



May 21, 2018

Clerk of the Board
California Air Resources Board
P.O. Box 2815
Sacramento, CA 95812

Submitted electronically at

https://www.arb.ca.gov/lispub/comm/bcsubform.php?listname=vwmititrust18&comm_period=N

Subject: Comment on Proposed Beneficiary Mitigation Plan for the Volkswagen Environmental Mitigation Trust Fund

Dear Clerk of the Board:

On behalf of the member companies of the Pacific Merchant Shipping Association (PMSA), we appreciate the opportunity to comment on the proposed Beneficiary Mitigation Plan (BMP) for the Volkswagen Environmental Mitigation Trust Fund. PMSA is a nonprofit association of owners and operators of marine terminals and US- and foreign-flagged vessels operating throughout the world who service California's trade demands through California's commercial ports. PMSA has a number of concerns regarding the proposed plan, specifically in areas concerning Guiding Principles, Cargo-Handling Equipment Replacement, and Shore Power.

Guiding Principles

Throughout the BMP, CARB staff repeatedly calls out the need for "funding the most cost-effective ... projects". Unfortunately, cost-effectiveness is not included among the guiding principles and staff's proposals go so far to say that cost-effectiveness may be at odds with the advancement of new technologies. Since the BMP seeks to reduce both nitrogen oxides (NO_x) and greenhouse gas (GHG) emissions, it is understandable that the BMP would not exclusively emphasize NO_x cost-effectiveness. However, there is no reason that projects should not be evaluated, analyzed, judged and ranked by GHG cost-effectiveness. There is no reason GHG cost-effectiveness would be contrary to the commercial development of new technologies; in fact, cost-effectiveness will guide which technology investments will be most beneficial. Given the limited number of possible projects eligible for funding under the BMP, and the need to deploy projects over the next few years, it is highly unlikely that there are unexpected or unknown technologies poised for commercial deployment. In addition, the BMP can include guidelines for exceptions for truly previously unknown or novel technology applications. As a result, PMSA requests that the BMP's Guiding Principles should include cost-effectiveness as an element at least for GHGs, if not for both NO_x and GHGs. To do otherwise would allow funds to be awarded in an arbitrary manner not clearly tied to the greatest benefit to the residents of California.

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Funding Allocations

The proposed funding allocations in the BMP are not consistent with CARB's recent proposal to accelerate GHG emissions reductions from the maritime sector ahead of the California's overall GHG reduction goals. California has established a goal to reduce GHG emissions by 80% by 2050. However, CARB staff has recently described goals of achieving a 100% reduction in GHG emissions from cargo-handling equipment by 2031 and port drayage trucks by 2035, well ahead of the State's 2050 goals. These goals are inconsistent with the current Scoping Plan Update and PMSA has previously commented on why these goals are unrealistic; however, if CARB seriously intends to achieve these accelerated goals, then it should be matching its incentives with these priorities and greater incentive funding for the maritime sector will be required. No other freight or transportation sector has been targeted for such aggressive and early 100% emission reductions, yet funding is being diverted to other freight sectors that have no proposals for early reductions. PMSA requests that the funding allocations in the BMP specifically identify funding for port cargo-handling equipment, port drayage, and ocean-going vessels and that this funding be invested in a manner consistent with our comments below.

Cargo-Handling Equipment Replacement

The proposal for cargo-handling equipment is problematic for two reasons. First, the scrapping of existing equipment, as required by the Consent Decree, places a significant burden on equipment operators. The current generation of *demonstration* equipment has not yet been deployed and will not be for several months. Even when this equipment is deployed, it will still only be demonstration equipment, not commercial production equipment, and will remain demonstration units as testing occurs over the next two years. Compounding this requirement is the fact that there are no electrified versions of existing cargo-handling equipment which can replace diesel equipment on a one-for-one basis. As a result of these factors, a scrapping requirement will not only leave marine terminal operators with demonstration equipment unlikely to be capable of doing the work of their prior equipment, but will also require it to be supplemented with additional equipment to maintain productivity. Given these factors, terminals will most likely simply be unable to participate in this funding opportunity.

Second, even though the Consent Decree establishes a funding cap of 75% of the new equipment's cost and associated infrastructure, the BMP establishes an arbitrary limit of \$175,000. Costs for electrified versions of existing cargo-handling equipment will most likely exceed \$300,000, not including the supporting electrical infrastructure which will also be an exceptional cost when compared to the current operation. This limit would leave marine terminal operators paying far more for "incentivized" equipment than simply replacing their equipment with traditional diesel technology and will functionally result in over-matching well in excess of 25%.

Together, these two elements make incentive funding extremely unattractive for marine terminal operators. PMSA requests that CARB consider an amendment to the Consent Decree to eliminate the scrapping requirement in the near future, especially with respect to the use of demonstration equipment. In the meantime, the BMP should be revised to significantly increase the funding cap to more accurately reflect a 75% incentive, which also includes an accounting for the true total cost of the infrastructure associated with the new equipment.

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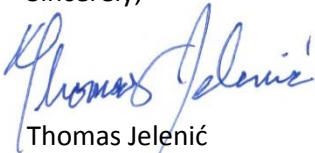
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Shore Power

The BMP's proposed shore power incentive is seriously flawed. There is no mechanism to ensure that any emission reductions are achieved through this incentive funding proposal. The BMP proposes to provide funding to port authorities to construct shore power infrastructure to accommodate ocean carriers which are not operating vessels which are built or retrofitted to use the shore side infrastructure. This will functionally guarantee that there is a 0% utilization rate of this infrastructure, and therefore no related emissions reductions. A more prudent approach would be to focus funding on ways to increase emission reductions and utilization rates from shore power-capable vessels and ports. As the BMP notes, containerships, cruise ships, and refrigerated vessels must reduce emissions by 70% through the use of shore power or alternatives, increasing to 80% in 2020. Compliance with the regulation has been largely successful. The biggest hurdle to seeing additional emission reductions in excess of the regulatory requirements is a lack of shore side infrastructure. The utilization rates will be guaranteed to increase once these physical constraints are mitigated because the At-Berth Regulation already requires that shore power capable vessels connect if possible. Therefore, the BMP can achieve excess emission reductions, simply by making more shore side infrastructure available to the existing regulated fleet. There will be no doubt whether vessels serving those berths will be capable of utilizing State-funded infrastructure. The alternative, as proposed, would fund infrastructure with no mechanism to ensure that any vessel ever made use of the multi-million dollar infrastructure and appears to be a mechanism to provide funding to port authorities without shore power capable vessels years ahead of any time in which it would be necessary to even address these potential expansions of the existing At-Berth Regulation. PMSA requests that the BMP be revised to allow funding of infrastructure that could serve the existing regulated fleet by increasing emission reductions beyond current utilization and in excess of regulatory requirements.

Thank you for consideration of these comments. PMSA is available to discuss these comments in more detail with staff at any time.

Sincerely,



Thomas Jelenić
Vice President