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Lisa Williams
California Air Resources Board, Mailstop 5B
P.O. Box 2815
Sacramento, California 95812-2815

**Re: Volkswagen Consent Decree Environmental Mitigation Trust Beneficiary Mitigation Plan**

Dear Ms. Williams:

Airlines for America® ("A4A")[1] would like to thank the Air Resources Board ("ARB") for the opportunity to comment on the State's Discussion Document for its public workshops on developing a Beneficiary Mitigation Plan for its allocation of the Volkswagen Environmental Mitigation Trust. A4A commends ARB for its recommendation to include projects that replace or repower airport ground support equipment with all-electric forms ("GSE projects") as an eligible mitigation action in its Discussion Document.

A4A and its members are committed to environmental progress and view the Volkswagen Environmental Mitigation Trust ("Trust") as a unique opportunity to accelerate those efforts, particularly in disproportionately impacted communities. Our industry looks forward to working with ARB and the State to optimize this opportunity, and offer these comments on the Discussion Document.

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**Electrification of Airport Ground Support Equipment Supports California's Goals and Guiding Principles**

ARB notes that Governor Brown has set a greenhouse gas emissions reduction target of 40 percent below 1990 levels and a petroleum use reduction goal of up to 50 percent, each by 2030.[2] GSE projects are consistent with and will aid the State in meeting these goals. Replacing airport GSE with all electric alternatives where possible will mitigate 100 percent of the equipment's direct greenhouse gas emissions as well as completely eliminate associated petroleum usage. As a result, providing funding for GSE projects will be an incredibly effective option for the State to further these goals while simultaneously mitigating nitrogen oxide ("NOx") emissions in accordance with the intent of the Consent Decree.

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[1] A4A's members are: Alaska Airlines, Inc., American Airlines, Inc., Atlas Air, Inc., Federal Express Corporation, Hawaiian Airlines, JetBlue Airways Corp., Southwest Airlines Co., United Continental Holdings, Inc., and United Parcel Service Co. Air Canada, Inc. is an associate member.

[2] Public Workshop on Developing a Beneficiary Mitigation Plan for California's allocation of the Volkswagen Environmental Mitigation Trust: Discussion Document at 5 (Feb. 16, 2018).

GSE projects also align with the California Legislature's goal in SB 92 to ensure that 35 percent of the State's Trust allocation benefits low-income and disadvantaged communities.[3] As noted in our October 17, 2017 letter, airports are major hubs of economic activity. Unfortunately, residences in close proximity to airports may be disproportionately disadvantaged, in terms of socioeconomic impact and/or environmental impacts. This assertion is particularly evident in California where Los Angeles International Airport is located in a CalEPA-designated disadvantaged community; San Jose and San Francisco International Airports are both located next to CalEPA-designated disadvantaged communities; San Diego International Airport is located next to a CalEPA-designated low income community; and Sacramento International, Santa Monica Municipal, and John Wayne Airports are located next to Cal-EPA designated disadvantaged and low-income communities. As we highlighted in October, our airline members are interested in replacing GSE at these airports with all-electric equivalents where such equivalents are available. By providing supporting levels of funding for GSE projects, ARB and the State can be assured that the Trust funds benefit these disadvantaged communities.

In addition, GSE projects strongly uphold ARB's guiding principles for selecting eligible mitigation actions to fund. On top of supporting SB 92's priorities, GSE projects focus on zero-emission technology by their very definition in the Consent Decree, go beyond regulatory requirements for reducing criteria pollutant emissions by promoting not just reduced but zero-emission equipment, and support the transformation of the heavy-duty equipment sector. As mentioned in our October 17, 2017 letter, airlines implementing GSE projects use known methods of project management through their experiences with the Federal Aviation Administration's Voluntary Aircraft Low Emissions Program and this state's Carl Moyer Program. As such, our member airlines also already know the ins and outs of ensuring accountability and transparency to uphold the effectiveness of their projects.

**A4A Supports ARB's Recommendation Not to Fund the DERA Option**

As was highlighted in our October 17, 2017 letter, the requirements projects must meet to fulfill program requirements under the so-called "DERA option" decrease the scope of projects that could possibly be funded through the Trust. A4A commends ARB for recognizing that projects that may not fit within the project criteria of DERA may nonetheless effectively reduce emissions and has therefore not recommended the State use the DERA option. California should therefore decide not to limit the types of projects applicants can use by allocating zero funds to this eligible mitigation option.

**ARB Should Take the Following Considerations into Account when Finalizing the Zero-Emission Freight/Marine Project Category for the State's Beneficiary Mitigation Plan**

ARB staff "recommends maximum funding up to the full *incremental* cost for a *battery* electric airport GSE *vehicle*…."[4] A4A suggests ARB consider funding more than the incremental cost of electric GSE in order to incentivize more project applications. Limiting available funding to just the incremental cost of GSE would likely limit the scope of GSE projects to those where airlines have already decided to replace equipment rather than incentivizing projects to replace equipment faster than otherwise economically rational to promote NOx mitigation. This is particularly true given ARB staff's recommendation to use competitive grants, making project applications a riskier investment, and the lack of funding for associated infrastructure, further reducing the economic incentives. As written, there would be a disincentive to go through the competitive grant process simply to end up with the same out-of-pocket costs to replace equipment.

Moreover, A4A suggests that ARB revise this recommendation to be technology neutral and to assure that all GSE qualify under this project category. As written, the project category only includes funding for battery electric equipment, while there are other technologies available (e.g., electric fuel cell) that may be

[3] *Id*. at 6.
[4] *Id*. at 17 (emphasis added).

just as cost-effective at mitigating emissions and are allowed under the terms of the Consent Decree. In addition, portable ground support equipment is not classified as a "vehicle." A4A suggests, therefore, that the funding recommendation be revised to read, "staff recommends *maximum funding up to the full cost for a zero-emission unit* of airport GSE…."

ARB explains that equipment owners will be eligible to apply for funding of projects through competitive solicitation.[5] A4A urges the State to reconsider this recommendation. GSE projects are a cost-effective, long-term solution to mitigate nitrogen oxide emissions, but competitive grant processes are often prohibitively risky for GSE projects. Airline budgetary plans, which typically require concurrent planning with the airports that control overall infrastructure, require higher levels of certainty throughout the planning process than competitive grants can guarantee. This is because despite the funding opportunity the Trust provides, planning for wholly new GSE projects requires significant capital investment by the airlines, typically out of a normal fleet replacement and investment cycle. On the other hand, vouchers and rebates provide airlines the certainty necessary to invest resources in planning for equipment acquisition and in coordinating with airports to secure associated infrastructure. Reducing risk and streamlining the disbursement of Trust funds are especially important for our members who seek to continue to promote emissions reductions across the nation through investment in GSE projects under the Trust.

Lastly, ARB staff recommends that the Trust funds "not be combined with any other CARB-implemented funding or other funding program where any portion of the resulting NOx reductions *could* be double-counted."[6] A4A is concerned by this phrasing and suggests ARB clarify that Trust funds should not be combined with other funding where any portion of the resulting NOx reduction *is* or *would be* double-counted. Calculating emissions reductions associated with mitigation projects is an accounting exercise. As ARB itself notes, it did not include NOx emission reductions associated with funding for light-duty infrastructure or administrative costs because they do not result in direct emissions reductions.[7] This is a perfectly valid accounting choice ARB has made in its calculations. But, it is just that; an accounting choice. By eliminating even the possibility of leveraging additional, outside funds for project applications, ARB is unnecessarily disincentivizing project applications by making the economics of potential projects less favorable.

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Thank you for your consideration of our points above. Please let us know if you have any questions regarding our comments, and we look forward to working with ARB and the State moving forward.

Sincerely,

Veronica Bradley
Manager
Environmental Affairs
Airlines for America

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[5] *Id*. at 17.
[6] *Id*. at 22 (emphasis added).
[7] *Id*.