

BizFed's Member Alliance

AIA Los Angeles
 Alhambra Chamber
 American Beverage Association
 Antelope Valley Board of Trade
 Apartment Association, California Southern Cities
 Apartment Association of Greater Los Angeles
 Arcadia Association of Realtors
 Asian American Business Women Association
 Asian American Economic Development Enterprise
 Asian Business Association
 Association of Independent Commercial Producers
 Azusa Chamber
 Bell Gardens Chamber
 Beverly Hills Chamber
 Beverly Hills / Greater LA Association of Realtors
 Burbank Association of Realtors
 Building Industry Association, LA / Ventura Counties
 Building Owners & Managers Association, Greater LA
 Business & Industry Council for Emergency Planning & Preparedness
 CalAsian Chamber
 California Apartment Association, Los Angeles
 California Business Roundtable
 California Cannabis Industry Association
 California Construction Industry and Materials Association
 California Contract Cities Association
 California Consumer Finance Association
 California Fashion Association
 California Grocers Association
 California Hotel & Lodging Association
 California Independent Oil Marketers
 California Independent Petroleum Association
 California Life Sciences Association
 California Metals Coalition
 California Restaurant Association
 California Small Business Alliance
 California Trucking Association
 CALInnovates
 Carson Dominguez Employers Alliance
 Central City Association
 Cerritos Chamber
 Citrus Valley Association of Realtors
 Construction Industry Air and Water Quality Coalitions
 Consumer Healthcare Products Association
 Council on Trade and Investment for Filipino Americans
 Culver City Chamber
 Downey Association of Realtors
 Downtown Long Beach Alliance
 El Monte/South El Monte Chamber
 Employers Group
 Engineering Contractor's Association
 Entrepreneurs Organization, Los Angeles
 F.A.S.T.-Fixing Angelenos Stuck in Traffic
 FilmLA
 Foreign Trade Association
 FuturePorts
 Gateway to LA
 Glendale Association of Realtors
 Glendale Chamber
 Glendora Chamber
 Greater Lakewood Chamber
 Greater Los Angeles African American Chamber
 Greater Los Angeles New Car Dealers Association
 Harbor Association of Industry and Commerce
 Harbor Trucking Association
 Hollywood Chamber
 Hospital Association of Southern California
 Hotel Association of Los Angeles
 Industry Manufacturers Council
 International Warehouse Logistics Association
 Inglewood Airport Area Chamber
 Investing in Place
 Irwindale Chamber
 Japan Business Association of Southern California
 La Canada Flintridge Chamber
 LAX Coastal Area Chamber
 Leadership for Urban Renewal Network
 League of California Cities
 Local Search Association
 Long Beach Area Chamber
 Los Angeles Area Chamber
 Los Angeles Black MBA Association
 Los Angeles Cleantech Incubator
 Los Angeles County Black Coalition
 Los Angeles County Consumer Affairs
 Los Angeles County Waste Management Association
 Los Angeles Gateway Chamber of Commerce
 Los Angeles Latino Chamber
 Los Angeles Metropolitan Hispanic Chamber
 Los Angeles Parking Association
 Los Angeles Urban League
 Pacific Palisades Chamber
 Pasadena Chamber
 Pomona Chamber
 Pomona Business Council
 Motion Picture Association of America
 MoveLA
 NATOP Southern California Chapter
 National Alliance for Jobs and Innovation
 National Association of Women Business Owners, LA
 Pacific Merchant Shipping Association
 Pasadena-Foothills Association of Realtors
 Planned Parenthood Southern California Affiliates
 Recording Industry Association of America
 Regional Black - San Fernando Valley Chamber
 Regional Hispanic Chamber
 Regional San Gabriel Valley Chamber
 Reseamed Chamber
 Rotary Club of Los Angeles
 San Gabriel Chamber
 San Gabriel Valley Civic Alliance
 San Gabriel Valley Economic Partnership
 Santa Clarita Valley Economic Development Corp.
 San Pedro Peninsula Chamber
 Santa Monica Chamber
 Santa Monica Junior Chamber
 Small Business Action Committee
 Society of Hispanic Professional Engineers - Los Angeles
 South Asian Business Alliance Network
 South Bay Association of Chambers
 South Bay Association of Realtors
 Southern California Golf Association
 Southern California Grantmakers
 Southern California Minority Supplier Development Council Inc.
 Southern California Water Committee
 Southland Regional Association of Realtors
 Toluca Lake Chamber
 Torrance Area Chamber
 Town Hall Los Angeles
 Tri-Counties Association of Realtors
 United Chambers San Fernando Valley
 United States-Mexico Chamber
 Valley Economic Alliance
 Valley Industry & Commerce Association
 Vernon Chamber
 Vietnamese American Chamber
 West Hollywood Chamber
 West Los Angeles Chamber
 West San Gabriel Valley Association
 Western Manufacturing Housing Association
 Westside Council of Chambers
 Western States Petroleum Association
 West Valley/Warner Center Chamber
 Westwood Village Improvement Association
 Wilmington Chamber
 Young Professionals in Energy - LA Chapter
 Youth Business Alliance
 Warner Center Association

March 20, 2017

Chair Mary D. Nichols
 ATTN: Clerk of the Board
 California Air Resources Board
 1001 "I" Street
 Sacramento, CA 95814

Dear Chair Nichols,

On behalf of the Los Angeles County Business Federation (BizFed) – a grassroots alliance of more than 160 business groups that represent 325,000 businesses that employ over 3 million workers in Southern California, we are writing in regards to the South Coast Air Quality Management District's (SCAQMD) 2016 Air Quality Management Plan (AQMP or Plan). We write to express our concerns to the California Air Resources Board (CARB) about the last minute amendments to the Plan that were made at the March 3, 2017 SCAQMD adoption hearing.

BizFed, and much of the business community at-large, has participated in the AQMP process every step of the way for the last four years. Our members have served on numerous AQMP-related working groups, provided dozens of comment letters, and have dedicated countless hours to the development of this AQMP. We commend the SCAQMD for its inclusionary, transparent public process that has made the vast majority of the AQMP development one of collaboration and compromise. The last minute amendments undermined the transparency and public process that the SCAQMD had followed for the vast majority of the AQMP development. The last minute amendments, which include Indirect Source Rule and RECLAIM changes, will harm the business community and state economy with only questionable benefits.

Last Minute, Significant Changes to the AQMP Undermine Transparency and the Public Process

The AQMP process has been complicated and lengthy, and the development has been inclusive to all stakeholders for the past four years. In that time, according to Staff, there have been more than 5,300 pages of documents and 200 meetings, including: 15 Advisory Group meetings; 10 Regional CEQA Regional Workshops; 10 policy White Papers; and 16 STMPR (Science, Technology and Modeling Peer Review) Modeling and Socioeconomic meetings between October 2014 and December 2016.

Unfortunately, at the February and March SCAQMD Governing Board hearings, substantive amendments were brought forward at the last minute. The Board meeting was the first instance where the proposed amendments were provided to the public, and they were provided AFTER the public testimony had been closed. Therefore, no public input on these amendments has been allowed. Moreover, the proposed amendments were not provided to the dedicated stakeholders who had been very active in the above-described four-year process. These last minute amendments, which were adopted at the March Board meeting, undermine the entire public process that has already occurred. It begs the question—why bother to even have a public process if last minute amendments, with no staff analysis, no socioeconomic analysis, no CEQA

analysis, or no public discussion, are allowed? Stakeholders have dedicated hundreds of hours to attend meetings, write comment letters, and read thousands of pages of AQMP-related documents. We want to work cooperatively with the SCAQMD, but last-minute amendments are not in the spirit of the collaboration and transparency we all desire, nor are they supported in the administrative record. The SCAQMD Board should have had the benefit of a staff analysis to inform their thinking on proposed amendments.

We have appreciated the transparent public process during the vast majority of developing this AQMP and adopting the AQMP with last minute amendments will undermine the transparent public process.

ISRs Will Harm Southern California's Competitiveness and Have Questionable Environmental Benefits

Indirect Source Rules (ISRs) are incredibly problematic, would have a profoundly negative impact on Southern California's economy, and conflict with Governor Brown's Executive Order B-32-15. It is critical that the AQMP balance both the environmental and the economic needs of the South Coast Air Basin. BizFed is strongly opposed to ISRs.

Today, there are already retailers, developers, and goods movement providers that will not enter the California market, and there are others that have announced that their future exists in other parts of the country. Per Governor Brown's Executive Order B-32-15, trade-dependent industries account for one-third of the State's economy and jobs, and he has directed State agencies to adopt policies which increase the competitiveness of California's freight sector. The last minute amendments adopted, particularly MOB-04 which directs SCAQMD staff to draft for consideration an Indirect Source Rule (ISR), will greatly harm California's competitiveness by artificially constraining the flow of goods. These last-minute amendments will cause transportation providers to move facilities, and their associated jobs, outside of the region, and the economic benefits of discretionary international cargo volumes will be lost. And, as repeatedly noted by this coalition, the goods movement sector is one of the region's last remaining pathways to a middle-class income for many in the working class. We cannot hope to keep pace with our regional rivals in creating middle class jobs if such draconian regulations are developed by SCAQMD. These unintended consequences are especially concerning since SCAQMD staff has stated that the MOB measures are not needed to reach attainment of the Federal standards.

Further, ISRs cannot create new engine or in-use standards or move manufacturers to produce new technology, all of which are under the direct regulatory authority of CARB and the EPA. For many decades now, this existing regulatory framework has resulted in the development and deployment of revolutionary emission reduction technology, such as diesel particulate filters, exhaust gas recirculation, selective catalytic reduction, and a CARB-certified near-zero natural gas heavy-duty engine. These technologies have already resulted in a virtual elimination of diesel soot and a more than 90% reduction in smog-forming emissions. CARB has also launched its "Advanced Clean Trucking" initiative to move concepts forward that speed the introduction of electric-drive capable freight vehicles and encourage the collaboration of manufacturers, public and private fleets, utilities, and the public sector. There is no reason to believe that next-generation near-zero and zero-emission vehicles will be developed through approaches such as ISRs.

Activity throughout the goods movement system responds to consumer demand. Artificial facility caps would be impossible to manage day-to-day, as it would be impossible to forecast consumer demand and the economic cycle month-to-month. Facilities would be unable to manage activities with an artificial cap looming at the end of the day, month, or year. ISRs will likely result in the relocation of freight facilities outside the South Coast Air Basin, where such facilities will not be subject to an artificial growth cap and severe administrative burdens. Thus, emissions will likely experience a net increase as facilities that service the region's need for goods and services move further away from Southern California's population centers, lengthening truck trips and increasing both vehicle miles travelled and the associated carbon and criteria pollutant emissions.

We urge CARB not to add Declining Goods Movement Facility Emissions Caps, Indirect Source Rules, or any other restrictive facilities-based measures on goods movement facilities as part of the SIP. Such measures could have grave unintended consequences, such as causing freight diversions, increasing environmental impacts, adding operational delays, eliminating jobs, and reducing revenues to local cities and counties. Moreover, we are all working toward further improvement of our air quality and should be focused on how best to quickly and efficiently do so. ISRs could distract from technology development efforts and will not advance adoption of the technologies needed to reduce emissions

The same economic and competitiveness arguments also apply to application of an indirect source rule approach to residential and commercial development/redevelopment. At a time when California is suffering from a severe housing shortage and affordability crisis, including rampant homelessness, an ISR would dramatically exacerbate these social concerns with no defined environmental benefit. In addition, we note that California Health and Safety Code §40468 says: “The state board shall not require as a condition of approval of the plan or subsequent revisions, any indirect source review program or other land use control measures.” Thus, in addition to all the problematic issues surrounding ISRs and the total lack of any analysis, we request that the CARB Board not add ISRs to the AQMP.

The Incentives-Based Framework is the Most Viable Approach to Cleaning Our Air

The AQMP, without the last minute amendments, acknowledges what SCAQMD board members and staff have stated – that the region cannot meet its air quality goals simply by reducing emissions from stationary sources. The plan without the last minute amendments recognizes the need for emissions reductions from mobile sources, which are primarily regulated by the state and federal government. This requires a different approach, and the incentives-based framework is the most viable approach to cleaning our air.

The SCAQMD has proven over the last decade that incentives work with two voluntary programs, the Carl Moyer and the S.O.O.N. programs. Both of these programs have achieved significant mobile source emissions reductions by providing matching money for equipment owners to repower and replace their engines with newer, lower polluting engines. In each case, the emissions reductions achieved were beyond what was required by existing regulations. Expanding such efforts to more mobile equipment is the most cost-effective way to achieve significant emission reductions. BizFed is committed to working with the SCAQMD to help find sources of funding to achieve the emissions reductions we all desire.

RECLAIM Working Group Should Consider All Options

Since 1994, the RECLAIM program has delivered substantial reductions in NO_x and SO_x emissions from Southern California industry. And, in accordance to the 2015 program amendments, RECLAIM facilities are now in the middle of complying with significantly more stringent limits that will reduce NO_x emissions an additional 45% by 2023 (i.e., compared to the 2015 baseline).

With respect to measure CMB-05, our Coalition supports the SCAQMD’s plan to reconvene the RECLAIM Working Group to study post-2023 program options. To date, SCAQMD Staff have not provided stakeholders with any evidence to support how a 5 TPD proposal might actually be achieved. Therefore, we strongly recommend that the planned Working Group be permitted to explore different options for meeting future air quality objectives without compromising the region’s economic competitiveness.

While the Governing Board suggested a preference for replacing (i.e., sunseting) this highly successful market-based program with command-and-control rules, the AQMP discussion of that concept was limited to only a few sentences that note the option would be considered by the future Working Group. It is frankly premature to mandate a policy outcome for implementation of CMB-05 when the AQMP administrative record lacks any technical, environmental, and socioeconomic analysis for that option.

Our Coalition is open-minded, and our members come to this issue with a variety of perspectives. Yet we see several complexities related to any effort to sunset this market-based program, which should be considered by the Working Group. First, the 268 RECLAIM facilities would be starting from diverse situations that have developed in the 22 years since RECLAIM started. These facilities have legally implemented custom compliance strategies under Regulation XX. This has included installing emissions controls on equipment where it was cost effective and using the compliance market where physical changes were not cost effective. This is exactly what the program was designed to do, and it has been successful. Facilities within a given sector may have pursued widely different strategies over the last two decades, so dissolving the market would have broad market impacts.

Second, a program sunset would require a significant number of new or amended rules under Regulation XI to accommodate all the sources currently permitted under Regulation XX. We have identified at least 20 rules that would need to be addressed, some of which have not been amended in decades. This process would likely take years of heavy

rulemaking activity under the best of circumstances. Considerable permitting burden would be placed on RECLAIM facilities and the SCAQMD. RECLAIM facilities have many hundreds of major and large sources, and thousands of other process units. All of this equipment would need to be re-permitted, which would take years for facilities and SCAQMD staff to process. This cannot even begin until the needed Regulation XI rulemaking is complete.

The adopted AQMP requires that the CMB-05 reductions be required sooner than 2031 (e.g., 2025). An expedited timetable is simply not realistic given that RECLAIM facilities are still trying to implement the projects needed to satisfy the largest shave in program history—12 TPD of NO_x reductions by 2023. Facilities would need additional time to design, permit, procure, and construct a large number of emission control projects if they lose the flexibility afforded under RECLAIM. It is unclear how additional reductions would be accomplished or if they are even technologically feasible. The time frames needed for installation if the technologies exist are totally unknown, and some units (perhaps many) could become stranded assets. Again, we must note that SCAQMD Staff has not examined an accelerated schedule scenario and whether it would be technologically or economically feasible. Such study would need to consider all potential environmental impacts and economic costs, as well as a variety of legal factors, before the Governing Board chooses a path forward.

A Comprehensive Evaluation of the Air Quality Modeling Underlying the AQMP Needs to be a Priority in 2017

We encourage CARB to direct SCAQMD Staff to consider a comprehensive evaluation of its air quality modeling underlying the AQMP to avoid over-predicting future ozone levels. We need to ensure estimations are as accurate as possible and avoid subjecting the SCAQMD and industry to unnecessary costs. This analysis needs to happen in 2017 because the stakes are too high to adopt SIP control measures that may be based on incorrect estimates.

Thank you for considering our viewpoints on this important matter.

Sincerely,



Mike Lewis
BizFed Chair
Senior VP,
Construction Industry
Water/Air Quality Coalitions



David Fleming
BizFed Founding Chair



Tracy Hernandez
BizFed Founding CEO