

Date of Hearing: April 13, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 857 (Perea) – As Amended March 26, 2015

**SUBJECT:** California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program

**SUMMARY:** After 2018, re-establishes the priorities of the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program (Technology Program) by providing that no less than 80% (or \$100 million, whichever is greater) of program funds go to certain heavy-duty trucks that meet specified emissions standards. Specifically, **this bill:**

- 1) Requires that 80% of Greenhouse Gas Reduction Fund (GGRF) funds appropriated to the Technology Program (or \$100 million, whichever is greater), during the period between January 2, 2018 and January 1, 2023, be allocated to support the commercial deployment of existing zero- and near-zero-emission heavy-duty truck technology [trucks with a gross vehicle weight rating (GVWR) of 26,001 lbs. or more] that meet or exceed low NOx standards (0.02 grams per brake horsepower-hour oxides of nitrogen).
- 2) Recasts existing provisions and makes related, clarifying amendments.

**EXISTING LAW:**

- 1) Requires the Air Resources Board (ARB), pursuant to AB 32 (Nunez), Chapter 488, Statutes of 2006, to develop a plan of how to reduce statewide greenhouse gas (GHG) emissions to 1990 levels by 2020. Under AB 32, ARB is authorized to include the use of market-based mechanisms to comply with these regulations (such as cap and trade mechanism).
- 2) Establishes the GGRF in the State Treasury and requires all money collected pursuant to cap and trade, with limited exceptions, be deposited into the fund.
- 3) Creates the Technology Program pursuant to SB 1204 (Lara), Chapter 524, Statutes of 2013, to fund development, demonstration, pre-commercial pilot, and early commercial deployment of zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies including, but not necessarily limited to, medium- and heavy-duty trucks, vocational trucks, short-haul and long-haul trucks, buses, and off-road vehicles and equipment, port equipment, agricultural equipment, marine equipment, and rail equipment.
- 4) Requires that the Technology Program be funded from the GGRF and prioritized for projects in disadvantaged communities.

- 5) Requires, until January 1, 2018, that no less than 20% of funding for the Technology Program support commercial deployment of existing zero- and near-zero-emission heavy duty trucks, which is broadly defined.
- 6) Under the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007, created by AB 118 (Nunez), Chapter 750, Statutes of 2007, requires California Energy Commission (Commission) to implement the Alternative and Renewable Fuels and Vehicle Technology Program (ARFVTP) to fund specified entities to develop and deploy technologies and alternative and renewable fuels in the marketplace to help meet the state's climate change policies.
- 7) Creates the Air Quality Improvement Program (AQIP), administered by ARB and the Commission, in consultation with local air districts, to fund specified air quality improvement projects.
- 8) Requires ARB, in consultation with the Commission, to develop guidance through the existing AQIP funding plan process to implement the Technology Program.
- 9) Defines a "heavy-duty truck" as vehicles weighing 14,000-19,500 pounds GVWR.

**FISCAL EFFECT:** Unknown

**COMMENTS:** AB 32 required ARB to develop a plan to reduce GHG emissions to 1990 levels, by 2020. AB 32 also required ARB to ensure that GHG emissions reduction requirements and programs, to the extent feasible, directs public and private investment toward the most disadvantaged communities in the state. In addition, AB 32 authorized ARB to adopt a schedule of fees to be paid by GHG emission sources and to deposit those monies into the GGRF, which would then be available upon appropriation by the Legislature, to carry out AB 32 requirements.

Subsequent legislation, AB 118, established the AQIP administered by ARB in consultation with local air districts. The AQIP is funded through various fees and surcharges on vehicles and provides competitive grants to fund projects that improve air quality. The AQIP encompasses several programs, including the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program (HVIP), which is administered by ARB and provides vouchers to California fleet owners to help purchase hybrid and zero-emission trucks and buses.

AB 118 also established the ARFVTP, which is administered by the Commission, and provides funding for development and deployment of alternative and renewable fuels and advanced transportation technologies to help attain the state's climate change goals. Eligible projects include, for example, development, improvement, and production of alternative and renewable low-carbon fuels; improvement of light-, medium-, and heavy-duty vehicle technologies; and expansion of infrastructure connected with existing fleets, public transit, and transportation corridors.

In 2014, SB 1204 established the Technology Program which is administered by ARB in conjunction with the Commission. The intent of SB 1204 was to create a single, overarching program to develop and deploy heavy-duty vehicles primarily because the author felt that heavy-duty vehicles were not being adequately addressed in HVIP and AQIP. Specifically, the Technology Program, until January 1, 2018, provides GGRF funds for projects that develop technology, demonstrate and pilot commercial and early-commercial deployment of zero and near-zero emission medium- and heavy-duty truck technology, and facilitate clean goods movement. The Technology Program works to develop zero- and near-zero emission technologies for specified vehicles and equipment not only for trucks, but also for off-road vehicles and equipment at the ports as well as in agricultural, marine, and rail sectors. Within the Technology Program, funding priority is generally given to projects that demonstrate benefit to disadvantaged communities, the ability to leverage additional public and private funding, and provide the potential for co-benefits.

According to the author, air pollution continues to affect human health disproportionately in disadvantaged communities and especially along transportation corridors. He notes that in the South Coast and San Joaquin Valley Air Districts, nearly 80% of smog forming pollutants, such as NO<sub>x</sub>, come from mobile sources--primarily, large transport trucks. The author also notes that manufacturers claim that new technologies will be available in the transportation marketplace within the next three years that could meet near-zero emissions levels (90% NO<sub>x</sub> reduction over the current standard). The author notes, however, that to achieve widespread deployment of these new technologies, financial incentives need to be in place to help "buy down" the capital costs of this improved technology.

To help incentivize the adoption of these new technologies, the author has introduced this bill which would reestablish the priorities of the Technology Program for five years beginning on January 2, 2018 and ending on January 1, 2023. Specifically, AB 857 would require, during that five-year period, that 80% of Technology Program funds (or \$100 million, whichever is greater) be used for the deployment of certain heavy-duty vehicles - those weighing 26,001 lbs. GVWR or greater that meet a low NO<sub>x</sub> standard (i.e., meet or exceed an emission standard of 0.02 grams per brake horsepower-hour oxides of nitrogen).

Supporters of AB 857, which include, among others, natural gas industry representatives, contend that the bill will create incentives for zero- and near-zero emission heavy-duty truck purchases that will help purchasers afford the initial costs of these cleaner trucks. They contend that these incentives will help accelerate retirement of older, high polluting trucks; help grow the clean, alternative fuel truck market; and stimulate additional investments in the next generation of zero- and near-zero emission truck technologies.

The California Trucking Association (CTA), also writing in support of this bill, agrees that expanding incentives to support deployment of clean and low carbon heavy-duty vehicles used for goods movement would be a wise investment. CTA contends that increased funding commitments for certain heavy-duty trucks will ensure that incentives are directed to reducing the greatest possible emissions in the transportation sector.

Writing in opposition to AB 857, the Union of Concerned Scientists (UCS) and the American Lung Association in California (ALAC) agree that transportation sector emissions need to be targeted, but they believe that the bill, unnecessarily, directs a very large fraction of GGRF funds exclusively to commercial deployment of the heaviest of trucks, thereby limiting funding for

other important emissions reducing projects. They also contend that AB 857 fails to address specified GHG emissions reductions despite the fact that the money is coming from the GGRF, which is predicated on reducing global warming pollution.

UCS and ALAC also contend that AB 857 would prematurely limit future technology investments, such as hybrid or plug-in hybrid trucks, which could be zero-emission capable but would not be eligible for prioritized funding unless they were also certified to the low-NOx standard. They note that precluding these types of technologies could exclude promising options for emissions reductions and air quality improvements within and well beyond the 2018 to 2023 timeframe.

Lastly, UCS and ALAC point out that natural gas-powered heavy-duty trucks will be certified to low-NOx emissions levels within the next few years and will undoubtedly qualify for funding under this bill; however, GHG emissions reductions from these vehicles remains uncertain given that there is frequent methane leakage that occurs during natural gas extraction, distribution, and refueling as well as from the vehicle itself.

*Suggested amendments:* In response to concerns that directing a very large fraction of Technology Program dollars exclusively to support the commercial deployment of certain zero- and near-zero emissions heavy duty trucks could limit the implementation of other important emissions reduction projects, that author has agreed to lower the percentage to 50%.

*Previous legislation:* SB 1204 (Lara) Chapter 524, Statutes of 2014, created a the Technology Program to fund development, demonstration, pre-commercial pilot, and early commercial deployment of zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies.

AB 8 (Perea), Chapter 401, Statutes of 2013, extended until January 1, 2024, extra fees on vehicle registrations, boat registrations, and tire sales in order to fund the programs that support the production, distribution, and sale of alternative fuels and vehicle technologies, as well as air emissions reduction efforts.

AB 118, Nunez, Chapter 750, Statutes of 2007, created the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 that required the Commission to implement the ARFVTP and provide funding measures to specified entities to develop and deploy technologies and alternative and renewable fuels in the marketplace to help attain the state's climate change policies.

AB 32 (Nunez), Chapter 488, Statutes of 2006 required the ARB to develop a plan of how to reduce emissions to 1990 levels by the year 2020 and also required ARB to ensure that, to the extent feasible, GHGs reduction requirement and programs direct public and private investment toward the most disadvantaged communities.

*Double referral:* This bill will be referred to the Assembly Natural Resources Committee should it pass out of this committee.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

Southern California Gas (Sponsor)  
Alhambra Chamber of Commerce  
Antelope Valley Air Quality Management District  
Association of California Cities-Orange County  
Azusa Chamber of Commerce  
Black Chamber of Orange County  
Boys & Girls Club of Greater Ventura  
Boys Republic  
Burbank Chamber of Commerce  
California Natural Gas Vehicle Coalition  
California Trucking Association  
Cars are Basic  
City of Atascadero  
City of Goleta  
City of McFarland  
City of Monterey Park  
City of Perris  
Clean Air Now  
Clean Energy and Clean Energy Renewable Fuels  
Coachella Valley Economic Partnership  
Congress of California Seniors  
COPE Health Solutions  
County of Santa Barbara  
Culver City Chamber  
Dana Point Chamber of Commerce  
Desert Valleys Builders Association  
Dignity Health  
Duarte Chamber of Commerce  
Duarte Unified School District  
Economic Development Collaborative Ventura County  
Economic Development Corporation service Tulare County  
Economic Vitality Corporation  
Federacion de Clubes Jaliscienses Del Sur de California  
Foothill Workforce Investment Board  
Fullerton Chamber of Commerce  
Gardena Valley Chamber of Commerce  
Gateway Chambers Alliance  
Greater West Covina  
Hanford Chamber of Commerce  
Grandma's House of Hope  
Kheir Clinic  
Laguna Nigel Chamber of Commerce  
Latino Caucus Priority Bill Press Conference  
Lincoln Training Center  
Los Angeles Area Chamber of Commerce  
Orange County Business Council

**Opposition**

American Lung Association in California  
Union of Concerned Scientists

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