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April 24, 2014

Edie Chang
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Dear Ms. Chang:

SUBJECT: COMMENTS ON THE AIR RESOURCES BOARD PROPOSED FIRST UPDATE TO THE CLIMATE CHANGE SCOPING PLAN

The City of Los Angeles Harbor Department (Harbor Department) is pleased to have the opportunity to comment on the Proposed First Update to the AB32 Climate Change Scoping Plan (Scoping Plan Update) and its associated appendices. We appreciate the effort taken by the Air Resources Board (ARB) to draft the Scoping Plan Update and technical appendices and are supportive of the efforts by the ARB to reduce greenhouse gases (GHG). The Harbor Department recognizes the importance of GHG reductions to help curtail the threat of climate change and its impacts on California, and supports ARB's efforts to set targets for GHG reductions, engage with multiple and diverse stakeholders, and chart a path forward to future GHG reductions within the State. We have some general as well as specific comments on the Scoping Plan Update related to areas most relevant to the operations of the Port of Los Angeles (Port), including both the Transportation and Energy sectors.

GENERAL COMMENTS

As recognized in the Scoping Plan, the Harbor Department has taken significant steps to reduce GHG emissions, criteria pollutant emissions, and to introduce new and innovative technologies in the freight and goods movement sector. The San Pedro Bay Ports Clean Air Action Plan (CAAP) contains goals to achieve significant emissions reductions in diesel particulate matter (DPM), nitrogen oxides (NOx) and sulfur oxides (SOx) emissions by 2014 and 2023. Overall emissions reductions from 2005 to 2012 have been 79 percent for DPM, 56 percent for NOx, and 88 percent for SOx. While the CAAP is focused on criteria pollutants, measures with co-benefits have helped achieve an 18 percent reduction for GHG emissions (reported as carbon dioxide equivalent – CO₂e) during this time frame. The CAAP measures and other actions by the Harbor Department have and will continue to result in GHG emissions reductions.

CAAP programs that achieve significant GHG reductions for ocean-going vessels (OGVs) include the Alternative Maritime Power (AMP), Vessel Speed Reduction (VSR), and the Voluntary Environmental Ship Index (ESI). In 2004, the Harbor Department installed the world's first AMP system at the China Shipping terminal, and since then has expanded the AMP program to 25 berths, more than any other port in the world. The VSR program, which has been a voluntary measure since 2001, provides a financial incentive to OGVs that slow to 12 knots within 20 and 40 nautical miles (nm) from the Port.

The VSR program compliance participation rates for the first two months of 2014 were 97% and 85% for 20 nm and 40 nm, respectively. The Harbor Department has also established a voluntary ESI Program that provides incentives to vessel operators for reducing DPM and NOx emissions and improving efficiency from their OGVs. This program rewards operators for going beyond compliance by bringing their newest and cleanest vessels to the Port and demonstrating technologies onboard their vessels. It also encourages use of cleaner fuels, technology and practices in advance of regulation.

The Clean Truck Program (CTP), which is a central element of the CAAP, has accelerated the use of 2007 Environmental Protection Agency (EPA) Compliant and newer trucks. Additionally, with funding assistance from the Harbor Department and various Regulatory Agencies, the CTP introduced almost 1000 liquefied natural gas trucks into the fleet. When the CTP was fully implemented in 2012, Port truck emissions were reduced by 94 percent. The 2014 EPA Compliant trucks are designed to reduce GHGs. As these newer and cleaner trucks continue to be added to the fleet, the Harbor Department expects to see GHG reductions from this program.

Our Technology Advancement Program (TAP) is designed to achieve greater reductions in Port emissions, including GHG emissions, through demonstration and deployment of new fuel efficient or zero emission technologies. Since 2007, the TAP has made more than \$9 million in Harbor Department funding available for the creation and demonstration of clean-air technology for ports. Projects funded through the TAP program have included an OGV scrubber, zero emission trucks and yard hostlers, hybrid RTG (rubber-tire gantry) cranes, hybrid tugs and other alternative fuel programs.

Additionally, the Harbor Department has taken actions to ensure its basic infrastructure addresses the causes and impacts of climate change. The Harbor Department has adopted sustainable construction guidelines for reducing construction related emissions by requiring new equipment and green building standards for new buildings. The Harbor Department has installed nearly 2 MW of solar panels and is continuing to look into opportunities to install more solar panels as well as other technologies, such as wind power. To mitigate risk of flooding due to sea level rise, the Harbor Department has also partnered in a study on the vulnerability of facilities and the armoring of Harbor Department facilities and infrastructure.

Recently, the Harbor Department embarked on an Energy Management Action Plan (E-MAP) to identify, develop and implement various programs to improve the energy profile at the Port while keeping up with the accelerating electrification and energy demand. Energy consumed in fiscal year 2012 by all users at the Port was approximately 233,000 mega-watt hours representing a cost of approximately \$30 Million and these costs are expected to substantially increase in future years. The push to increase electrification at the Harbor Department, the Harbor Department will further increase dependency of the Port on the existing grid in the region. The E-MAP is designed to address these and other concerns including availability, reliability, efficiency/cost-effectiveness, sustainability, resiliency and security. Because of the important role that energy plays in the goods movement sector, we request to be a part of the planning process for any changes to the State's current electricity and natural gas system.

The Harbor Department notes that the Scoping Plan Update cites the need to accelerate market uptake of advanced technologies to meet GHG reduction goals, including setting targets for zero-emission vehicles (ZEV), infrastructure deployment, zero emission truck miles, and issuing a ZEV mandate. As described above, the Harbor Department has already invested significant funds in advancing transportation technologies and supports these goals as the transportation sector represents one of the most significant sources of GHG emissions. However, the Scoping Plan Update does not address funding of the acceleration of these technologies. We encourage the ARB

to evaluate how these programs will be funded and would like the opportunity to be involved in stakeholder meetings and discussions related to this topic.

As demonstrated above, the Harbor Department has made significant progress to improve air quality, which has come with a significant price tag. While we embrace continued efforts for further improvements, we must emphasize that these improvements will likely be more difficult without significant funding and in-kind support for research, development, demonstration and deployment. We are also concerned with potential competition and loss of market share with other states and nations due to the ever increasing costs to the ports. The Scoping Plan identifies the need for coordinating climate action at the interstate, federal and international levels as necessary to address climate change, expand clean energy and economic development, and enhance the competitiveness of the State's businesses, workers and economy. Measures arising from the Scoping Plan Update that require significant expenditures by the Harbor Department put us at a competitive disadvantage with ports in other parts of the country and the world where such requirements do not exist. We want to emphasize the need for ARB to support the goals of the Scoping Plan Update with funding and cost-sharing, and to provide continued opportunities to be involved in stakeholder discussion and meetings. We believe that it is critical to study and understand the potential economic impacts of the Scoping Plan Update on port operations and international trade.

The Harbor Department strongly supports the ARB's plan for developing a Sustainable Freight Strategy as envisioned in the Scoping Plan Update. We have participated in initial meetings with ARB staff and hope to continue close collaboration as the Sustainable Freight Strategy develops.

SPECIFIC COMMENTS

Sustainable Freight Strategy

The Harbor Department is supportive of the coordinated planning efforts for the Sustainable Freight Strategy. The Scoping Plan Update recommends an integrated, multi-pollutant approach similar to SB 375 to transition from diesel-dependency to zero or near-zero emission trucks. We are supportive of this approach, and believe that funding assistance will be necessary for feasibility studies, demonstrations and deployment programs. Timing, funding, technical, operational and financial feasibility will all be key issues. We are currently engaged with the ARB to collaborate on similar efforts on the forthcoming ARB Zero Emissions Vehicle Plan and Port Electric Truck Action Plan, and look forward to our continuing partnership.

Fuels

The Scoping Plan Update indicates that ARB will consider extending the Low Carbon Fuel Standard (LCFS) with more aggressive targets in 2030, such as 15 to 20 percent lower carbon intensity in fuels relative to 2010 levels. The Scoping Plan Update also states that implementation will necessarily require diversification of the fuel portfolio, which could significantly impact the Port. The Harbor Department generally supports diversification of the fuel portfolio but recognizes that any new fuel introduction will require infrastructure for distribution and storage. This will require significant funding and implementation time. More aggressive targets for the LCFS would likely lead to higher fuel costs, which would be of concern to the Harbor Department. The Update does not describe the potential future fuel cost effects of these more aggressive targets. We ask that ARB address whether the more aggressive targets would increase costs relative to the federal Renewable Fuel Standard.

The Scoping Plan Update also indicates that the ARB will consider low-carbon alternatives to petroleum in the long-term (i.e., renewable fuels). This may require the Harbor Department to

transition from LNG to other non-petroleum fuels resulting in cost increases for Port tenants and other industries at the Port. Port tenants have already incurred costs due to the transition from gasoline and diesel to LNG. We note the 2010 EPA Renewable Fuel Standard Program (RFS2) Regulatory Impact Analysis report indicated that the federal renewable fuels regulation could increase costs in the short term (over gasoline and diesel). Again, we ask that the ARB address these potential cost issues and whether funding would be available for these transitions.

Green Buildings

Goals established for energy efficiency and green buildings outlined in the Update are aggressively targeting Zero Net Energy in all new residential buildings by 2020 and all new commercial buildings by 2030. The Scoping Plan Update states that the California Energy Commission is developing a comprehensive energy efficiency plan for all of California's existing buildings, targeting half of existing buildings to be retrofitted by 2030. To achieve these goals, Port tenants will need funding to implement building energy efficiency improvements or to retrofit existing buildings. Cap-and-Trade auction proceeds would be an excellent source of funding for building energy efficiency measures as well as lighting projects at the Harbor Department. We request that the ARB prioritize funding for ports and marine terminals pursuant to these goals.

Energy

The Scoping Plan Update indicates that wholesale changes to the State's current electricity and natural gas systems will be necessary to meet AB 32 targets. The wholesale changes will be achieved through demand-response, energy efficiency, renewable energy, energy storage and combined heat and power programs. We believe that this will require very important administrative, financial and technological changes that may result in increased costs to the Harbor Department and Port tenants. The Harbor Department and its Port tenants represent a significant electricity consumer and are projected to have greater electricity needs in the future through greater AMP usage and increasing electrification of equipment. Due to the importance of energy to our long-term competitiveness and supply chain resiliency, we urge the ARB to include the Harbor Department in any planning and strategy developments that impact its energy use. In turn, we will share the results of our own E-MAP planning efforts with the ARB to further inform this discussion.

Cap and Trade

The investment plan to guide the proceeds from the Cap-and-Trade auctions emphasizes investments in existing programs in those sectors that have the greatest GHG emissions, including transportation, energy, waste and natural resources, with investments commensurate with relative emissions. The Update states that these efforts will maximize economic, environmental and public health benefits and foster job creation through promotion of in-state GHG emission reductions carried out by California workers and businesses. The Scoping Plan Update focuses on rebates and grants for zero and near-zero emission vehicles, trucks and buses, funding for goods movement and other mobile source advanced technology demonstration and deployment projects, and wide-scale implementation of sustainable freight strategies and other mobile source strategies. The Harbor Department supports these principles and focus areas, especially in support of the freight transportation sectors. We encourage ARB to make sure that California ports are included in this vision, as reduction in GHG emissions at ports have many co-benefits including reduction of criteria pollutants and toxic air contaminants, benefits to environmental justice communities, and job creation by enhancing the competitiveness of California ports. We envision that many of the technology demonstrations at the Port will be scalable and spur technology advancement in other sectors as well. As mentioned in our general comments, we already have a Technology Advancement Program in place to fund new

technology initiatives. As such, we recommend that funding revenues from the Cap-and-Trade program acknowledge and integrate with existing efforts by the Harbor Department.

Transportation Measures and Technologies

Measure T-8 provides an incentive program for hybrid and zero emission medium- and heavy-duty vehicles. We are supportive of this measure and recognize that this incentive program –rather than a command-and-control approach – is necessary due to the relative high cost of the hybrid vehicles. We agree that this is the best approach to accelerate the deployment of commercialized hybrid and zero-emission medium- and heavy-duty vehicles and ultimately cause production costs to decline as hybrid driveline production volumes increase.

We support the concept that a mix of technology strategies will be needed to get to zero emissions in various categories such as trucks, locomotives, cargo handling equipment and marine vessels. We believe that there is no silver bullet and that often different technologies work best for different applications, even for the same type of equipment. Our experience demonstrates that feasibility testing is critical to demonstrate that technologies work in Port-specific applications before deployment.

We want to emphasize again that California ports have been and are currently experiencing significant challenges in the funding of air quality improvement programs. California ports strictly rely on local support for capital improvements and operations as cargo moves through our ports. We do not receive any public support in the form of tax revenue. Therefore, we believe that it is critical to study and understand the potential economic impacts of the Scoping Plan Update on port operations and international trade. We are concerned with the potential diversion of cargo due to increasing costs in California, coupled with the competitive nature of international shipping. Thousands of jobs, millions of dollars in state tax revenue and the overall economic benefit of international trade could be impacted as the cost to ship through California ports is increased beyond those of other states and nations.

Thank you for this opportunity to comment on the Scoping Plan Update. We are available to answer any questions or issues raised in our comments and urge you to reach out to the Harbor Department for a better understanding of our programs and issues. We look forward to working with the ARB in the development and implementation of AB32, now and in the future, so that we can maintain the Port's economic and competitive position as a premier green port.

Sincerely,



CHRISTOPHER CANNON
Director of Environmental Management