



# South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178  
(909) 396-2000 • [www.aqmd.gov](http://www.aqmd.gov)

*Office of the Executive Officer  
Barry R. Wallerstein, D. Env.  
909.396.2100, fax 909.396.3340*

March 8, 2013

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

Re: Recommendations for Investment Plan for Cap-and-Trade Auction Proceeds

Dear Chairman Nichols,

As you know, the South Coast Air Quality Management District (SCAQMD) Board is supportive of climate change mitigation efforts, and strongly believes that we need to maximize synergies between climate change, criteria and air toxic programs. We are committed to working with the Governor's office, CARB, the Department of Finance, and the CEC to develop and implement investment strategies for the auction proceeds that provide the largest impact on the outlined categories and goals. These investments will accelerate reductions of greenhouse gases and other pollutants, contribute to technology advancement, provide much needed benefits to sensitive communities, and continue California's worldwide leadership in these areas.

The South Coast Air basin is home to over 16 million people and 10 million vehicles along with some of the largest ports and airports in the world. As shown in the Auction Proceeds Investment Plan Draft Concept Paper a large fraction of our population lives within designated disadvantaged communities. This designation is, in part, due to the "burden of pollution" from our exceedances of federal ozone and fine pollutant standards, along with higher exposures to toxic air contaminants.

The GHG targets set for 2020 and 2050 are going to be challenging to meet; however, meeting the federally mandated deadlines for ozone and fine particulate matter under the Clean Air Act will be even more challenging. These federal deadlines must be met fifteen to twenty years earlier than the 2050 target of achieving 80% GHG emission reductions below 1990 levels. As shown in "A Vision for Clean Air", the transportation sector is the most important emissions category in

Southern California, and there is an urgent need for a rapid technological transition to zero and near-zero emission technologies to meet these goals. These changes in the transportation sector are needed not only to meet GHG and criteria pollutant requirements but also to reduce toxic air contaminant emissions. Failure to meet the federal criteria pollutant mandates will not only continue to negatively affect the health of our residents, but also may result in losing federal transportation funding under Clean Air Act sanctions.

Summarized below are funding recommendations for the cap-and-trade auction proceeds.

### **Funding Recommendations**

SCAQMD staff recommends the following programs be supported by auction proceeds from the cap-and-trade program. These programs will help California achieve needed greenhouse gas reductions while also making significant contributions to reducing criteria and toxic pollutants while providing many benefits to disadvantaged communities. More importantly, these types of projects are critical to achieving the longer-term objectives of developing the technology and infrastructure to support future transportation needs, furthering the goals of energy diversity and security, helping to keep dollars spent on energy local, securing emissions reductions, and assisting local government and communities. These ideas are briefly described below:

#### Technology infrastructure development and deployment

- Zero and near-zero emission goods movement– Deployment of zero and near-zero emission technologies for trucks and locomotives is needed to help reduce greenhouse gases, criteria and toxic pollution in some of the most heavily polluted environmental justice areas in the state, and to accelerate removal of equipment that can last for many decades. Types of technologies to be funded include fuel cell, battery electric, and hybrid electric -- particularly hybrid electric with all electric range. Hybrid-electric technologies with all electric range could also be coupled with alternative fuels such as natural gas in trucks and other equipment.
- Goods movement incentives – Incentives for low NOx technologies and strategies that also reduce greenhouse gases should be offered for ocean-going vessels that are significant sources of pollution along the California coastline. For example, heat recovery systems have the potential to reduce greenhouse gas emissions and NOx emissions.
- CARB Technology Advancement Program – CARB should develop a program to direct research, development, and deployment of mobile source technologies that would advance both the state climate change and air pollution reduction goals. In Southern California alone over 6 billion gallons of gasoline are consumed by vehicles annually. The current vehicle fleet uses only twenty percent of this energy for transport, while the rest is wasted as heat. There is much room for improvement in developing new technologies to greatly improve mobile source efficiencies while reducing money spent on fuel and reducing greenhouse gases and other emissions. In addition, these research initiatives would help foster small businesses and provide global technology leadership.



Energy diversity and security

- Distributed generation – Increasing clean onsite power production decreases the reliance on centralized power plants, provides greater grid reliability, and reduces the need for transmission infrastructure and infrastructure improvements. Combining the waste heat from localized generation sources such as fuel cells into a building's operation provides extremely high overall system efficiencies.
- Energy storage – As the state moves to greater use of renewable electricity generation, such as wind and solar, energy storage is critical to helping smooth out intermittencies, provide greater system reliability, and reduce the dependence on spinning reserves typically supplied by fossil fuel powered plants. Demonstrating new large energy storage techniques can be coupled with transportation infrastructure needs.
- Hydrogen infrastructure – Additional resources directed to the expansion of the infrastructure needed for fueling hydrogen vehicles would support the use of this alternative fuel.

Emission reductions

- Incentive programs for stationary sources – Incentive programs for stationary sources, similar to the Carl Moyer program for mobile sources, would help to accelerate turnover of older, energy inefficient and higher polluting equipment. This could be of great benefit to companies that do not have the financial means to modernize their facilities to become more energy efficient and less polluting. Loan or PACE-type programs should also be considered for industrial stationary sources.
- Accelerate vehicle turnover – To meet AB 32 goals and criteria pollutant standards in extreme non-attainment areas, substantial efforts will be needed to incentivize earlier fleet turnover for all feasible applications. This would include all on-road and off-road vehicles.
- Increase incentives for zero and near-zero vehicles – Additional incentive funding opportunities for consumers and businesses is needed to help with the purchase of cleaner vehicles. This will help reduce emissions and will also help future mobile source regulatory programs by demonstrating the widespread use and viability of zero and near-zero vehicles for commuter and other uses, while jump-starting advanced technology markets.
- Incentives for building retrofits – Additional incentives for LED lighting, weatherization, and other building retrofits are greatly needed. Priority should be given for low income families and communities.

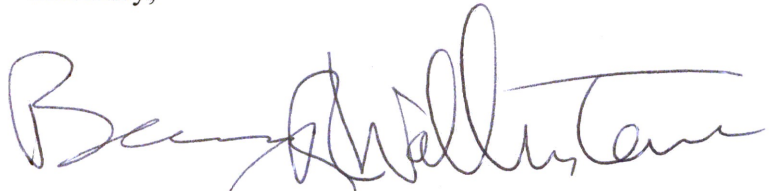
Assisting local government and communities

- SB 375 – Local governments will need assistance to meet the emission reduction goals established through SB 375. CARB should use auction proceeds to fund projects that implement best management practices through competitive grants. Other worthwhile uses would include the development of a universal model for transportation modeling that could be used consistently throughout the state, and a clearinghouse for local governments to catalogue and provide a mechanism for sharing information on best management practices.
- Tree Planting - Tree planting in urban areas and forests will be of benefit to local governments and communities. CARB should focus on projects that use the Job Corps, an organization that provides youth with job opportunities and training.

March 8, 2013

Thank you for the opportunity to comment on the Auction Proceeds Investment Plan. The SCAQMD staff and I look forward to working collaboratively in these important endeavors. If you have any questions about these comments or need additional information, please contact Elaine Chang, Deputy Executive Officer, at (909) 396-3186 or Philip M. Fine, Planning and Rules Manager at (909) 396-2239.

Sincerely,

A handwritten signature in blue ink, appearing to read "Barry Wallerstein". The signature is fluid and cursive, with a large initial "B" and a long, sweeping horizontal line at the end.

Barry R. Wallerstein, D.Env  
Executive Officer

EC:PF:AK:afm