vehicle for sale is the legal owner or a legal representative of the legal owner, properly empowered to complete the sale;
- (f) A vehicle purchased as part of a VAVR enterprise and whose accelerated retirement creates emission reductions that are to be used as the basis for generating emission reduction credits, shall be permanently destroyed by the enterprise operator, or the enterprise operator's duly contracted dismantler, within ninety (90) days of the date it is sold to the enterprise operator, and may not be resold to the public or put into operation in any way, except such a vehicle may be briefly operated for purposes related to the disposal of the vehicle as part of normal disposal procedures;
 - (1) For purposes of this regulation, the vehicle will be considered destroyed when it has been crushed or shredded or otherwise rendered permanently and irreversibly incapable of functioning as originally intended, and when all appropriate records maintained by the Department of Motor Vehicles have been updated to reflect that the vehicle has been acquired by a licensed auto dismantler for the purposes of dismantling.
 - (2) No parts may be removed, for sale or reuse, from any vehicle retired for the purpose of generating emission reduction credits. The only allowable use for any retired vehicle is as a source of scrap metal and other scrap material;
 - (i) An enterprise operator may separate ferrous and non-ferrous metals prior to vehicle retirement to sell as a source of scrap metal only;
 - (ii) An enterprise operator may sell tires and batteries to an intermediary tire/battery recycler only. All facilities generating or receiving waste tires must use the services of a registered tire hauler/recycler. Battery recyclers must be registered and licensed to handle batteries;
 - (3) All vehicles from which emission reduction credits are to be generated must be confined in a holding area separate from other vehicles procured by the enterprise until they are permanently destroyed;
 - (4) All activities associated with retiring vehicles, including but not limited to the disposal of vehicle fluids and vehicle components, shall comply with local water conservation regulations, state, county, and city energy and hazardous materials response regulations, and local water agency soil, surface, and ground water contamination;

§2605 Offering Vehicles to the Public

- (a) There shall be a minimum period of fourteen (14) days between the time a vehicle is first offered for sale into a VAVR enterprise and the time of completion of the sale;
 - (1) During this period, with the vehicle owner's permission, the enterprise operator will submit to the local district a description of the vehicle and the date and approximate time when the vehicle will be delivered for final sale

to the enterprise operator. The district will, in turn, make this information available for a minimum of ten (10) days to an appropriate segment of the public. The intent is to allow interested third parties, including car collector enthusiasts and those interested in affordable transportation, to be present at the time of delivery in order to contact the owner, examine the car and to negotiate with the owner for purchase of the vehicle before it is otherwise sold to the VAVR enterprise;

- (i) The description shall include, at a minimum, the vehicle make, model, model year, and VIN, and the date and approximate time when the vehicle will be delivered for sale to the VAVR enterprise, but no information identifying the owner will be permitted;
 - (ii) For protection of the vehicle owner's privacy at time of delivery of the vehicle, the vehicle owner may refuse permission to publicly list the vehicle's description. If the vehicle owner denies such permission, the fourteen (14) day minimum waiting period requirement is waived;
 - (iii) The enterprise operator shall provide full and prominent disclosure of this privacy option to the vehicle owner during the initial contact between the operator and the owner;
 - (iv) The vehicle owner is free to accept or reject any resulting contact or purchase offer and shall be informed by the enterprise operator explicitly and prominently of such right;
 - (v) Nothing in this section places the enterprise operator under any obligation to provide space or facilities for such third party contacts, inspections or negotiations to take place;
- (2) No emission reduction credits shall be granted for any vehicle resold to the public in this manner;
- (b) At the enterprise operator's discretion, the enterprise operator may make a vehicle previously purchased as part of a voluntary accelerated vehicle retirement enterprise available for sale to the general public, provided:
- (1) Any person selling a vehicle to a VAVR enterprise operator may specify that the vehicle shall not be resold to the public, in which case the enterprise operator may not make such vehicle available for sale;
 - (i) The enterprise operator shall provide full and prominent disclosure of this nonresale option to the vehicle seller during the initial contact between the operator and the seller;
 - (2) The resale of the vehicle shall follow commonly accepted practices and all requirements of law and regulation in effect at time of resale;
 - (3) No emission reduction credits shall be granted for any vehicle resold to the public in this manner;

§2606 Advertising

- (a) Any advertising conducted by an enterprise operator for the purpose of recruiting vehicle owners to sell their cars into a VAVR enterprise shall include the following

disclaimer statement conspicuously located: “This voluntary accelerated vehicle retirement enterprise is conducted by a private operator under the auspices of the State of California and your local air pollution control district/air quality management district. It is not operated by the State of California. State funds are not used for the purchase of vehicles. Depending on location and other factors, resulting emission reduction credits may be purchased by the state to result directly in air quality improvements. Your participation is entirely voluntary.”

- (1) This disclaimer statement also shall be prominently displayed in any contracts or agreements between a vehicle seller and an enterprise operator relating to the sale of a vehicle into a VAVR enterprise.
- (b) Any enterprise operator requesting the Department of Motor Vehicles to send notices to vehicle owners as prospective VAVR participants pursuant to Health and Safety Code §44103, shall meet the following requirements:
 - (1) Prominently display the disclaimer statement of §2606(a) in any such notices;
 - (2) Provide the Department of Motor Vehicles with adequate criteria for selecting as notice recipients those registered vehicle owners who own the desired target vehicles. Such criteria may consist of the desired vehicle makes, models, model years, geographical locales, or any other criteria deemed acceptable or necessary by the Department of Motor Vehicles;

§2607 Emission Reduction Credits

- (a) Emission reduction credits shall be generated under these regulations for reductions of emissions of NO_x, ROG, CO and PM, as provided in this section. The magnitude of the credit for each of these pollutants, as generated by the accelerated retirement of an individual vehicle, shall be based on emission reduction benefits calculated according to the formulae, definitions and data contained in the document entitled “Voluntary Accelerated Light-Duty Vehicle Retirement Program Emission Reductions” incorporated herein by reference;
 - (1) The maximum credit amount shall be no greater than the calculated emission reduction on which the credit is based. Districts may apply a discount factor to credits calculated under these regulations, consistent with applicable district and Board credit rules and programs;
 - (2) Credit usage shall be in accordance with all federal, state and local laws and regulations in effect at time of usage;

§2608 Records, Auditing, and Enforcement

- (a) The following requirements for records, auditing, and enforcement shall be met:
 - (1) An enterprise operator shall transmit to the district the following information for each vehicle removed from operation for the purpose of generating emission reduction credits:
 - (i) Vehicle Identification Number (VIN);
 - (ii) Vehicle license plate number;
 - (iii) Vehicle model year;
 - (iv) Vehicle odometer reading;

- (v) Vehicle make and model;
 - (vi) Name, address and phone number of legal owner selling vehicle to the enterprise operator;
 - (vii) Name, address and phone number of registered owner if different from (vi);
 - (viii) Name and business address of inspector conducting the vehicle's eligibility inspection;
 - (ix) Date of purchase of vehicle by enterprise operator;
 - (x) Date of vehicle retirement;
 - (xi) The emission reduction amount calculated per §2607;
 - (xii) Date of sale of resulting emission reduction credits;
 - (xiii) Contact name, address and phone number for person or organization purchasing or utilizing emission reduction credit resulting from retirement of vehicle;
 - (xiv) Reproductions of California Certificate of Title and registration, as signed-off by seller at time of final sale to the VAVR enterprise;
 - (xv) Reproduction of the applicable certificate of functional and equipment eligibility;
 - (xvi) Reproduction of the applicable Report of Vehicle to be Dismantled and Notice of Acquisition (California Department of Motor Vehicles Registration 42 form);
 - (xvii) Any other pertinent data requested by the district;
- (2) Upon request of the district, the data contained in records required in §2608(a)(1)(i) through (xiii) shall be transmitted to the district in an electronic database format, to be determined by mutual agreement between the district and the enterprise operator, in lieu of paper copies;
 - (3) The enterprise operator will maintain copies of the information listed in §2608(a)(1)(i) through (xvii) for a minimum period of time commensurate with the life of the emission reduction credits generated from each vehicle pursuant to §2607;
 - (4) The district may conduct announced and unannounced audits and on-site inspections of VAVR enterprise operations to ensure that enterprises are being operated according to all applicable rules and regulations. The district shall report the results of any such audits and inspections to the Executive Officer, and shall notify any noncompliant enterprise operator of the nature of the violation and shall initiate any enforcement or remedial action necessary;
 - (i) Enterprise operators and their subcontractors shall allow the district to conduct announced and unannounced audits and inspections and shall cooperate fully in such situations;
 - (ii) Upon notification by the district that credit miscalculations have erroneously or fraudulently granted a higher credit amount for the retirement of a particular vehicle or vehicles, the person or

organization purchasing or utilizing such incorrect credits shall immediately cease using the disputed amount of the credit or credits. The purpose of this subparagraph is to prevent the continuance of excess emissions in the amount of the miscalculated credits.

- (iii) Upon notification by the district that credit miscalculations have erroneously or fraudulently granted a higher credit amount for a particular vehicle or vehicles, the enterprise operator will immediately make available to the person or organization purchasing or utilizing such incorrect credits, additional credits in the amount of the shortfall, prorated over the time period of the usage of the credit shortfall. The purpose of this subparagraph is to provide immediate reductions equal to the excess emissions that have already occurred, in the amount of the miscalculated credits;
- (iv) Violation of any provision of these regulations, including falsification of any information or data, shall be grounds for the district or the ARB Executive Officer to revoke any resulting emission reduction credits and shall constitute a citable violation making the violator subject to all applicable penalties specified in the California Health and Safety Code;

§2609 Pilot Program

- (a) Plan to Guide Execution of Pilot Program, Assess Results and Formulate Recommendations:
 - (1) The Board will contract with an interested party to conduct a pilot program in the South Coast Air Basin, to be completed no later than two (2) years after adoption of these regulations;
 - (2) The pilot program will be designed to test the efficacy of these regulations with regards to the goals of SIP measure M1 and VAVR-for-credit operations in general;
 - (3) The pilot program will determine a baseline of the current population of vehicles by model year and market value and the current turnover rate of vehicles, and other factors that may be essential to assessing the effectiveness, cost-effectiveness, and market impacts of VAVR enterprises;
 - (4) The Board will publish a report at the end of each calendar year for which the pilot program is operated. This report will include:
 - (i) The number of vehicles retired, by model year.
 - (ii) The measured emissions of any retired vehicles tested during the report period;
 - (iii) Costs of the vehicles in terms of amounts paid to sellers, and the cost-effectiveness of voluntary accelerated vehicle retirement expressed in dollars per ton of emissions reduced.
 - (iv) Administrative and testing costs for the program.
 - (v) Assessments of the replacement vehicles or replacement travel by

model year or emission levels, as determined from interviews, questionnaires, diaries, analyses of vehicle registrations in the study region, or other methods as appropriate.

- (vi) Assessments of the net emission benefits of voluntary accelerated vehicle retirement in the year reported, considering the retired vehicles, the replacement vehicles, and other effects of the program on the mix of vehicles and use of vehicles in the geographical area of the program, including in-migration of other vehicles into the area and any tendencies to increased market value of used vehicles and prolonged useful life of existing vehicles, if any.
- (vii) Assessments of whether the M-1 strategy of the 1994 SIP can reasonably be expected to yield the required emission reductions.
- (viii) Assessments of typical retired vehicle operating condition, historical mileage, and other relevant vehicle data;

§2610 Procurement of Credits for SIP Measure M1

- (a) The purchase of emission reduction credits by the State of California is dependent on funding allocated for the purpose of achieving the emission reduction goals of measure M1 of the 1994 SIP for ozone attainment;
 - (1) As funding becomes available, the ARB shall develop and initiate a process for procuring available emission reduction credits. Available emission reduction credits will be purchased by the State of California from enterprise operators meeting all the requirements of this regulation and applicable district rules through an approved state-contracting procedure, such as the issuance of an Invitation for Bid;
 - (2) All emission reduction credits purchased by the State of California shall be retired to meet the emission reduction goals of measure M1.

NOTE: Authority cited: Sections 39600, 39601, 44100, 44101, 44102, 44103, 44104, 44104.5, 44105, 44106, 44107, 44109, 44115, 44120, 44121, and 44122, Health and Safety Code.
Reference: Sections 39002, 39003, 43000, 43013 and 44100 et seq., Health and Safety Code; Sections 4604, 4604.2, and 4604.5, Vehicle Code.