Carl Moyer Program Guidelines

Proposed 2008 Revisions

March 27, 2008

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
Air Resources Board

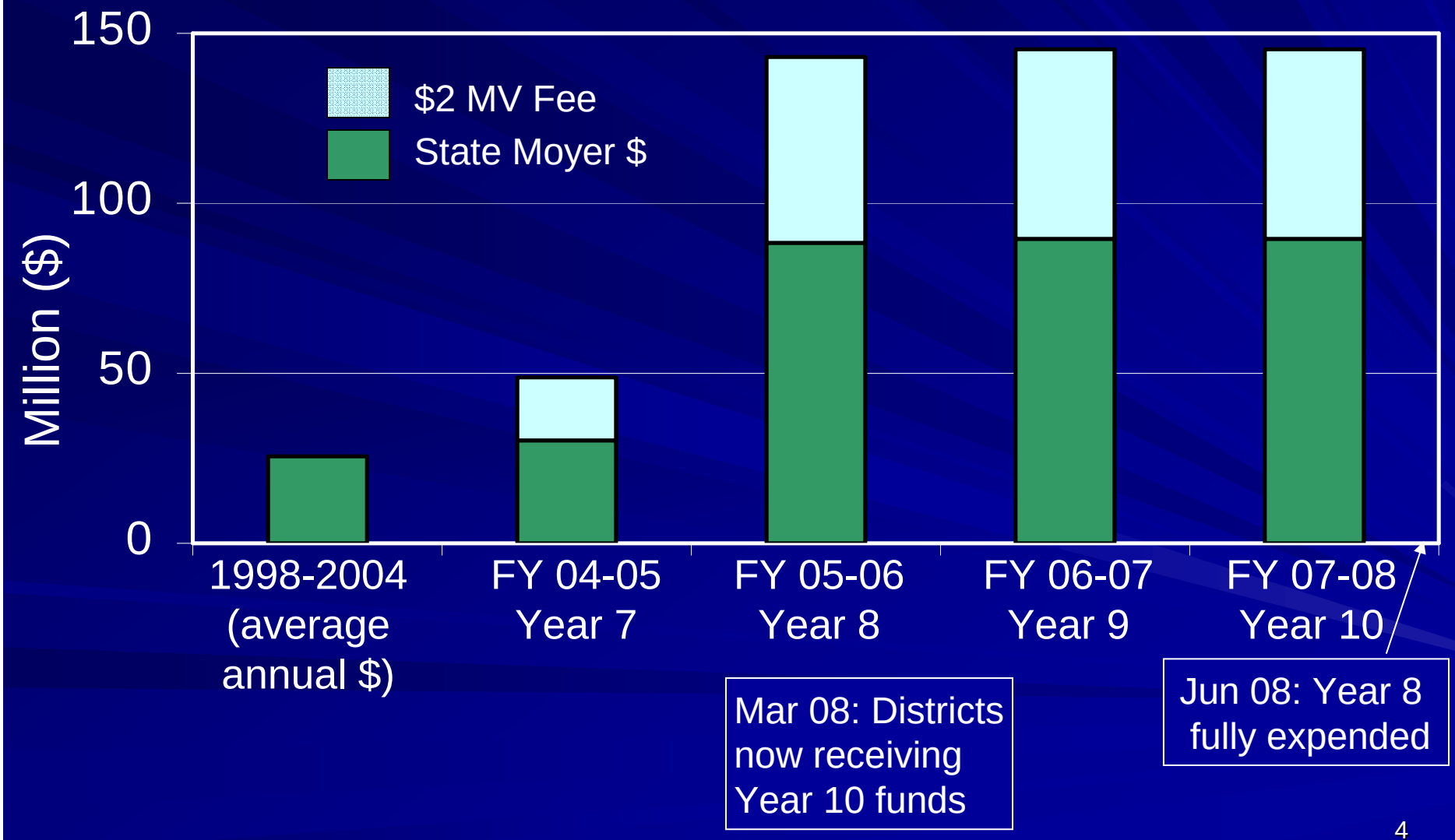
Carl Moyer Program
Core Principles

- Incentive grants for SIP-creditable emission reductions
- Incremental cost of cleaner technology
  - Early or surplus emission reductions
  - Cost-effectiveness limit
- ARB-district partnership
  - ARB develops and adopts Guidelines
  - Districts implement with greater flexibility

Program Benefits
Years 1 - 7

- $170M to clean up 7,500 engines
- Surplus reductions achieved
  - 24 tons per day NOx
  - One ton per day PM
- Cost-effectiveness of $3,000/ton NOx reduced
- Benefit-to-cost ratio greater than 5:1

Funding and Key Milestones



2008 Guideline Revisions
Main Objectives

- Incorporate lessons learned
  - 2005 Guidelines
  - Program evaluations and audits
- Streamline program administration
- Increase efficiency and oversight
- Reflect new ARB regulations
- Add off-road equipment replacement
- Coordinate with Prop 1B Bond

Program Administration
Background

- Local air districts would like more flexibility
- DoF and BSA recommend more specificity and oversight
- <u>Our goal:</u>
  - Streamline program administrative requirements
  - Address DoF and BSA recommendations
  - Maintain program integrity and transparency

Program Administration
Efficiency and Transparency

- Addressed by Admin Work Group
  - Simplify how districts get funding allocations
  - Reduced and simplified reporting
  - More collaborative approach to address district non-performance
  - More specificity for earned interest, indirect costs, admin, etc…
- Proposed rules describe Moyer impacts
- Regular ARB audits of district programs

General Project Criteria

- Increase cost-effectiveness cap to $16,000 per weighted ton
  - Based on changes to consumer price index
  - Continue NOx + ROG + 20*PM weighting
- Simplify incremental cost calculation
  - Pay fixed percent of total project cost

Off-Road Equipment Replacement
Background

- Replace old equipment with newer, cleaner equipment
  - Accelerates normal turnover
  - Repower not always feasible/practical
- Category approached cautiously because replacement occurs on its own
- Addresses requirements of SB 467 (new electric equipment)

Off-Road Equipment Replacement
Project Criteria

- Diesel or LSI equipment greater than or equal to 25 hp is eligible
- Maximum eligible costs:
  - 80% of new equipment cost
  - 100% of retrofit cost

- Districts provide implementation plan
- EO authority to update project life for ag equipment projects

Moyer Advisory Group
Background

- Two meetings led by Board Member Sandra Berg
- Focused on 2008 Guideline policy issues
- Group to remain active
  - Meet twice per year
  - Forum to address emerging policy issues

Moyer Advisory Group
Key Issues

- Program complexity
- Minimum project life
- Retrofit requirement for off-road repowers
- Interaction with Prop 1B Bond

Retrofit Requirement

- Flexibility proposed to allow applicant opt-out
  - Expires after one year unless renewed by ARB Executive Officer
- ARB committed to aggressive retrofit program
- Off-Road Rule remains key driver for demand

Coordination with Prop 1B Bond
Background

- Goal: Minimize competition between the two programs
  - Direct project categories with significant Bond funding to the Bond
  - Align project funding limits

Coordination with Prop 1B Bond

How it fits together…

Prop 1B Bond

- Port trucks and non-port trucks
- Freight locomotives
- Harbor craft: cargo/shipping
- Shore power: cargo vessels

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- Non-port trucks
- Passenger locomotives
- All harbor craft
- Shore power: cruise ships

Coordination with Prop 1B Bond

Funding Caps

- Align with Bond→ 50% maximum funding

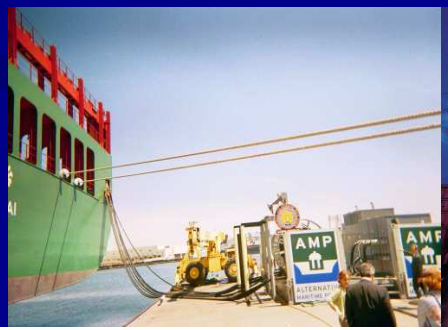
√ Truck fleet modernization

√ Class 1 locomotives

√ Berth-side shore power

√ Regulated harbor craft

- Increases simplicity and efficiency
- Level playing field helps ensure Bond $ expenditure



Future Challenges

- Coordination with new funding sources
  - Goods Movement Grant Program (Prop 1B Bond)
  - Air Quality Incentive Program (AB 118)
- New regulations impact eligibility
  - Opportunities for early and surplus reductions
  - Target small businesses, exempt engines
- New source categories and technologies offer funding opportunities

→ Demand for projects expected to remain high

Staff Recommendation

- Approve the Proposed 2008 Carl Moyer Program Guidelines