



The California Trade Coalition

A Coalition Working to Keep California Competitive in a Global Economy

American Chemistry Council

APL Ltd.

Associated General
Contractors of California

California Association
of Port Authorities

California Business
Properties Association

California Business
Roundtable

California Chamber
of Commerce

California Manufacturers
& Technology Association

California Nevada Cement
Promotion Council

California Railroad Industry

California Retailers
Association

Consumer Electronics
Association

Grocery Manufacturers
of America

Industrial Environmental
Association

International Council
of Cruise Lines

International Council
of Shopping Centers

Matson Navigation Company

Maersk

Pacific Merchant
Shipping Association

Retail Industry Leaders
Association

Society of the
Plastics Industry

SSA Marine

Western Home
Furnishings Association

Western States
Petroleum Association

April 20, 2014

Mary Nichols, Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Sustainable Freight: Pathways to Zero and Near-Zero Emissions, Discussion Draft

Dear Chair Nichols:

The California Trade Coalition (CalTrade) appreciates the work of the Air Resources Board (ARB) in preparing the Sustainable Freight Discussion Draft and the opportunity to provide these comments. CalTrade is comprised of major trade-related businesses and organizations dedicated to keeping California competitive in the global economy. CalTrade represents the private sector industries and public sector infrastructure that serve as the gateway to our global economy.

CalTrade supports policies which will make California a more attractive and competitive global trade gateway and simultaneously continue the remarkable air quality improvements the international trade sector has already achieved over the last decade. In fact, the state's environmental stewardship efforts can only be successfully implemented if they are coordinated with, and complementary to, economic development strategies and the continued growth of trade.

California's policies must support efforts to enhance logistics industry growth, competitiveness, job creation, and their resulting tax revenue increases; while seeking to create a sustainable freight system. These enhanced revenues and trade volumes are necessary if we are to successfully fund and finance additional investments in freight infrastructure, operational efficiencies, and cleaner technologies. Likewise, goods movement system improvements which further implement new transportation technology infrastructure and make other air quality improvements and greenhouse gas emissions reductions should be incentivized and directly funded by the state to further improve both our economy and our environment.

We look forward to working with the ARB and other state agencies – such as the State Transportation Agency (CalSTA), the California Energy Commission (CEC), and the Governor's Office of Business and Economic Development (GO-Biz) – as we seek to improve the state's freight transportation system and create a truly sustainable vision for California's freight and trade future.

CalTrade respectfully requests consideration of all of the following with respect to the process of moving forward with Sustainable Freight efforts:

- A Sustainable State Freight Policy Must Rest On Sound Economic Analysis. The ARB's policy development efforts for sustainable freight leading up to this draft consistently stated and embraced the need for a robust study and analysis of the economics of freight and trade in California. As described in earlier drafts and meetings, the economic sustainability of the goods movement industry is a co-equal consideration in the development of the Sustainable Freight Strategy. CalTrade agrees that this is necessary if the state is to succeed and meet its long-term sustainability goals. Yet, this current discussion draft is re-focused only on issues of air quality. To address this change in approach, and to maintain a truly sustainable focus, the Board should work with GO-Biz to complete a full economic analysis, and help expedite it by directly funding this effort. Along with input from other agencies, such as the Energy Commission, and CalSTA's recently completed California Freight Mobility Plan, GO-Biz's participation is equally important. It is imperative that the ARB and these other agencies provide the resources necessary so GO-Biz may conduct a robust economic analysis and impact study.
- Consideration of the Cumulative Impacts of California-only regulations. The freight movement system in California has undergone an incredible transformation over the last decade. The Ports of Los Angeles and Long Beach, for example, are reporting over 80% reduction in particulates, 50% for NOx, and nearly 90% for SOx. These improvements were made at considerable expense to the freight movement system, with the cost estimates of implementing regulations since 2005 running into billions of dollars. And, for most sectors, there are additional phases of those regulations still to be implemented, and paid for. Consideration of cost recovery for existing equipment acquired for compliance with current regulations is needed.
- This Discussion Draft Warrants Significant Ongoing Public Discussion. Prior to finalizing the Pathways discussion draft, the Board should direct staff to present the draft in detail with affected stakeholders from each of the most affected supply chains. Given the many facets of the industrial logistics operations throughout the country and around the world which could be impacted by these proposals, additional workshops and, if requested, private meetings with affected goods movement sectors should be conducted. Simply put, now that there is a discussion draft to review and analyze, this draft should be discussed.
- Review the Technology Assessments Before Taking Action. As described in earlier drafts and meetings, the framework for identifying and prioritizing the priorities within the sustainable freight strategy, "including accessing and leveraging funding, near-term implementation strategies, and longer-term actions that could be included as measures in upcoming SIPS," would be based on technology assessments. CalTrade agrees that the technology assessments are important, and we ask the Board to direct staff to issue drafts of all of the technology assessments, engage stakeholders, and finalize the assessments before any further actions are taken. We also suggest that staff remove reference to new technology applicable at the federal level that has not been part of a technology assessment and is not available. For instance, there is no technology assessment scheduled by EPA for Tier 4 engines on marine vessels and no such engine has been developed.

With respect to the draft concepts, CalTrade submits the following initial thoughts:

- Revise the Emissions Inventory Growth Projection Methodology. The discussion draft inventory growth projections are unrealistic and much too high. The growth rate is not supported by the data. Over the last decade we have seen incredible fluctuation in the volumes of cargo handled as a result of the recession and, more recently, labor negotiations. More importantly, we have seen equally incredible improvements in efficiencies resulting in more work being done with lower emissions by the ships, trucks, and trains that service the ports in California. The result being that fewer ships, about 40% below current projections, are moving the same amount of cargo handled at the height of throughput just prior to the recession. The irrational growth rates being used don't even attempt to take this real world phenomenon into consideration. CalTrade requests that full consideration of these factors be included in the context of the Sustainable Freight Strategy. Developing more realistic growth projections would benefit from the input of other state agencies and stakeholders.
- Declining Facility Emissions Caps Are Problematic. This type of zero-sum limit on economic activity is concerning, especially given the importance of the goods movement system to the economy at-large and the necessity of growth to finance our facilities and environmental infrastructure improvements. If caps are set in a manner where technology will not be available in the near or intermediate term, the only way to comply with a declining emissions cap might be to limit logistics activity altogether (i.e. move fewer goods over a certain set period of time). Especially while we are without the benefit of an economic analysis to assess the impacts and potential economic consequences, consideration of a declining facility emissions cap regulation should be avoided.

In addition, it is important to note that California currently has some of the most stringent air quality control measures in the world – goods entering the state do so at some of the “greenest” facilities in the Nation. Cargo diversion to other states or neighboring nations, a potential result of facilities caps, would not only detrimentally impact the state's economy, but might also increase overall trade-related emissions and further contribute to greenhouse gas and climate change concerns.

Action Item to Collect Data to Support the Facility Cap Concept. The obvious concern is that this data collection process will become another burden in an already extensive list of data collection and reporting requirements under ARB regulations that CalTrade members already experience. Prior to proceeding with this, we suggest that the ARB give more consideration to how a “facility” will be defined since that will be necessary to ultimately assign the sources of emissions.

- Land Use. Land use planning and decision making in California involves very elaborate governmental processes that are highly evolved and extremely technical, and they are exercised almost exclusively under authority and discretion reserved to cities and counties. While local governments must comply with the numerous state legislative provisions directed at how development occurs in California, local governments reserve these powers under the protections afforded to Californians by the State Constitution. Of course, the legislature may opine with respect to the creation of state interests in these matters; for

instance, because a major part of the general plan and development process surrounding any potential land use change may have environmental impacts, including air quality and climate change, it adopted the California Environmental Quality Act (CEQA). However, the Environmental Impact Reports (EIR) which are produced under CEQA are generally produced by local governments as lead agencies. In light of this, we are concerned that the Pathways document seems to indicate the need for state agency-directed land use. While the current draft is unclear at best on the subject, such an indication raises numerous concerns regarding land use authority and questions as to why or how any move away from local control of local lead agencies under CEQA would be implemented.

- More Public Resources and State Incentives Are Necessary. The ARB needs to provide new and robust resources for incentives to achieve the sustainability goals contemplated in the discussion draft. These proposals exceed our current baseline private and public funding profiles of the trade and freight sector infrastructure. As a result, these efforts will not be successful without identifying new sources of public funding to help finance these improvements. Such state contributions and participation in funding could likewise offset the economic costs of non-competitiveness in trade and hopefully avoid the creation of substantial additional California-only environmental compliance costs. We are particularly concerned that the ARB only proposed revising the existing incentive programs and did not suggest AB 32 funding for this preeminent policy objective for California.

Thank you for your consideration of our comments. The trade community looks forward to working closely with the ARB as this important effort continues.

Sincerely,

The California Trade Coalition

cc: Clerk of the Board, <http://www.arb.ca.gov/lispub/comm/bclist.php>

Brian Kelly, Secretary, California State Transportation Agency

Rob Oglesby, Executive Director, California Energy Commission

Kish Rajan, Director, Governor's Office of Business and Economic Development

Karen Buckley, Manager, ARB Sustainable Freight Section