



June 20, 2016

Submitted Electronically: <http://www.arb.ca.gov/lispub/comm/bclist.php>

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Comments on FY 2016-17 Low Carbon Transportation Investments/
Air Quality Improvement Program Funding Plan

Dear Air Resources Board Members:

The Pacific Merchant Shipping Association (PMSA) appreciates the opportunity to comment on the California Air Resources Board's (CARB) FY 2016-17 Funding Plan for the Low Carbon Transportation Investments and the Air Quality Improvement Program (LCTF/AQIP). PMSA represents terminal operators and ocean carriers operating in California. Over the past decade, our members have aggressively reduced emissions from maritime operations. Nonetheless, the State-wide goals call for a further reduction of 80% to meet federal attainment requirements. In order to meet these goals to reduce emissions from port-related operations, funding assistance programs such as LCTF/AQIP are critical to help transition to advanced equipment necessary to meet the State's clean-air goals while maintaining a competitive level playing field with other gateways to ensure revenue and jobs are not lost in the state.

In the next fiscal year, there is a significant opportunity to invest in zero- and near-zero emissions (ZE/NZE) technology development and deployment, particularly related to cargo-handling equipment (CHE). As evidenced by recent grant applications and technology demonstrations, there is strong interest among PMSA's members to demonstrate new technologies that will one day transform marine terminal operations throughout the State.

Allow Information Technology Funding

As CARB has recognized in its development of the Sustainable Freight Strategy, goods movement is a complex, network of systems and one way to improve the emissions performance of that system is to improve that system's efficiency. In today's environment, that is increasingly accomplished by information technology. The development of information systems that would allow terminal operators and other sectors of the goods movement supply chain to cooperate more seamlessly has the potential to eliminate redundant truck moves, improve terminal turn-times reducing idling, and make the overall system more productive. Unfortunately, these systems can be extraordinary expensive to develop and the benefits often accrue to the network at-large rather than the project proponent. As a result, investment in information technologies that can be

shown to improve network efficiency that result in reduced emissions should be considered a funding area in the LCTF/AQIP.

Cargo-Handling Equipment Demonstration Funding

Under the Advanced Technology Demonstration category, the LCTF/AQIP discussion document identifies \$18 million for off-road equipment, which includes seaport-related cargo-handling equipment, automated port strategies, airport equipment, and locomotives. PMSA believes this level of funding underestimates the near-term need to accelerate ZE cargo-handling technologies, and we would encourage ARB to increase this category well beyond \$18 million.

While port cargo-handling equipment is beginning to show improvements in the state ZE/NZE technology, additional development and deployments are necessary to reach the performance goals needed by marine terminal operators. To date, however, there has been relatively little funding for such demonstrations. Additional investments could tip the balance to encourage greater levels of investment and commitment by technology developers to advance more ZE options for cargo-handling equipment, including different technologies and types of equipment, and move toward commercialization.

PMSA strongly urges ARB to increase the proposed FY2016-17 funding for off-road ZE/NZE technology in order to advance the commercialization of these technologies.

Cargo-Handling Equipment Commercial Deployment Funding

The LCTF/AQIP discussion document identifies \$5 million for ZE Freight Equipment Pilot Commercial Deployment. PMSA believes this amount significantly underestimates the opportunities for immediate deployment, as recent funding solicitations for ZE equipment have generated substantial interest. This funding level also significantly underestimates the incentives required to support an early transition to ZE/NZE technologies.

Recently, PMSA commissioned Moffat & Nichol to evaluate the impacts of moving to ZE/NZE technologies. Among the conclusions of the report is that the terminal operators will incur \$16-\$28 billion dollars in additional costs to replace current equipment with ZE/NZE equipment. That amount does not even reflect the increased operating costs of ZE/NZE equipment that will also need to be absorbed by marine terminal operators. Finally, depending on the pace of the turnover eventually mandated by the State, marine terminal operators will be also be facing significant costs in the form of stranded assets.

The industry has signaled its willingness to invest in cleaner equipment if the incentives are available. Earlier this year, terminal operators applied for more than \$33 million for ZE forklifts, yard tractors, and RTGs through the Proposition 1B program, far exceeding the available \$14.5 million. In contrast, the Proposition 1B funding program for heavy-duty trucks was undersubscribed. This situation highlights the immediate demand for ZE/NZE cargo-handling equipment, and PMSA encourages ARB to allocate more funding for freight equipment deployment for the FY 2016-17 funding cycle.

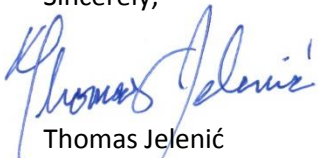
Allow HVIP Incentives for Off-Road Equipment

The LCTF/AQIP discussion document identifies \$18 million for HVIP, which offers financial incentives to end users who buy zero-emissions on-road trucks and buses. However, there is no basis to exclude off-road

equipment from HVIP. Accordingly, PMSA urges ARB to make HVIP funds available for off-road equipment, which would give our members access to an additional \$18 million in incentives.

PMSA appreciates the opportunity to provide comments on the FY 2016-17 LCTF/AQIP funding plan. We expect our members to continue to play an active role in advancing clean technologies throughout the State. Together, we look forward to continuing to working with CARB on advancing the State's clean air goals.

Sincerely,



Thomas Jelenić
Vice President