

Date of Hearing: January 8, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION

Lori D. Wilson, Chair

AB 627 (Jackson) – As Amended January 3, 2024

**SUBJECT:** Heavy-duty trucks: voucher incentive project.

**SUMMARY:** Requires vouchers provided through the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) for new or used heavy-duty hydrogen or battery electric trucks to cover up to 100% of the purchase cost and requires operators scrap the replaced vehicle. Specifically, **this bill:**

- 1) Requires the California Air Resources Board (CARB) to provide HVIP vouchers for the purchase of each new or used hydrogen fuel cell or battery electric heavy-duty truck or retrofit of each diesel-fueled heavy-duty truck in the following amounts:
  - a) 100% of the cost, if the operator owns 30 or fewer heavy-duty trucks;
  - b) 80% of the cost, if the operator owns between 30 and 50 heavy-duty trucks; and,
  - c) 50% of the cost, if the operator owns more than 50 heavy-duty trucks.
- 2) Requires CARB to prioritize awarding these HVIP vouchers to:
  - a) Operators that transport goods between the Ports of Los Angeles, Long Beach, or Oakland and warehouses located in the state; and,
  - b) Operators who own 30 or fewer heavy-duty trucks.
- 3) Provides that a voucher only be awarded if it is used to replace or retrofit only diesel-fueled heavy-duty trucks that operate exclusively in California. (For purposes of compliance with interstate commerce law.)
- 4) Defines heavy-duty truck as a commercial motor-vehicle, not including a bus, with a gross vehicle weight rating (GVWR) of 26,001 or more pounds.

**EXISTING LAW:**

- 1) Establishes the Air Quality Improvement Program (AQIP), administered by CARB, to fund air quality improvement projects relating to fuel and vehicle technologies that reduce criteria air pollutants, improve air quality and fund research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies. Funds AQIP through, among other things, surcharges on vehicle registration fees and a portion of the Smog Abatement Fee. (HSC 44274)
- 2) Establishes the Medium- and Heavy-Duty Zero-Emission Fleet Purchasing Assistance Program, within AQIP, to make financing tools and nonfinancial supports available to those fleets to enable those operators to transition their fleets to zero-emission vehicles. (ZEVs). (HSC 44274.11)
- 3) Creates the Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology (Clean Truck and Bus) Program administered by CARB in conjunction with the State Energy

Resources Conservation and Development Commission (CEC) and upon appropriation of Greenhouse Gas Reduction Fund (GGRF) funding requires the program to develop, demonstrate, pilot, and deploy zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies. (HSC 39719.2 (a))

- 4) Lists purchase incentives for commercially available zero-emission truck, bus, and off-road vehicle and equipment technologies and fueling infrastructure as an eligible project under the Clean Truck and Bus Program. (HSC 39719.2 (b)(4))
- 5) Creates the Carl Moyer Memorial Air Quality Standards Attainment (Carl Moyer) Program to provide grants to offset the incremental cost of projects that reduce emissions of oxides of nitrogen (NO<sub>x</sub>), particulate matter, and reactive organic gases from on- and off-road vehicles, locomotives, marine vessels, and other sources in the state. CARB oversees the Carl Moyer Program and develops guidelines, protocols, and criteria for covered vehicle projects. The state's air pollution control and air quality management districts (air districts) select, fund, and monitor specific clean air projects. (HSC 44275, et seq.)
- 6) States the intent of the Legislature to provide owners of commercial motor vehicles certainty about the useful life of engines certified by CARB and other applicable agencies to meet environmental standards for sale in the state. (HSC 43021)

**FISCAL EFFECT:** Unknown

**COMMENTS:** *California climate goals.* The Legislature has set a number of goals to reduce greenhouse gas (GHG) emissions and address climate change. The Global Warming Solutions Act of 2006 (AB 32 [Nunez], Chapter 488, Statutes of 2006) and subsequent companion legislation SB 32 (Pavley), Chapter 249, Statutes of 2016 requires California to reduce statewide GHG emissions to 40% below the 1990 level by 2030. AB 1279 (Muratsuchi), Chapter 337, Statutes of 2022 establishes the policy of the state to achieve carbon neutrality as soon as possible, but no later than 2045. CARB is responsible for developing a Scoping Plan to detail how the state will achieve its GHG emissions reduction targets mandated by law.

Nearly 40% of California's GHG emissions are generated by the transportation sector, which includes both the light-duty (passenger) and medium- and heavy-duty fleets. That percentage increases when factoring in the production of transportation fuels. Heavy-duty diesel trucks also contribute to unhealthy levels of ozone, inhalable particulate matter, carbon monoxide, (oxides of nitrogen) NO<sub>x</sub>, and sulfur dioxide, affecting local air quality. Air quality contaminants are concentrated near ports, rail yards, and freeways. According to data from the South Coast Air Quality Management District, the South Bay Port Complex (Port of Los Angeles and Port of Long Beach) is the single largest fixed source of air pollution in Southern California. The Port of Los Angeles spans 7500 acres, including parts of Wilmington and San Pedro. Over 130,000 people reside in these communities, including 36,000 under the age of 18. Over 70% of these residents are people of color based on recent U.S. Census data.

In the transportation sector, measures to reduce GHG emissions and improve air quality include requiring the use of low carbon fuels, cleaner vehicles, and strategies to promote sustainable communities and improved transportation choices that reduce growth in number of vehicle miles traveled.

To further these efforts, at the end of 2020, Governor Newsom issued Executive Order (EO) N-79-20 which requires 100% of medium- and heavy-duty vehicles in the state be zero-emission by 2045 for all operations where feasible and by 2035 for drayage trucks. EO N-79-20 charges CARB with developing and proposing medium- and heavy-duty vehicle regulations requiring increasing volumes of new zero-emission trucks and buses sold and operated in the state towards that goal. To this end, CARB spent three years developing the Advanced Clean Fleet (ACF) Regulation, which went into effect in late 2023 with initial compliance and reporting dates phasing in for certain fleets December 31, 2023.

*Existing vehicle incentive programs.* The Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) provides point-of-sale discounts to purchasers of clean medium- and heavy-duty vehicles of all types and sizes. HVIP does not require an owner of the replaced vehicle to scrap the vehicle. HVIP has been funded through AQIP, GGRF, and General Fund moneys.

Due to the disproportionate impact of emissions from drayage trucks traveling between the sea ports and intermodal railyards and inland warehouses, the state has prioritized an earlier transition of this fleet to zero-emission and has provided significant funding for zero-emission drayage truck purchases. Between the 2021-22 and 2026-27 budgets, the state has allocated almost \$1 billion for drayage trucks.

*Committee comments:*

*New scrappage requirement.* Currently, HVIP is a point-of-sale voucher program that does not require an existing vehicle to be decommissioned (scrapped) as part of the transaction. This bill imposes a vehicle scrappage requirement similar to the Carl Moyer Program. Carl Moyer is a partnership between CARB and local air districts that provides grant funding for cleaner-than-required engines, equipment, and other sources of air pollution and consistent with federal requirements it requires scrapping a truck.

Fleet owners and operators have raised concerns that requiring scrappage in HVIP greatly reduces the value of the voucher because it requires destroying an expensive asset that is still useful and valuable.

*Funding 100% of the purchase cost of a vehicle is not the best use of state resources.* Providing incentives for the full purchase cost of a heavy-duty truck may lead to artificial inflation of vehicle prices. Further it obligates the state to bear the full burden of costs that are better shared with federal and local partners. HVIP currently allows combining funding, also known as “stacking”, with the Carl Moyer Program and CARB’s Truck Loan Assistance Program. When stacking HVIP vouchers with other funding sources, HVIP only funds the remaining allowable cost after the other incentives have been applied. Finally, larger voucher amounts will ultimately lead to fewer new ZEVs in use.

*Suggested amendments.* The following amendments address the above issues and better reflect the author’s intent.

- 1) Remove the scrappage requirement.
- 2) Remove the requirement that CARB provide a voucher for 100% of the purchase price. Instead require CARB to set a sliding scale for vouchers based on fleet size.

- 3) Focus author's intent on helping small fleets by adding a category for fleets of five or fewer vehicles and prioritize vouchers for these fleets.
- 4) Consistent with the author's intent, focus on drayage trucks by removing references to "heavy-duty" and replacing with "drayage trucks."
- 5) Clarify author's intent that this bill does not preclude CARB from awarding HVIP vouchers to vehicles other than drayage trucks.
- 6) Remove the purchase of a used vehicle from eligibility and clarify that retrofits are only eligible when done on a used vehicle.

According to the author, "[This bill] seeks to strike a balance and complement existing California law seeking to increase the amount of zero emissions trucks operating on California roadways. Additionally this bill prioritizes small fleets, aiming to support their cost for fleet conversion. [This bill] is a needed measure to ensure clean air along California transportation corridors and prioritizes the health of our communities."

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

California Construction and Industrial Materials Association

**Opposition**

None on file

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