

CALIFORNIA ASSOCIATION OF PORT AUTHORITIES

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April 23, 2015

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

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

Dear Chair Nichols:

On behalf of the California Association of Port Authorities (CAPA), we appreciate the opportunity to comment on the recently released *Sustainable Freight: Pathways to Zero and Near-Zero Emissions, Discussion Draft*. We thank your staff for their related outreach efforts and look forward to working with you as this important effort develops. CAPA is comprised of the state's eleven publicly-owned, commercial ports and is committed to maintaining California's leadership role in the maritime industry while leading the way in innovative and cutting edge environmentally-friendly port operations.

We offer the following comments, suggestions, and questions in the interest of improving California's efforts to develop an integrated and truly sustainable freight system.

California's Diverse System of Ports

California is home to eleven publicly owned ports, including three large container ports. Combined, the Port of Long Beach and the Port of Los Angeles make up the largest port complex in the country; the Port of Oakland is the 5th busiest port in the nation. California is also blessed with eight smaller ports positioned along the coast from Humboldt Bay to San Diego, and along inland waterways in West Sacramento and Stockton. California ports are true enterprise districts and do not rely on tax revenue, but rather operate primarily on business-generated funds. It is important for the Air Resources Board (ARB) to recognize the significant differences in size between California ports, and to be aware of differences in location, market, and scope of facilities and services that each port provides. Each of California's eleven public ports is unique.

California Ports are Among the “Greenest” in the World

California’s public port authorities are very proud of the environmental improvements – especially the air quality improvements – that the freight industry has achieved over the last decade. In partnership with the ARB, our local air quality management districts, and our industry partners, our ports have been extremely focused on improving air quality. That focus has led to very significant reductions in emissions, and real as well as lasting transformations in our goods movement system. Our large ports for example, the Ports of Oakland, Long Beach and Los Angeles, report reductions on the order of 80% in particulate matter, nearly 90% in SOx emissions, a 50% reduction in NOx emissions, and significant reductions in greenhouse gas emissions.

While we are proud of these accomplishments, they have come at significant expense to the freight industry – in the billions of dollars – an expense that is not borne by other states and nations that compete directly with California on a daily basis.

International Trade And the Economy

International trade is a critical component of our regional, state, and national economies. More than 40% of the total containerized cargo entering the United States arrives at California ports; and almost 30% of the nation’s exports flow through ports in the Golden State. Port activities employ more than half-a-million people in California and generate an estimated \$9 billion in state and local tax revenue annually. Nationwide, nearly 3 million jobs are linked to California’s public ports.

International trade is also a highly competitive sector of the economy, now more so than ever. With unprecedented competition from Canada and Mexico, which enjoy significant federal investment, and the expansion of the Panama Canal, California is under real pressure to keep freight transportation costs as low as possible in order to remain competitive. Although cargo volumes are projected to increase modestly, California is currently losing market share to other states and nations. As we continue to move toward a low carbon transportation future, our efforts to develop a truly sustainable freight system must assure that economic and competitive elements of sustainability are included as co-equal goals with environmental sustainability.

The freight industry has invested billions of dollars in air quality-related improvements over the last decade even as the industry suffered one of the most significant economic downturns in modern times. We believe it is appropriate and important to consider these very significant previous investments, and assure that those investments do not end up creating stranded assets as we continue the development of sustainable freight strategies. The freight community has invested perhaps more than any other sector of our economy in improved air quality technologies. We must allow for the appropriate amortization of related costs to assure that continued investments occur.

Robust Economic Analysis is Necessary

A full and complete economic analysis must inform the state’s development of sustainable freight strategies. While we recognize that ARB’s principle purview is air quality, the Discussion Draft does not address any other aspects of developing a truly sustainable freight system, such as transportation infrastructure and economic development. CAPA recommends

that the ARB work closely with other state agencies, including the California State Transportation Agency (CalSTA), the Governor's Office of Business and Economic Development (GoBiz), and the California Energy Commission (CEC), as well as other stakeholders, to develop a more comprehensive approach to sustainability.

We suggest that a comprehensive economic analysis is necessary as the pursuit of zero and near-zero emissions technologies will necessarily include balancing environmental and economic trade-offs, especially as we pursue short-to-mid-term strategies. As we balance the longer-term desire to introduce zero and near-zero emissions technologies we must also determine how best to meet our needs for transitional improvements in the shorter-term.

System Efficiency and Transformation

The Discussion Draft provides very specific near-term actions with a timeline for introducing zero emissions technologies. However, the Discussion Draft falls short in declaring any specific actions and a timeline for system efficiency improvements, citing "many of these opportunities fall outside the purview of ARB". We believe that improving goods movement system efficiency should be one of the top near-term priorities for any and all of the plans within an integrated California sustainable freight strategy. The ability to move goods more quickly and efficiently from ship to warehouse to destination reduces emissions, but also provides an economic benefit for everyone within the supply chain due to reduced operational costs and potentially more activity along the supply chain with reduced congestion and delay. The economic benefits would then allow equipment owners to pay down recent capital improvement costs – for new, cleaner trucks and equipment – sooner, and allow for the introduction of new zero or near-zero emissions technologies sooner as well.

Perhaps a good example to further analyze in detail is the use of extended gate hours at container terminals (p. 49). Extended gate hours can be effective in reducing congestion during peak hours, but there must also be a fine balance between the demand for off-peak gate hours and the ability to effectively fund the terminal labor to handle the containers.

Facilities Emissions Caps

One proposed strategy that is particularly problematic is the potential use of a facility cap. Port authorities are landowners, leasing land to companies that perform terminal operations. Furthermore, the ports do not have direct agreements with shipping lines or ocean-going vessel owners. Port authorities don't own or operate the equipment and therefore the ability of the port authorities to mandate certain emissions reduction strategies or controls is very limited. The port authorities throughout California have worked in cooperation with the Air Resources Board on the implementation of regulations that apply to mobile sources used for goods movement throughout the state. We believe this approach can continue to be effective for controlling emissions from goods movement activities.

At-Berth Regulations

CAPA has worked with the ARB for a number of years as the At-Berth Regulations have been implemented and revised. Additional revisions to the current regulations are still needed. We would suggest that amending the current regulations to assure they are workable should be an important priority even as the expansion of the At-Berth program is contemplated. We believe it

is also necessary to assure that agreements related to Proposition 1B funding for shoreside power are appropriately considered to reflect changes to the regulations and assure state funding for this important infrastructure is not diverted.

Emissions Inventory Growth Projections

CAPA believes that the growth projections included in the Discussion Draft should be reviewed and revised to better reflect trade activity over the last several years, current volume projections, international trends, and existing as well as planned operational efficiencies.

State Investment and Incentives

We believe it is critical that the state expand its financial investment in freight-related transportation infrastructure, environmental stewardship, and economic development efforts. Additional state contributions toward these interests are important for leveraging private funds and federal monies and well as for maintaining our competitive position in international trade and balancing additional costs associated with doing business in California. We were surprised that the Discussion Draft did not directly contemplate potential state funding sources for sustainable freight efforts such as Cap and Trade auction proceeds.

Review of Technology Assessments

CAPA believes that the technology assessments are an important consideration in the development of sustainable freight strategies. We believe that before further action is taken, the ARB should complete the assessments and engage in related discussions with stakeholders.

Land Use

Land use planning is very complicated in California. Local jurisdictions generally serve as lead agencies during the California Environmental Quality Act (CEQA) process that accompanies development. We are concerned that changes to land use authority, which appear to be contemplated in the Discussion Draft, might undermine local land use authority and further complicate an already very difficult project development process.

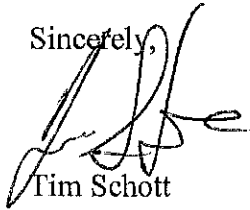
Questions

- The Discussion Draft places an emphasis on introducing zero and near-zero emission technologies with a very specific timeframe in the near-term. Much of the near-term actions focus on developing new regulations to incorporate new technologies into fleets. If one of the over-arching goals of a sustainable freight strategy is to truly improve the competitiveness of our logistics system, please provide further detail on the reasoning behind mandating new, unverified equipment; in short, how does mandating new, unverified, and often expensive technologies, help equipment owners with competitiveness?
- Will an economic analysis accompanying the development of sustainable freight strategies evaluate the economic impacts for requiring equipment owners to adopt new zero-emissions technologies, or will the analysis focus on potential reduced health care and health system costs due to potential decreases from lower emissions? Will the economic analysis incorporate recent investments by operators to upgrade to lower emissions equipment and the ability to amortize those costs over the useful life of the equipment?

- How will ARB assure that other components of a combined, integrated California Sustainable Freight Strategy focus on overall system efficiencies and efforts to either reduce congestion and/or vehicle miles traveled (VMT) through regional operational measures (FRATIS, etc.)?
- As a near-term action, could ARB or another state agency financially subsidize the costs for extended gate hours or projects like a statewide "virtual container yard" if the end goal would reduce congestion, and VMT?

We appreciate your consideration of our comments and we look forward to working closely with you and your staff as this important effort continues to develop.

Sincerely,



Tim Schott
Executive Director

cc: Clerk of the Board, <http://www.arb.ca.gov/lispub/comm/bclist.php>
Karen Buckley, Manager, ARB Sustainable Freight Section

