

Date of Hearing: April 25, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION
Laura Friedman, Chair
AB 2554 (O'Donnell) – As Introduced February 17, 2022

SUBJECT: Air pollution: assistance program: drayage vehicles

SUMMARY: Requires the California Air Resources Board (CARB) to either provide incentives for drayage trucks through existing programs or develop and implement the Zero-Emission Drayage Truck Financial Assistance Program. Specifically, **this bill:**

- 1) States the purpose of the Zero-Emission Drayage Truck Financial Assistance Program to assist entities serving the ports of the state to meet the drayage truck goal in Executive Order (EO) N-79-20 by providing financial assistance to offset the cost of the purchase of zero-emission drayage trucks.

EXISTING LAW:

- 1) Creates the California 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 funding requires the program to develop, demonstrate, pilot, and deploy zero- and near-zero-emission truck, bus, and off-road vehicle and equipment technologies.
- 2) Provides that purchase incentives, which may include point-of-sale, for commercially available zero- and near-zero emission trucks and buses are an eligible project to be funded under the Clean Truck and Bus Program.
- 3) Defines “zero- and near-zero-emission” as vehicles, fuels, and related technologies that reduce greenhouse gas (GHG) emissions and improve air quality when compared with conventional or fully commercialized alternatives.
- 4) Establishes the Greenhouse Gas Reduction Fund (GGRF) in the State Treasury and requires all money collected pursuant to cap and trade, with limited exceptions, to be deposited into the fund.
- 5) Establishes the Air Quality Improvement Program (AQIP), administered by CARB, with the primary purpose of funding, upon appropriation by the Legislature, air quality improvement projects relating to fuel and vehicle technologies.
- 6) Requires CARB, in consultation with CEC, to develop guidance through the existing AQIP funding plan process for the implementation of the Clean Truck and Bus Program.
- 7) Requires CARB to include a three-year investment strategy for heavy-duty vehicles with each AQIP funding plan.
- 8) Creates the Carl Moyer Program which CARB oversees and develops guidelines, protocols, and criteria for covered vehicle projects and that the state’s air pollution control and air quality management districts (air districts) select, fund, and monitor specific clean air projects.

- 9) Requires CARB to establish or update grant criteria and guidelines for the Carl Moyer Program and exempts the adoption of guidelines from the rulemaking provisions of the Administrative Procedure Act. Requires CARB to solicit input and comment from the air districts during the development of the criteria and guidelines and make every effort to develop criteria and guidelines that are compatible with existing district programs. Requires CARB to make the draft criteria and guidelines available to the public 45 days before final adoption and hold at least one public meeting to consider public comments before adoption.
- 10) Requires the Carl Moyer grant criteria and guidelines to include safeguards to ensure that the projects funded generate surplus emissions reductions.
- 11) Prohibits the funding of Carl Moyer projects after the compliance date required by any local, state, or federal statute, rule, regulation, memoranda of agreement or understanding, or other legally binding document, except that an otherwise qualified project may be funded even if the state implementation plan assumes that the change in equipment, vehicles or operations will occur, if the change is not required by the compliance date of a statute regulation, or other legally binding document in effect as of the date the grant is awarded.

FISCAL EFFECT: Unknown

COMMENTS:

Drayage trucks are on-road, diesel-fueled, heavy duty trucks that transport containers and bulk to and from the ports and intermodal railyards as well as to many other locations. Beginning January 1, 2023, drayage trucks are subject to the Truck and Bus Regulation which requires in-use on-road diesel vehicles to have a 2010 model year emissions equivalent engine by January 1, 2023. Additionally, Executive Order N-79-20 establishes as a goal of the state that 100% of drayage trucks be zero-emission by 2035.

Existing incentive programs for drayage trucks include the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and the Carl Moyer Program. CARB launched HVIP in 2009 to help fund the transition of heavy-duty vehicles to zero-emission vehicles (ZEV). HVIP provides financial incentives to help reduce the purchaser's cost of clean vehicles for their business or fleet, with no scrappage requirement. Through 2021, HVIP funding has supported more than 1,580 participating fleet purchases, over 9,000 clean, heavy duty vehicles, including hybrids, natural gas, and a variety of zero-emission battery-electric and hydrogen fuel cell vehicles. The popularity of HVIP leads the program to be oversubscribed. HVIP receives funding mainly from AQIP (\$89 million cumulative) and GGRF allocated in the annual Cap and Trade Expenditure Plan (\$488 million cumulative).¹ In recent years due to budget surpluses, HVIP has also received General Fund money.

The 2021-22 Budget allocated \$315 million for drayage, school bus, and transit bus ZEV incentives.² The Governor's proposed 2022-23 budget appropriates \$545 million for 1,000 zero-emission drayage trucks and 1,600 zero-emission transit buses.³

¹ California Air Resources Board. Proposed Fiscal Year 2021-22 Funding Plan for Clean Transportation Incentives. 2021.

² Assembly Budget Committee. Floor Report of the 2021-22 Budget. November 4, 2021.

The Carl Moyer Program provides grant funding for cleaner-than-required engines and equipment including drayage trucks. Vehicles subject to the Statewide Drayage Truck Regulation may be eligible for Moyer Program funding for up to one year before the applicable compliance deadline. Since January 1, 2014, drayage trucks have been required to be equipped with 2007 model year or newer engines. Therefore, engines older than model year 2007 are not eligible for Carl Moyer Program funding. Replacement engines certified to the 2010 emissions standards or cleaner are eligible. Almost \$1 billion has been granted to date and the Carl Moyer Program continues to provide over \$60 million in grant funding each year.

When do incentives end? The state is at the beginning of a long road to zero-emissions for medium- and heavy-duty vehicles, although drayage trucks are required to be zero-emission sooner than other sectors (2035 versus 2045) because of their disproportionately negative air quality impacts on neighboring port communities. As with passenger ZEVs, CARB has authority in balancing incentives, manufacturing regulations, and regulations on users/purchasers to achieve state goals. This bill does not specify an end goal for when zero-emission drayage purchases might be able to be made without incentive, and it is something the Legislature may want to consider in the future.

According to the author, “Despite advancements in technology, the transition to clean drayage trucks will be an uphill battle due to the price difference between diesel and zero-emission trucks. The price of transitioning California’s entire 30,000-truck drayage fleet to zero-emission operations is far more than truck owners can afford alone. Unless the state provides funding to offset the initial cost of new zero-emission trucks, the price of these vehicles will continue to be a major barrier to the transition to zero-emission operations. [This bill] will ease the transition to clean drayage trucks by requiring CARB to provide incentives to offset the higher cost of new zero-emission drayage trucks through existing programs, or to develop and implement the Zero-Emission Drayage Truck Financial Assistance Program. This will ensure that individuals and small fleets can do their part to meet the state’s ambitious clean vehicle goals and send an important signal to truck manufacturers that they should increase production in anticipation of future demand.”

In support, the California Association of Port Authorities, comprising the 11 commercial seaports in the state, writes, “A suite of coordinated policies and programs aimed at reducing barriers to participation in an emerging zero-emission drayage truck market will be needed to achieve the state’s climate goals, which is why [this bill] is essential.”

Related and previous legislation: AB 1524 (O’Donnell) of 2021 would have directed CARB to extend the Project 800 initiative to provide continued financial incentives to support the ordering of 1,000 to 1,600 additional zero-emission drayage trucks in 2022. AB 1524 was held in the Senate Appropriations committee.

SB 1204 (Lara), Chapter 524, Statutes of 2014 creates the Clean Truck and Bus Program, funded from cap and trade revenues, to fund zero- and near zero-emission truck, bus, and off-road vehicle and equipment technologies and related projects, with priority to be given to certain projects, including those that benefit disadvantaged communities.

³ California Energy Commission, California Air Resources Board. Budget Change Proposal. Zero Emission Vehicle Package. 2022.

SB 513 (Beall), Chapter 610, Statutes of 2015 updates the Carl Moyer Program including recognizing GHG reductions so that funded projects can achieve both criteria pollutant and GHG emissions reductions, adjusting the cost-effectiveness formula, streamlining program administrative requirements.

AB 8 (Perea), Chapter 401, Statutes of 2013 extended the Carl Moyer Program, as amended by AB 923, until January 1, 2024, including the 75-cent per tire fee on tire sales to fund the Carl Moyer Program.

AB 923 (Firebaugh), Chapter 707, Statutes of 2004 expanded the Carl Moyer Program to cover additional pollutants and engines and imposed a 75-cent per tire fee on tire sales to fund the Carl Moyer Program. Its provisions sunset January 1, 2015.

AB 1571 (Villaraigosa), Chapter 923, Statutes of 1999 establishes the Carl Moyer Program through which CARB provides grants to offset the incremental costs of purchasing or retrofitting engines in order to reduce specified air emissions. The Carl Moyer Program originally received General Fund appropriations.

REGISTERED SUPPORT / OPPOSITION:**Support**

California Association of Port Authorities
California Trucking Association
Port of Los Angeles

Opposition

None on file

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