

Date of Hearing: April 9, 2018

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 3201 (Daly) – As Amended April 5, 2018

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

**SUMMARY:** Adds large scale transit bus deployments that meet current and future regulatory compliance to the list of eligible projects that can be funded under the Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program (Clean Truck Program). Specifically, **this bill** modifies the Clean Truck Program as follows:

- 1) Adds large scale bus deployments of transit buses that meet current and future regulatory compliance obligations, to the list of eligible projects that can be funded under the Clean Truck Program.
- 2) Removes the requirement that the Air Resources Board (ARB), in consultation with the California Energy Commission (CEC), create an annual framework and plan for technology development and instead requires these agencies to create a three year framework.
- 3) Adds infrastructure to the definition of zero-and near zero-emission.

**EXISTING LAW:**

- 1) Requires ARB, pursuant to California Global Warming Solutions Act of 2006 [AB 32 (Núñez), Chapter 488, Statutes of 2006], to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020 and adopt regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions. AB 32 authorizes ARB to permit the use of market-based compliance mechanisms to comply with GHG reduction regulations, once specified conditions are met.
- 2) Requires ARB to ensure that statewide GHG emissions are reduced to at least 40% below 1990 levels by 2030.
- 3) Establishes the Greenhouse Gas Reduction Fund (GGRF) in the State Treasury, requires all moneys, except for fines and penalties, collected pursuant to a market-based mechanism be deposited in the fund and requires the Department of Finance, in consultation with ARB and any other relevant state agency, to develop, as specified, an investment plan for the moneys deposited in the GGRF.
- 4) Establishes the Air Quality Improvement Program (AQIP), administered by ARB, to fund programs that support the production, distribution, and sale of alternative fuels and vehicle technologies, as well as air emissions reduction efforts. ARB pursuant to AQIP, created the Hybrid and Zero Emissions Truck and Bus Voucher Incentive Program (HVIP).
- 5) Establishes the Clean Truck Program, administered by ARB in conjunction with CEC, to use GGRF funds for development, demonstration, pre-commercial pilot, and early commercial deployment of zero- and near zero-emission truck, bus, and off-road vehicle and equipment

technologies and requires ARB, in consultation with CEC, to create an annual framework and plan for technology development.

- 6) Defines projects eligible from funding for the Clean Truck Program, to include, but not limited to, the following:
  - a) Technology development, demonstration, pre-commercial pilots, and early commercial deployments of zero- and near zero-emission medium- and heavy-duty truck technology, including projects that help to facilitate clean goods movement corridors.
  - b) Zero- and near zero-emission bus technology development, demonstration, pre-commercial pilots, and early commercial deployments, including pilots of vehicle fleets.
  - c) Zero- and near zero-emission off-road vehicle and equipment technology development, demonstration, pre-commercial pilots, and early commercial deployments, including vehicles and equipment in the port, agricultural, marine, construction, and rail sectors.
  - d) Purchase incentives, which may include point-of-sale, for commercially available zero- and near zero-emission truck, bus, and off-road vehicle and equipment technologies and fueling infrastructure to support early market deployments of alternative technologies.
  - e) Projects that support greater commercial motor vehicle and equipment freight efficiency and GHG reductions, including, but not limited to, advanced intelligent transportation systems, autonomous vehicles and other freight information and operations technologies.

**FISCAL EFFECT:** Unknown

**COMMENTS:** Nearly 40% of California's GHG emissions are generated by the transportation sector, which includes both the light-duty (passenger fleet) and medium- and heavy-duty fleets. While cleaning up the entire transportation sector is important, efforts to improve the heavy-duty vehicle fleet is a high priority because this sector contributes greatly to GHG emissions as well as produces a variety of smog-forming pollutants such as oxides of nitrogen (NOx), particulate matter, reactive organic gasses, and other toxic air contaminants that contribute to poor air quality and associated health impacts.

To accelerate the deployment of medium-duty and heavy-duty zero- and near zero-emission technologies, the legislature established the Clean Truck Program, to be administered by ARB in conjunction with CEC. Specifically, the Clean Truck Program provides GGRF funds for projects that develop technology, and demonstrate and pilot commercial and early-commercial deployment of zero- and near-zero emission medium- and heavy-duty bus and truck, off-road and equipment technologies. Within the Clean Truck Program, funding priority is generally given to projects that benefit disadvantaged communities, can leverage additional public and private funding, and can help achieve broad market acceptance. To guide and plan Clean Truck Program investments, ARB is required to develop an annual framework. Currently, the ARB goes beyond the one year required framework and plans its framework on a three-year basis.

ARB carries out the Clean Truck Program in concert with the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), which provides point-of-sale voucher discounts to fleet owners, and the Zero-Emission Truck and Bus Pilot Commercial Deployment Project,

which provides funding for large scale deployments of medium- and heavy-duty truck and buses, as well as accompanying fueling infrastructure and supporting vehicle service and repair facility upgrades.

A key goal of the Clean Truck Program, HVIP and the Zero-emission Truck and Bus Pilot Commercial Deployment Project is to expedite widespread deployment of zero- and near-zero emission transit buses. These programs complement and are a source of potential funding for ARB's proposed Innovative Clean Transit (ICT) regulation, which would require the state's entire transit bus fleet to be zero-emission by 2040. The proposed ICT regulation sets out a purchase requirement timeline that requires large transit agencies (with 100 or more buses), to begin purchasing zero-emission buses as early as January 1, 2020, and requires all bus purchases, regardless of the transit agency's size, to be zero-emission by January 1, 2029. The ICT regulation does not require accelerated bus purchases, rather it requires zero-emission bus purchases to be made at the time of regular procurement. The intent of the ICT regulation is to have transit agencies lead the way in facilitating the adoption of zero-emission technology deployment in heavy-duty vehicle applications and help address any barriers associated with this type of deployment. The proposed ICT regulation is expected to be adopted June 2018.

Transit agencies can help transform the zero-emission bus technology sector and have already started purchasing zero-emission buses and pursuing aggressive 100% zero-emission bus fleet targets. Public transit agencies across the state, including but not limited to, Antelope Valley Transit Authority, Los Angeles County Metropolitan Transportation Authority, Foothill Transit (Eastern Los Angeles County), and the San Joaquin Regional Transit District (Stockton) have adopted plans to convert their entire bus fleets to zero-emission on or before 2030. To meet these goals, transit agencies rely heavily on the state to provide incentives to fund both the acquisition of clean buses and the needed infrastructure to charge the buses.

Although many transit agencies are moving to electrify their buses, many of these agencies expressed various concerns with the proposed ICT regulation. One of the biggest concerns was the inability to access incentive funding to comply with ICT regulation. In the proposed ICT regulation, ARB stipulated that purchases that meet regulatory compliance per the requirements set forth in the regulation do not qualify for HVIP or other incentives programs because they do not result in early emission benefits. In general, the state and ARB, through their incentive programs, do not incentivize compliance and require that funds be used to encourage emission reductions that are earlier than required by regulations or go beyond what is required in regulations.

The author has introduced this bill in response to the proposed ICT regulation, "To clarify the Legislature's support for a well-funded and stable transition to zero-emission transit bus fleets by ensuring transit agencies retain access to vital incentive funding." Additionally, the author introduced this bill to require ARB to develop a three year framework on the Clean Truck Program because a one year framework, according to the author, is too short to adequately inform and support the long-term procurement decisions of transit agencies.

Writing in support and as sponsor of the bill, the California Transit Association states, "As you know, transit agencies, including several in your district, are actively introducing zero-emission buses as incentive funding is made available by the state – consider, for example, that 95 percent of last year's appropriation of \$35 million for zero-emission bus incentives (accessible beginning in December 2017) has been claimed, supporting the deployment of more than 200 buses. This

bill supports continued progress in this area, by: requiring ARB to create a three year plan and framework for heavy-duty clean investments, providing more funding certainty to transit agencies as they continue their long-term capital planning; and, expanding eligible projects to include large scale zero-emission bus deployments, including those that meet regulatory compliance obligations, clarifying that transit agencies, as public entities with limited resources, must maintain uninterrupted access to the incentive funding the Legislature provides as they transition to cleaner, but currently more expensive, zero-emission bus technologies”.

Although, the state traditionally funds incentives for purposes of achieving above and beyond required emission reductions, allowing transit agencies with limited funding opportunities, to access public incentive dollars seems like a reasonable approach as it will help deploy clean medium- and heavy-duty technologies across various industries.

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

*Previous legislation:* SB 32 (Pavley), Chapter 249, Statutes of 2016, required ARB to ensure that statewide GHG emissions are reduced at least 40% below 1990 levels by 2030.

AB 857 (Perea) of 2015, would have reserved 50% or \$100 million annually, whichever is greater, of GGRF monies that are allocated to the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program to support the commercial deployment of existing zero- and near-zero emission heavy-duty truck technology that meets or exceeds the ARB’s optional low NOx standard between 2018 and 2023. AB 857 was held on the Senate Appropriations Committee suspense file.

SB 1204 (Lara), Chapter 524, Statutes of 2014, created the Clean Truck 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, the fees that support AQIP.

AB 118 (Núñez), Chapter 750, Statutes of 2007, created the AQIP to provide funding measures to specified entities to develop and deploy technologies in the marketplace to help attain the state’s climate change policies

AB 32 (Núñez), Chapter 488, Statutes of 2006, required ARB to develop a plan of how to reduce emissions to 1990 levels by the year 2020.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

California Transit Association (Sponsor)  
Monterey-Salinas Transit  
Santa Cruz Metropolitan Transit District

**Opposition**

None on File

**Analysis Prepared by:** Cynthia Alvarez / TRANS. / (916) 319-2093