PMSA
PACIFIC MERCHANT SHIPPING ASSOCIATION

August 30, 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=lcfs18&comm_period=A

Subject: **Comment on Second 15-Day Notice to the Low Carbon Fuel Standard Regulation Amendments – LCFS 18**

Dear Clerk of the Board:

On behalf of the member companies of the Pacific Merchant Shipping Association (PMSA), we ask that the California Air Resources Board (CARB) consider the following comments regarding amendments to the Low Carbon Fuel Standard (LCFS). 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 supports the inclusion of eTRU, eCHE, and eOGV as opt-in categories eligible for credit generation under the LCFS regulation. The maritime industry is expanding its use of electrically-powered equipment in some cases. The inclusion of these equipment categories will create incentives for terminal and vessel operators to expand their use of electrified equipment, but only if they are the beneficiaries of the credit generation. The current language in section § 95483 (c)(6)(A), states that *"[f]or electricity supplied to eTRU, eCHE, or eOGV, the owner of the FSE is the fuel reporting entity and the credit generator."* This language, although consistent with other language in the regulation, is potentially confusing for the delineation of responsibilities and benefits at the state's ports and marine terminals. The public port authority is often the owner of the FSE, since they are landlords to the terminal operators, who typically operate under leases that run anywhere from 20 to 50 years. However it is the marine terminal operator that meters the power supplied to the eTRU, eCHE or eOGV and is billed by the utility for that usage. Beyond installing some of the infrastructure, the port authority is not involved in the supply of power to the equipment.

Section § 95483.2 (b)(8)(B)(6) states "For electric forklifts, eCHE, or eOGV, FSE refers to the facility or location where electricity is dispensed for fueling. If there are multiple FSEs capable of measuring the electricity dispensed at the facility or location, then it is optional to provide serial number assigned to each equipment by the OEM and the name of OEM." Based on this definition, the

marine terminal would qualify as the FSE since they are the location where electricity is dispensed and are the entity that is capable of measuring the electricity allocated for each use. If that is the defining language for the FSE owner, then we would read section § 95483 (c)(6)(A) to refer to the marine terminal operator as the FSE owner.

Alternatively, PMSA proposes that language be modified to read *"[f]or electricity supplied to eTRU, eCHE, or eOGV, the owner of the eTRU, eCHE, or eOGV is the credit generator for electricity supplied to each respective unit and shall satisfy fuel reporting requirements to the State."* In this way, it will be clear that the credit generator is the owner of the eTRU, eCHE, or eOGV. Since it is the equipment owner who makes decisions of equipment deployment and usage, the owner is responsible for the decisions that CARB wishes to incentivize.

We also have some concerns regarding section § 95483 (c)(6)(C), which states "An entity that generates credits for eTRU, eCHE, or eOGV must meet the requirements set forth in paragraphs 2. through 7. in section 95491(d)(3)(A), as applicable." That section; specifically section § 95491(d)(3)(A)(7), for non-LSE credit generators states that the credit generator "must use credit proceeds to benefit EV drivers and their customers, and educate them about the benefits of EV transportation (including environmental benefits and costs of EV charging, or total cost of ownership, as compared to gasoline). The credit generator must include, in their Annual Compliance Report, an itemized summary of efforts and costs associated with meeting these requirements." This is confusing in regards to credits generated by eTRU, eCHE or eOGC as they are not obviously related to EV transport, however we have been told verbally by ARB staff that the intent of this language is to ensure that the generated credits be conferred to the owners or operators of the equipment being plugged in, be they eTRU, eCHE or eOGV. We support that requirement, and we would appreciate language, or at least formal recognition and citation through supporting documentation from ARB that such is the case.

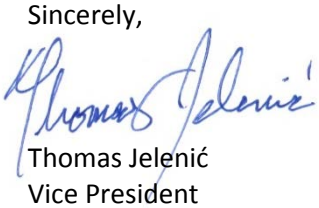
PMSA has additional concerns regarding the practicality of § 95483.2(b)(8)(A)(7), which states "For eTRU, FSE refers to each eTRU. Fuel reporting entities for eTRU fueling must provide the serial number assigned to the unit by the OEM and the name of the OEM." The eTRUs that are used in the maritime industry are fundamentally different from those used in over-the-road domestic freight. The eTRU is intergrated into the marine container, with the use of a "clip-on" generator available when the marine container leaves the marine terminal. Tens of thousands of different integrated eTRUs move through marine container terminals annually. It may be administratively impossible to register every unit that moves through the facility. Additionally, the marine terminal may not have information on the manufacturer or serial number of the integrated refrigeration unit, but would have information on the marine container containing the integrated eTRU. PMSA recommends that CARB make two allowances to this provision. First, for those entities able to provide individual equipment information, allow the submission of container identification number (which are unique) in lieu of eTRU manufacturer and serial number. Second, for those entities that have installed separate metering for their eTRUs, allow meter data to be submitted as would be the case for EV charging.

PMSA also recommends that CARB develop an Energy Economy Ratio (EER) values for the use of various sources of LNG as a bunker fuel on vessels. There are an increasing number of vessel orders for dual-fuel capable ships. These ships will be capable of using traditional marine diesel bunkers or liquefied natural gas (LNG) as a fuel. Whether these future ships use LNG will depend on the availability of LNG fuels and the impact to competitiveness the use of LNG will have. The use of LNG as a marine fuel has the potential to eliminate diesel particulate matter, reduce nitrogen oxide emissions, and, depending on the source, reduce GHG emissions. CARB can encourage the use of low carbon intensity LNG fuels by establishing EER values for variously-sourced LNG used as a marine fuel. Doing so will create a clear signal to the maritime industry.

The opportunity to opt-in for credit generating opportunities in these categories will create meaningful incentives for ocean carriers and terminals to use low carbon-intensive options that will reduce greenhouse gases. In addition, by creating opt-in credit generating opportunities, CARB will also support its existing regulatory programs that seek to reduce criteria and toxic pollutants from these source categories.

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
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