

## EXECUTIVE SUMMARY

Since 1998, the Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program or Program) has cost-effectively reduced smog-forming and toxic emissions. Approximately \$1 billion has been allocated to date and the Program continues to provide over \$60 million in grant funding each year to clean up older polluting engines throughout California. The regulatory, technological and incentives landscape has changed significantly since the creation of the Moyer Program and to address evolving needs, the Legislature has periodically modified the Program to better serve California. Most recently, Senate Bill (SB) 513 (Beall, 2015) has provided new opportunities for the Program to contribute significant emission reductions alongside implemented regulations, advance zero and near-zero technologies, and combine program funds with those of other incentive programs.

This report addresses the implementation of SB 513 by the Air Resources Board (ARB or Board) and California's air pollution control and air quality management districts (air districts) through new guidelines to serve California's air quality goals. SB 513 requires the Board to adopt updated guidelines by July 1, 2017.

California's strategic plans for air quality and mobility, including the State Implementation Plan (SIP) and the Sustainable Freight Action Plan, point to the need for combustion engines to transition to zero and near-zero emission alternatives. This move is critical to California's clean air mission, to the attainment of health-based air quality standards, and to meeting future transportation goals without harm to public health and the environment. Public incentive funds are an increasingly important part of this transition. Incentives both encourage customers to purchase cleaner technologies and stimulate the marketplace to manufacture cleaner technologies.

Collaboration is paramount to the Moyer Program's ongoing success. The changes made through SB 513 were supported and informed by a coalition that included air districts, environmental organizations, industry stakeholders, equipment dealers, and consumers. Many different alternatives and approaches were considered. The result was a working group consensus on new program objectives and improvements essential to continuing program value. In turn, ARB staff developed and conducted public workshops on a proposal to implement those program improvements. Three key changes to the program are described below.

**Cost-effectiveness.** SB 513 specified that the Board consider the cost of technology and the cost of regulations in establishing a new limit. Staff proposes a tiered cost-effectiveness approach that will allow the Program to more effectively incentivize deployment of cleaner technologies. This two-step approach would support both conventional diesel clean-up projects and emerging technologies at appropriate funding levels. First, staff proposes to increase the general cost-effectiveness limit from the current \$18,260 up to \$30,000 per weighted ton of emission reductions. This reflects the cost-effectiveness of more recent regulations and will enable more meaningful grants for cleaner engines at the required standard. For advanced technology projects that are zero-emission, or alternatively meet the cleanest certified optional standard applicable

by source category, staff proposes that air districts be given the option to apply a cost-effectiveness limit of up to \$100,000 per weighted ton, limited to the increment of emissions reductions beyond those achieved at the required standard. This higher limit would provide additional incentive to turn engines and fleets over to the cleanest certified technologies now emerging in the marketplace.

**Infrastructure.** SB 513 provides broader opportunity for air districts to support infrastructure projects. The staff proposes to provide air districts with the ability to fund infrastructure projects where the greatest penetration of commercially available advanced technology vehicles and equipment exists. These categories include commercial battery charging and alternative fueling stations for on-road and off-road vehicles and equipment, and continued support for marine shore power electrification and stationary agricultural projects. To provide project selection transparency for publicly accessible projects staff proposes requiring a competitive bid process when the project includes public access. Air districts would retain the flexibility to select projects that meet their local needs and priorities. Per SB 513, infrastructure projects would not be required to meet a cost-effectiveness limit.

**Project Co-Funding.** As envisioned in SB 513, leveraging of funds allows air districts to work with grant applicants to co-fund projects with other incentive programs up to the cost of the project, without penalizing project cost-effectiveness. Project cost sharing supports the deployment of the cleanest technologies statewide by providing opportunities to co-fund private, local, State and federal funding to cover technology costs. Staff proposes the following safeguards consistent with SB 513: the requirements of all contributing programs must be met, incentives must not exceed the total project costs, there can be no double counting of emission reductions for SIP credit, and the applicant should provide a 15 percent cost share for private sector projects.

Even as the 2017 Guidelines would implement the program improvements directed by SB 513, they retain the Moyer Program's longstanding core objectives. The proposed Guidelines are intended to:

- Ensure continued program accountability and good stewardship of public funds;
- Ensure Moyer projects provide emission reductions that the U.S. Environmental Protection Agency (EPA) will find creditable in the SIP;
- Emphasize reduction in communities with higher pollutant exposure, including communities of minority and low-income populations;
- Provide sufficient incentive to encourage California businesses to participate in and benefit from the program, getting surplus emission reductions within cost-effectiveness limits.

This report describes Moyer Program context and background, and explains how a renewed Moyer Program can support the changing landscape of clean air technology in

and beyond California. Staff's proposed changes will ensure that Moyer can assist the technology shifts that bring California closer to the clean air future called for in our State's strategies.