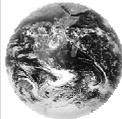


AB 118: Air Quality Improvement Program

Public Workshop
Sacramento, CA
August 19, 2008



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Overview

- Summary of AB 118
- Air Quality Improvement Program (AQIP)
 - Background
 - Possible Guiding Principles
 - Defining Surplus Emission Reductions
 - Potential Funding Mechanisms
 - Guideline Development Schedule

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AB 118 Background

- Establishes three new incentive programs for air quality and alternative or renewable fuels
- ~\$200M available annually through 2015
- Implemented by CEC, ARB, and BAR
- ARB develops Air Quality Guidelines
 - “Anti-backsliding” requirements for CEC and ARB programs

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AB 118 Programs

- CEC’s Alternative and Renewable Fuels and Vehicle Technology Program
 - \$120M/year for clean fuels and vehicle technology to address climate change
- BAR’s Enhanced Fleet Modernization Program
 - \$30M/year for car/light truck scrap
- ARB’s Air Quality Improvement Program
 - \$50M/year for...

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AQIP Statutory Language

“The primary purpose of the program shall be to fund projects to reduce criteria air pollutants, improve air quality, and provide funding for research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies.”
(HSC Section 44274(a))

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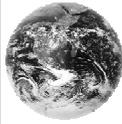


Eligible Program Categories

1. On- and off-road equipment projects
2. Off-road gasoline exhaust and evaporative emission mitigation
3. Research on air quality impacts of alternative fuels
4. University of California research on sustainable biofuels production/feedstock



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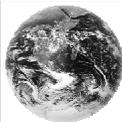


Eligible Program Categories (cont.)

5. Lawn and garden equipment replacement
6. Medium- and heavy-duty vehicle and equipment projects, including:
 - Lower emission school buses
 - Electric or hybrid vehicles and equipment
 - Regional air quality programs in the most impacted parts of California



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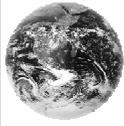


Eligible Program Categories (cont.)

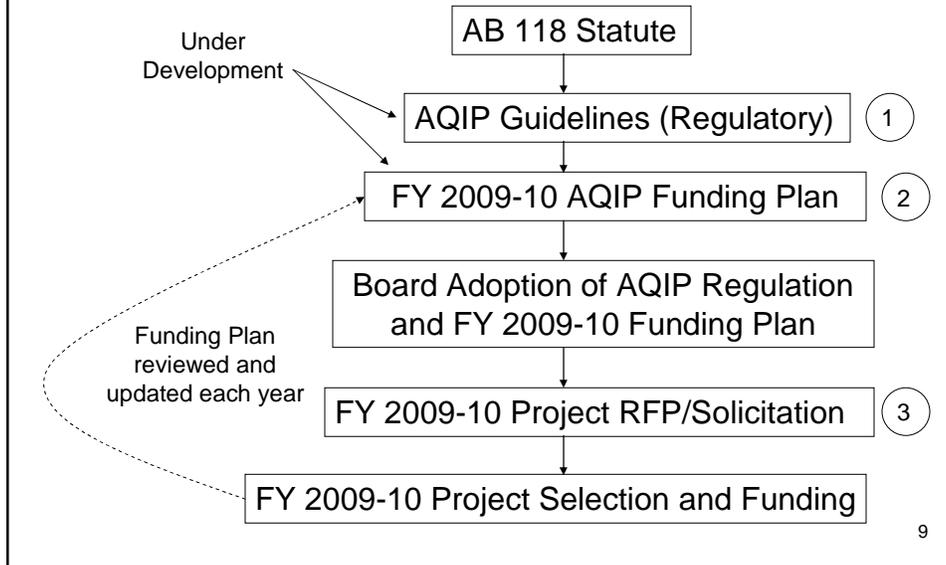
7. Workforce training on advanced air pollution reduction technology
 8. High-emitting light-duty vehicles projects
- All projects must be surplus to regulations (HSC Section 44271(c))



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Program Implementation



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Program Guidelines

- Adopted as regulations
- Describe general program structure and administrative requirements
- Intended for multiple funding years



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AQIP Funding Plan

- Details how projects shall be selected and funded each year
 - Program guiding principles
 - Eligible source categories and funding targets
 - Solicitation mechanisms and project selection criteria for each source category
- Updated and approved by the Board annually

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Project Solicitations

- Guided by annual Funding Plan
- Details project eligibility requirements
 - Required technology or emission reductions
 - Eligible funding amounts
 - Match funding requirements (if applicable)
- Provides project solicitation and evaluation information
 - Project applications and application deadlines
 - Project evaluation criteria

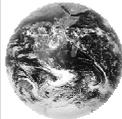
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Possible Project Categories

- Vehicle and equipment projects
 - On-the-ground emission-reduction projects
 - Demonstration projects
- Research projects
- Workforce training
- Staff is proposing the bulk of funding be directed towards on-the-ground vehicle and equipment projects

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Possible Project Categories Vehicle and Equipment

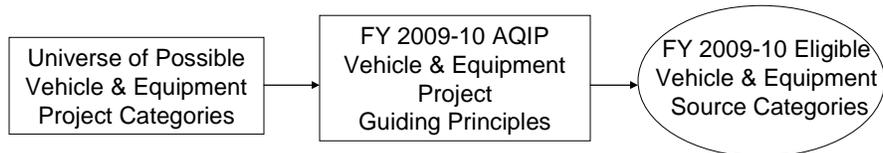
▪ Electric light-duty vehicles	▪ Alt fuel light-duty vehicles
▪ Electric off-road equipment	▪ Fuel cell light-duty vehicles
▪ Alt fuel med- & heavy-duty vehicles	▪ On- and off-road repowers
▪ Hybrid light-duty vehicles (plug-in)	▪ On- and off-road retrofits
▪ Hybrid med- & heavy-duty vehicles	▪ Car scrap and repair
▪ Hybrid off-road equipment	▪ Lawn & garden equipment replacement
▪ Smart Ways truck retrofits	▪ Others?

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AQIP Guiding Principles Background

- Define each year's program priorities
 - Goal oriented
 - Help specify eligible project categories



→ Reassessed and taken to the Board for approval annually

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AQIP Guiding Principles Vehicle and Equipment Projects

- Does the project help California meet its SIP “black box” commitments?
 - Should also help attain State standards and reduce air toxics
 - May also have ancillary climate change benefits
- Is the technology ready for deployment?
 - If not, it could still be a candidate for a demonstration project

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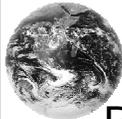
AQIP Guiding Principles

Vehicle and Equipment Projects

- Does the grant induce a clean vehicle purchase that wouldn't otherwise have occurred?
 - Should not fund “anyway” purchases
- Does the project category have other sources of significant funding?
 - Categories without significant Moyer, Prop 1B or other major program funding should be prioritized

Staff welcomes comments regarding these or other potential AQIP guiding principles

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AQIP Guiding Principles

Research and Workforce Training Projects

- Research and workforce training projects would have to meet the requirements for these categories identified in AB 118
 - How much funding should be allocated to these categories?
 - Are additional guiding principles needed to prioritize these projects?

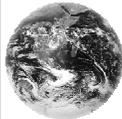
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Definition of Surplus

- How far in advance of a regulation must a project be completed to be surplus?
- Are reductions of one pollutant surplus if the project is required to comply with a rule for another pollutant?
- Staff is proposing that consumer incentives for a vehicle which a manufacturer is required to produce be considered surplus for the purposes of the AQIP

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Possible Funding Mechanisms

- ARB Solicits Projects
 - Pros: Simpler for applicants, more central accountability and oversight
 - Cons: Less local control
- Air Districts Solicit Projects
 - Pros: More local control, utilize district expertise
 - Cons: Multiple local applications, decentralized accountability and oversight

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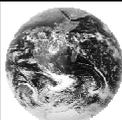


Possible Funding Mechanisms (cont.)

- Vehicle Vendors Solicits Projects
 - Pros: High visibility, simple for participants
 - Cons: Needs strong oversight, lacks precedent
- Lending Institutions Solicit Projects
(Loan Program)
 - Pros: Leverage more funds than w/ grants, more flexibility to fund regulated sources
 - Cons: Lack of a precedent

Staff welcomes comments regarding these or other possible funding mechanisms

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AQIP Development Schedule

Milestone	Date
2 nd Public Workshop	today
3 rd Public Workshop (LA & Sac): Draft reg concepts and funding targets	Nov 2008
Final Public Workshop (SJV & Sac): Draft reg & FY 09-10 Funding Plan	Jan 2009
Release proposed reg package and FY 09-10 Funding Plan	Feb 2009
Board considers proposed reg and FY 09-10 Funding Plan	March 2009
FY 09-10 projects solicitations	Mid-2009 ²²



For More Information

- AQIP website
– <http://www.arb.ca.gov/msprog/aqip/aqip.htm>
- AQIP list serve
– <http://www.arb.ca.gov/listserv/aqip.htm>



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Comments and Discussion

