CC: Cynthia Marvin

Oakland Board of Port Commissioners

PORT OF OAKLAND

Victor Uno
President

June 7, 2010

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OFFICE OF THE CHAIRMAN
AIR RESOURCES BOARD

Ms. Mary D. Nichols, Chairperson
California Air Resources Board
1001 I Street
PO Box 2815
Sacramento, CA 95812

RE: Proposition 1B: Goods Movement Emission Reduction Program
Preliminary Staff Shore Power Funding Recommendation

Dear Ms. Nichols:

On behalf of the Port of Oakland, I must express our grave concern with the funding recommendations proposed by your staff for the current Proposition 1B Goods Movement Emissions Reduction Program funding cycle. The preliminary ARB staff recommendation is shocking. We cannot comprehend how this recommendation was derived as it lacks consideration for numerous issues that we must bring to your attention.

California voters approved $1 billion to quickly reduce air pollution emissions and health risk from freight movement along California's trade corridors. ARB staff's preliminary shore power recommendation includes only $20 million for our port initially, plus $3.9 million if ARB can raise more funds next year. The Port of Oakland manages its waterfront as a trustee of the State and plays a significant role in the State's economy, while protecting the environment and promoting public health. As my fellow Port Commissioners and I stated at the June 1, 2010, workshop, ARB must hold up its end of the public trust by dedicating the requested $38 million towards shore power at our port.

The total cost of shore power at the Port of Oakland is estimated to be $114 million on land-side infrastructure alone. ARB's proposed Prop 1B funding is only 18% of our estimated cost. Additionally, the maritime industry is spending up to $1 billion to retrofit its vessels to use shore power at California ports. Though our request is far less than what is truly needed to implement shore power, we fully abided by the criteria set forth in ARB's Prop 1B Guidelines. While we had expressed significant concerns with the Guidelines during their drafting, in good faith we worked with the Bay Area Air Quality Management District to develop and submit an application that was reasonable given limited funding across the State.

We are stunned by the recommendation to allocate more money for ARB administrative costs than for shore power at the Port of Oakland. The preliminary funding

recommendations appear to indicate that the health of Northern California residents generally and West Oakland residents specifically is not one of ARB's highest priorities. This is especially difficult to comprehend when West Oakland has been clearly identified by the Air District, as a Community Air Risk Evaluation (CARE) target population. Even more confusing is ARB's treatment of our competitors. The preliminary staff recommendation includes full funding for shore power projects at the Ports of Los Angeles, Long Beach and Hueneme. This disparity in ARB's priorities is deeply troubling.

Let me specifically describe the likely consequences of ARB's partial funding recommendation at the Port of Oakland. If the land-side infrastructure is not in place by 2014, ocean carrier customers, though retrofitted to plug in at the Southern California ports, will be unable to connect in Oakland and face fines from ARB when they cannot shut down their auxiliary engines. It is highly likely that a significant portion of these customers' vessels will no longer make calls to the Port of Oakland rather than face fines. The result will be reduced vessel emissions locally, but those emission reductions will be more than offset by additional roadway congestion and truck emissions from cargo that is diverted to Southern California and the Pacific Northwest, and then trucked into Northern California. Additionally, cargo owners forced to divert their shipments through other gateway ports will cost our State valuable goods movement jobs. ARB is jeopardizing the tens of thousands of jobs the Port of Oakland supports through its maritime activities, and the more than 400,000 jobs affected by Port of Oakland throughout the State and our country. ARB would certainly achieve its goal of reduced vessel emissions, but it would come at the cost of our regional and State economy, additional truck traffic and emissions, and public health in our communities.

The Port needs ARB to increase its funding for shore power at the Port of Oakland from $20 million to the $38 million we requested. Without this level of financial support, ARB will effectively increase the cost of shipping through Oakland while other competing ports are offering significant incentives. The Port of Oakland and its customers could theoretically raise enough capital on their own to fund the necessary infrastructure, but such a move would increase the cost of doing business here, driving business out of Oakland to competing ports. Ocean carriers and cargo owners are especially sensitive to price increases after two years of massive financial losses. They will not hesitate to route cargo through less expensive gateways. The Port of Oakland needs a stronger commitment from ARB, in order to retain its existing customer base.

While the ARB Regulation applies in the same way across all California ports, all California ports are not equal. For example, relative to its primary California competitors, our port faces:

- Higher costs of shore power infrastructure;
- Status as a largely, discretionary, second port of call;
- Significantly lower revenues and higher debt service; and
- Significantly less access to cash to pay for shore power.

A clear illustration of these differences is that, in Southern California, the ports are largely putting up the capital to construct land-side shore power infrastructure as part of major terminal development projects, with the intent of recovering their costs over time through leases. The Port of Oakland does not currently have access to such capital, and yet competes with the Southern California ports (and with ports elsewhere on the West Coast where there is no similar shore power regulation.) Major capital investment is required to construct the necessary improvements at a time when the Port of Oakland is financially constrained.

The Port of Oakland strongly urges ARB to demonstrate its commitment to shore power funding at the Port of Oakland by increasing its recommended funding level to $38 million as requested in our grant application. We need your help so that we can continue to enhance the economy, protect the environment and promote public health.

Sincerely,

Victor Uno
President, Board of Port Commissioners
Port of Oakland

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