

**PROPOSED**

State of California  
AIR RESOURCES BOARD

**SOUTH COAST ON-ROAD HEAVY-DUTY VEHICLE INCENTIVE MEASURE**

Resolution 18-3

**March 22, 2018**

Agenda Item No.: 18-2-1

WHEREAS, the Legislature in Health and Safety Code section 39602 has designated the California Air Resources Board (CARB or Board) as the air pollution control agency for all purposes set forth in federal law;

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize CARB to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

WHEREAS, CARB is responsible for preparing the State Implementation Plan (SIP) for attaining and maintaining the national ambient air quality standards (NAAQS) as required by the federal Clean Air Act (Act) (42 U.S.C. section 7401 *et seq.*), and to this end is directed by Health and Safety Code section 39602 to coordinate the activities of all local and regional air pollution control and air quality management districts (districts) necessary to comply with the Act;

WHEREAS, section 39602 of the Health and Safety Code also provides that the SIP shall include only those provisions necessary to meet the requirements of the Act;

WHEREAS, sections 39515 and 39516 of the Health and Safety Code provide that any power, duty, purpose, function, or jurisdiction of the Board may be delegated to the Board's Executive Officer as the Board deems appropriate;

WHEREAS, CARB has primary responsibility for the control of air pollution from vehicular sources, including motor vehicle fuels, as specified in sections 39002, 39500, and part 5 (commencing with section 43000) of the Health and Safety Code, and for ensuring that the districts meet their responsibilities under the Act pursuant to sections 39002, 39500, 39602, 40469, and 41650 of the Health and Safety Code;

WHEREAS, the districts have primary responsibility for the control of air pollution from non-vehicular sources and for adopting control measures, rules, and regulations to attain the NAAQS within their boundaries pursuant to sections 39002, 40000, 40001, 40701, 40702, and 41650 of the Health and Safety Code;

WHEREAS, on July 18, 1997, the United States Environmental Protection Agency (U.S. EPA) promulgated the 8-hour National Ambient Air Quality Standard (8-hour ozone NAAQS) for ozone of 80 parts per billion (ppb);

WHEREAS, on April 15, 2004, U.S. EPA designated the South Coast Air Basin (Basin) as an Extreme nonattainment area for the 80 ppb 8-hour ozone NAAQS;

WHEREAS, on April 6, 2015, U.S. EPA revoked the 80 ppb 8-hour ozone NAAQS, but maintained anti-backsliding requirement obligations;

WHEREAS, on March 23, 2017, CARB adopted the *Revised Proposed 2016 State Strategy for the State Implementation Plan* (State SIP Strategy) and transmitted it to U.S. EPA for inclusion in the California SIP;

WHEREAS, the State SIP Strategy, in combination with local actions, was developed to provide the emission reductions necessary to meet the 80 ppb 8-hour ozone NAAQS in the Basin;

WHEREAS, the State SIP Strategy includes a commitment to develop and bring to the Board for consideration a measure entitled, "Incentive Funding to Achieve Further Emission Reductions from On-Road Heavy-Duty Vehicles" to achieve oxides of nitrogen (NOx) emission reductions in 2023 for the Basin;

WHEREAS, U.S. EPA guidance requires that all SIP measures meet specific requirements to be credited toward the SIP, including a demonstration that the emission reductions are surplus, quantifiable, permanent, and enforceable;

WHEREAS, for incentive-based measures, U.S. EPA also requires the state to identify the funding source that will be relied upon and provide a publicly-enforceable commitment to achieve the reductions;

WHEREAS, CARB staff prepared the *South Coast On-Road Heavy-Duty Vehicle Incentive Measure* (South Coast Incentive Measure) to demonstrate that it meets the U.S. EPA SIP measure requirements;

WHEREAS, since 1998, the Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program) has successfully provided nearly \$1 billion to replace over 60,000 high polluting engines throughout the State, cumulatively reducing about 183,000 tons of ozone precursor and 6,700 tons of particulate matter emissions statewide;

WHEREAS, the Moyer Program has legislatively-authorized funding through 2023 and beyond;

WHEREAS, CARB staff identified the Moyer Program as an appropriate source of funding for the South Coast Incentive Measure;

WHEREAS, CARB staff identified Moyer Program funds available in the Basin of \$30 million annually for the years 2019 through 2022 to target the repower and replacement of on-road, heavy-duty trucks with technologies that are cleaner than required by CARB regulations;

WHEREAS, CARB staff has been working with South Coast Air Quality Management District (District) staff to identify fleets captive to the Basin such as refuse and drayage trucks to maximize emission benefits in the Basin;

WHEREAS, CARB staff encourages the District staff to prioritize replacement of trucks operating in low-income or disadvantage communities to maximize co-benefits such as reductions of diesel particulate matter;

WHEREAS, CARB encourages the District to require that the new truck be equipped with a data logger to track mileage and activity within the Basin;

WHEREAS, the updated Moyer Program funding guidelines adopted by the Board on April 27, 2017, (2017 Moyer Guidelines) were developed through a public process that allowed for stakeholder input through public workshops and Board action;

WHEREAS, the South Coast Incentive Measure, following the 2017 Moyer Guidelines, ensures that the emission reductions are surplus by demonstrating that the emission reductions are not required by or assumed in a SIP-related program, any other adopted State/local air quality program, consent decree, or federal rule designed to reduce criteria pollutant or precursor emissions;

WHEREAS, the South Coast Incentive Measure, following the 2017 Moyer Guidelines, ensures that the emission reductions are quantifiable by providing publicly available emission factors, calculation methods and project activity data so that project emission reductions can be measured in a reliable manner that can be replicated;

WHEREAS, the South Coast Incentive Measure, following the 2017 Moyer Guidelines, ensures that the emission reductions are permanent by demonstrating that the emission reductions in this measure are achieved in the Basin throughout the life of the project which must cover the entire year in which SIP credit is given and the replaced vehicle or equipment is destroyed;

WHEREAS, the South Coast Incentive Measure, following the 2017 Moyer Guidelines, ensures that the emission reductions are enforceable by ensuring that actions required of project grantees are independently verifiable, program violations are defined, those liable can be identified, penalties or corrective action may occur, and citizens have access to all emissions-related information obtained from participating sources;

WHEREAS, the South Coast Incentive Measure provides a publicly-enforceable commitment to achieve emission reductions;

WHEREAS, on September 19, 2017, CARB staff held a public workshop to discuss and solicit stakeholder input;

WHEREAS, section 110(l) of the Act and title 40 Code of Federal Regulations (CFR) section 51.102 requires that one or more public hearings, preceded by at least a 30-day notice and opportunity for public review, must be conducted prior to the adoption and submittal to U.S. EPA of any SIP revision;

WHEREAS, as required by the Act, the South Coast Incentive Measure was made available on February 16, 2018, for public review, at least 30 days prior to the hearing date;

WHEREAS, CARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans has been certified by the Secretary for Natural Resources under Public Resources Code section 21080.5 of the California Environmental Quality Act (CEQA; California Code of Regulations, title 14, section 15251(d)), and CARB conducts its CEQA review according to this certified program (California Code of Regulations, title 17, sections 60000-60007);

WHEREAS, staff has determined the South Coast Incentive Measure is exempt from CEQA under California Code of Regulations, title 14, section 15378(b)(4) (creation of government funding mechanisms or other government fiscal activities) because the record evidence shows that the South Coast Incentive Measure involves the creation of government funding mechanisms or other government fiscal activities, and will not involve any commitment to any specific project, as used for CEQA purposes, which may result in a potentially significant physical impact on the environment, as described in Chapter VIII of the Staff Report; and

WHEREAS, the Board finds that:

1. The South Coast Incentive Measure and accompanying report provides the necessary documentation for U.S. EPA to approve it as an amendment to the California SIP;
2. The South Coast Incentive Measure meets the applicable requirements established by the Act and U.S. EPA regulation;
3. The South Coast Incentive Measure is exempt from CEQA under California Code of Regulations, title 14, section 15378(b)(4) because substantial evidence in the record shows that it would involve the creation of government funding mechanisms or other government fiscal activities, and would not involve any commitment to any specific project, as defined for CEQA purposes, which may result in any significant adverse environmental impacts; and

4. The South Coast Incentive Measure fulfills the State commitment to propose the measure for Board consideration and provides emission reductions toward the State's 2023 aggregate emission reduction commitment.

NOW, THEREFORE, BE IT RESOLVED that the Board, as the air pollution control agency for all purposes set forth in federal law, will do the following:

1. Monitor district implementation of 1,300 on-road heavy-duty compression ignition truck repower and replacement projects in accordance with the Carl Moyer Program Guidelines, 2017 Revisions, approved April 27, 2017, Volume I: Program Overview, Program Administration, and Project Criteria, chapters 2, 3, and 4;
2. By December 31, 2022, achieve one ton per day of reductions in NO<sub>x</sub> emissions from the 2023 baseline inventory, as detailed in the 2016 South Coast Air Quality Management Plan and discussed in the State SIP Strategy, through implementation of these projects or substitute measures for the Basin;
3. By March 31 of each year beginning in 2020 and through 2023, report annually to U.S. EPA the following information:
  - a. Identify the portion of the 1,300 projects funded through the previous year by project identification number, project life and implementation date, description of both baseline and new equipment, applicable incentive program guidelines, and quantified emission reductions;
  - b. Describe any changes to the 2017 Moyer Guidelines and related impacts on program integrity;
  - c. Document CARB and District actions to monitor selected projects for compliance with contract requirements; and
  - d. Determine whether the identified projects are projected to achieve the full one ton per day of NO<sub>x</sub> emission reductions in the Basin in 2023;
4. Make each demonstration report publicly available or available by request; and
5. If U.S. EPA determines by July 1, 2021, that information submitted by CARB is insufficient to demonstrate that emission reductions required under Paragraph 2 will occur on schedule, adopt and submit to U.S. EPA, no later than September 1, 2022, substitute measures and/or rules that will achieve emission reductions addressing the shortfall as expeditiously as practicable and no later than January 1, 2023.

BE IT FURTHER RESOLVED that the Board hereby adopts the South Coast Incentive Measure.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to submit the South Coast Incentive Measure and other appropriate supporting documentation to U.S. EPA for inclusion in the SIP.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with U.S. EPA and take appropriate action to resolve any completeness or approvability issues that may arise regarding the SIP submission.

BE IT FURTHER RESOLVED that the Board authorizes the Executive Officer to include in the SIP submittal any technical corrections, clarifications, or additions that may be necessary to secure U.S. EPA approval.

BE IT FURTHER RESOLVED that the Board hereby certifies that the South Coast Incentive Measure was adopted after notice and public hearing as required by Section 110(l) of the Act and 40 CFR, section 51.102.