



November 1, 2013

Mr. David Mallory, Manager  
California Air Resources Board  
1001 I Street, 6<sup>th</sup> Floor  
Sacramento, CA 95814

Re: October “Discussion Draft” of the “Climate Change Scoping Plan, First Update”

Dear Mr. Mallory:

On behalf of the Pacific Merchant Shipping Association (PMSA) and its member companies, we appreciate the opportunity to provide comments on the October 1, 2013 Discussion Draft of the “Climate Change Scoping Plan, First Update.” PMSA represents ocean carriers and marine terminal operators conducting business at California’s public seaports and other sectors of the maritime industry on the west coast. PMSA is committed to growing and expanding maritime commerce and international trade in California, thus improving the economy, creating jobs, and financing the industry’s multi-billion dollar commitments to improving the state’s environment.

PMSA appreciates the thought that has gone into crafting the current Discussion Draft, however, we are dismayed at its failure to capture the significant and unprecedented industry investments in improved air quality which have occurred, are underway, or are already scheduled to occur in the near future in the freight sector in California, and in intermodal and maritime commerce in particular.

For example, just under CARB’s existing regulations alone – including several early action measures taken under AB 32 – the intermodal supply-chain is in the process of investing over \$5 billion into cleaner ships, berths, cargo handling equipment, ocean-going vessel fuels, commercial harbor craft, and port drayage trucks, in addition to railroad emissions reductions at our ports being made as a result of CARB’s rail MOUs. These compliance costs do not include the industry-led and Port-coordinated local programs which sometimes enforce non-regulatory emissions reductions amongst marine terminals and ocean carriers, including PierPass, the San Pedro Bay Ports’ Clean Air Action Plan, Oakland’s Marine Air Quality Improvement Plan, and various “green flag” and other incentive programs.

Even more laudatory, most of these investments and improvements were made during the recession, amongst falling volumes, mounting operational losses, massive industry layoffs, and increased competition.

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But despite these economic challenges, California's seaports now have the strictest air quality standards in the nation with respect to reducing emissions related to intermodal freight activities. And, as a result, since 2005, the Ports of Long Beach and Los Angeles have reduced emissions of diesel PM by 80%, SO<sub>x</sub> by 88%, NO<sub>x</sub> by 53%, and GHGs by 21%, while the Port of Oakland is also on target to meeting its aggressive MAQIP emissions reduction goals.

Unfortunately, the Executive Summary does not even mention freight at all, much less acknowledge the work done to date, and the current Discussion Draft ignores all progress achieved to date with respect to freight. Worse still, the summary section entitled "Future Freight Efforts" makes it seem as though nothing has been done in the freight and goods movement sectors to reduce emissions, even though the largest and most dramatic reductions in emissions in the transportation sector are happening in California's seaports more than anywhere else in the intermodal supply chain. Without correction to this context and history, we find this statement, on page 24, to be exceedingly misleading:

To date, ARB's focus in the transportation sector has been on reducing emissions through the efficient movement of people. Although ARB has adopted some strategies to address the heavy-duty fleet, more needs to be done. As a result, ARB is working on a collaboratively developed 2014 Sustainable Freight Strategy. This strategy is a comprehensive approach to addressing emission reductions from freight transport in California, including emissions from trucks, ships, port activities, and locomotives. The strategy will identify a clear vision for a longer-term sustainable freight initiative, and a broad-based coalition to develop, fund, and implement a sustainable freight system.

CARB does indeed have a program and focus on reducing freight emissions; it is the Goods Movement Emissions Reduction Plan, adopted in conjunction with the state's Goods Movement Action Plan, and which already enunciates a clear vision for the development of a sustainable freight system. The suite of regulations which have been promulgated in association with this plan are already comprehensive and sweeping - not just "some strategies to address the heavy-duty fleet." Since this summary essentially ignores our very substantial progress which has been made with respect to air quality, it is easy to see why the draft can conclude that "[a]s a result, ARB is working on a collaboratively developed 2014 Sustainable Freight Strategy."

We object to this conclusion and are dismayed by how little acknowledgement is made of the very fast, very effective, and very expensive work done, and scheduled to be done in the near future, throughout the intermodal supply chain and at our ports to dramatically improve air quality - including significant reductions in GHGs. As an example: At an estimated compliance cost of \$1.8 billion, the most expensive of these programs is the CARB regulation of vessels while at berth. These "cold-ironing" rules for vessels were adopted as a highly-touted early action item under AB 32, and after years of preparation and investment are now coming online en masse on January 1, 2014, with more ramp ups of compliance in future years. To note the significance of this regulation alone, it is no hyperbole to say that in the opinion of many in the industry this program is currently the most ambitious maritime emission reduction program being implemented worldwide. Yet, outside of being listed in the table on Page 25, it gets nary a mention in the discussion of progress being made towards the 2020 Goal.

In addition, this section discusses its intent to consider zero emissions technologies by 2020 and several potential mechanisms to implement these measures. While we look forward to a dialogue with CARB and other stakeholders about the necessity and viability of all such measures, PMSA reserves all judgment and comment on these initiatives until they are detailed.

With yet more freight initiatives on the horizon, PMSA would respectfully stress that, both with respect to progress that has been made and with respect to future costs of any additional emissions reductions programs, California's seaports and its supply chain partners are still moving cargo at volume levels way below those which were the basis of the regulations promulgated under the Goods Movement Emissions Reduction Plan. Therefore, many in the supply chain are still finding it difficult to fund the existing suite of air quality regulations that have already been adopted, much less to pay for additional programs.

Faced with an ever-more-competitive global market place, CARB must acknowledge the economic impacts of competition and the potential that, unless air quality programs can be financed, California risks losing the jobs and tax revenue associated with increased volumes of international trade. Moreover, from a GHG perspective – because the impacts of such emissions are globally significant and not simply locally significant – any initiatives which divert cargo away from a California port would likely be out of step with the goals of AB 32, since containers shipped through a competing port will inevitably be moved by equipment, trains, trucks and vessels operating under an air quality regime which is less strict than California's, this may ultimately result in higher greenhouse gas emissions.

If we push our regulatory envelope too far, California will lose both the jobs and economic benefits that come from increased cargo volumes and whatever greenhouse gas and other environmental benefits that would result from shipping through one of California's public seaports. Diversion of cargo and loss of market share is real and is happening now, and this Scoping Plan Update, as well as any future freight plan, must address both the economic and environmental consequences of cargo diversion.

Thank you for the opportunity to comment on this "Discussion Draft." Please feel free to contact PMSA at any time to discuss this or any other maritime industry related matters.

Sincerely,



Mike Jacob  
Vice President