

Date of Hearing: April 27, 2015

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1176 (Perea) – As Amended April 23, 2015

SUBJECT: Vehicular air pollution

SUMMARY: Creates the Advanced Low-Carbon Diesel Fuels Access Program, administered by the State Energy Resources Conservation and Development Commission (Commission) to fund advanced low-carbon diesel fueling infrastructure projects in disadvantaged communities. Specifically, **this bill:**

- 1) Makes declarations regarding the disproportional air quality impacts experienced by disadvantaged communities as a result of heavy freight traffic moving along major transportation corridors; and states the Legislature's intent to direct resources toward those communities to provide economic and health benefits.
- 2) Defines a variety of terms.
- 3) Creates the Advanced Low-Carbon Diesel Fuels Access Program (Program) to be administered by the Commission, in consultation with the Air Resources Board (ARB) to reduce greenhouse gas (GHG) emissions of diesel motor vehicles by providing funding assistance for projects that expand advanced low-carbon diesel fueling infrastructure in disadvantaged communities.
- 4) Provides that the Program be funded from the Greenhouse Gas Reduction Fund (GGRF), established by AB 32 (Nunez), Chapter 488, Statutes of 2006, upon appropriation by the Legislature.
- 5) Requires the Commission, on or before March 1, 2016, to complete the following:
 - a) Develop implementation guidelines for the Program that ensure focus on communities with the greatest impact from vehicular air pollution; and,
 - b) Select the disadvantaged communities to receive Program funds, in consultation with the California Environmental Protection Agency (CalEPA).
- 6) Requires that the Commission give priority to projects that provide quantifiable benefits to disadvantaged communities, demonstrate co- or multi-benefits, leverage additional monies, provide immediate benefits, and include marketing, education and outreach strategies designed to increase effectiveness.
- 7) Prohibits the Program from being used to fund projects undertaken pursuant to state, federal, or local laws.
- 8) Requires the Commission and ARB to allocate at least 50% of available program funds to projects that provide direct benefits to disadvantaged communities or that serve or are located within disadvantaged communities.

- 9) Authorizes the Commission to reprioritize Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP) contracts and extend them by two years if Program requirements are met and if the project directly benefits a disadvantaged communities or is located within a disadvantaged community.
- 10) Appropriates \$35 million from the GGRF to the Commission for the purpose of implementing the Advanced Low-Carbon Diesel Fuels Access Program.
- 11) Makes related, technical amendments.
- 12) Includes an urgency clause.

EXISTING LAW:

- 1) Requires ARB, pursuant to AB 32, to develop a plan of how to reduce statewide 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 ARFVTP, pursuant to AB 118 (Nunez), Chapter 750, Statutes of 2007, and requires the Commission to fund projects that develop and deploy technologies and alternative and renewable fuels in the marketplace to help meet the state's climate change policies.
- 4) 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.
- 5) Created the Low Carbon Fuel Standard (LCFS), pursuant to Executive Order (EO) S-01-07, which calls for a of a 10% reduction in the carbon intensity of California's transportation fuels by 2020 using a market-based approach.

FISCAL EFFECT: Unknown

COMMENTS: Approximately 40% of emissions generated in California can be attributed to the transportation sector. As a result, California is making a concerted effort to increase the use of alternative fuels to help reduce GHG emissions and other toxic air pollutants associated with conventional petroleum-based fuels. A number of legislative measures and regulations are targeted at increasing the use of renewable fuels including AB 1007 (Pavley), Chapter 371, Statutes of 2005, which required ARB and the Commission to develop a plan to increase alternative fuels use in California.

Subsequent legislation, AB 118, established AQIP which is administered by ARB in consultation with local air districts, and funded through various fees and surcharges on vehicles. AQIP provides competitive grants to fund projects that improve air quality and encompasses programs such as the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program, 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, the 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.

The LCFS, administered by ARB, was established in 2007 through EO S-01-07. The LCFS uses a market-based, cap and trade, approach to lowering the GHG emissions from petroleum-based transportation fuels. The LCFS requires producers of petroleum-based fuels to reduce the carbon intensity of their products beginning with a 0.25% in 2011 and culminating in a 10% reduction in 2020. Petroleum importers, refiners, and wholesalers can either develop their own low carbon fuel products or buy LCFS credits from other companies that develop and sell low carbon fuel alternative fuels, such as biofuels, electricity, natural gas, and hydrogen.

According to the author, the top 25% of disadvantaged communities are located in the San Joaquin Valley and these communities suffer from some of the poorest air quality in the state, oftentimes as a direct result of heavy freight traffic that moves along the nearby Interstate-5 (I-5) and State Route (SR) 99 corridors. The author also points out that other disadvantaged communities experiencing poor air quality as a result of freight movement also lie along the I-710 and SR 60 corridors near the Ports of Los Angeles and Long Beach.

The author believes that these communities could realize immediate, significant reductions in GHG and criteria pollutant emissions if the vehicles using these freight corridors had ready access to low-carbon fueling infrastructure. The sponsor of AB 1176, Propel Fuels, indicates that many low-carbon fuel options are available to consumers, often at lower price points than conventional diesel, but due to lack of available alternative fueling infrastructure, these low-carbon diesel options are underutilized. The sponsor contends that the only thing holding back widespread use of low-carbon diesel is lack of available infrastructure and he notes that once low-carbon fuel use is more widespread, there will be immediate GHG reductions and commensurate air quality benefits. To substantiate this contention, the sponsor points to studies showing that renewable diesel can achieve up to 70% GHG reductions when compared to conventional diesel use.

To make these low-carbon fuels more readily available along key freight corridors in and near disadvantaged communities, the author has introduced AB 1176 which would create a program to fund the installation of low-carbon fueling stations. Specifically, low-carbon diesel fueling infrastructure would be located in disadvantaged communities that are disproportionately impacted by poor air quality, selected using the CalEnviroScreen census tract information created by CalEPA pursuant to SB 535 (De Leon), Chapter 830, Statutes of 2013. The alternative fueling stations would be located near conventional fueling stations and be available to the public.

Despite being less costly and resulting in fewer emissions, the sponsor contends that low-carbon diesel is not widely available to consumers because existing fueling stations are under long-term

contracts with fuel producers to dispense conventional, contracted fuels and these products utilize all of the station's fueling storage and dispensing infrastructure (tanks and dispensing facilities). The sponsor notes that these contractual arrangements have made it difficult for low-carbon fuels to "break into" the conventional fueling marketplace.

The Advanced Low-Carbon Diesel Fuels Access Program would provide funding to allow for the installation of alternative low-carbon fueling infrastructure (tanks, pumps, fuel lines, etc.) at or near conventional fueling stations along major freight corridors thereby increasing consumer options for its use.

Writing in support of AB 1176, the Coalition for Clean Air, states that AB 1176 would help facilitate the deployment of low-carbon, liquid fueling infrastructure where the availability of low-carbon fuels is badly needed. The sponsor, also writing in support, notes that targeting investments on low-carbon fuel infrastructure in disadvantaged communities is a cost-effective and environmental impactful way to provide immediate and substantial reductions of GHG emissions and associated co-benefits.

Related legislation: AB 857 (Perea), re-establishes, after 2018, 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. AB 857 passed out of this committee on April 13, 2015, with a 16-0 vote and is scheduled to be heard in the Assembly Natural Resources Committee on April 27, 2015.

Previous legislation: 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.

SB 535 (De Leon), Chapter 830, Statutes of 2013, required that a minimum of 25% of the available moneys in the GGRF go to projects that provide benefits to identified disadvantaged communities and that a minimum of 10% of the available moneys in the fund to projects located within identified disadvantaged communities.

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.

AB 1007 (Pavley), Chapter 371, Statutes of 2005, required ARB and the Commission to develop a plan to increase alternative fuels use in California.

REGISTERED SUPPORT / OPPOSITION:

Support

Propel Fuels (Sponsor)

Opposition

California Chamber of Commerce

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