Date of Hearing: June 25, 2018

ASSEMBLY COMMITTEE ON TRANSPORTATION
Jim Frazier, Chair
SB 1014 (Skinner) – As Amended June 21, 2018

SENATE VOTE: 24-12

SUBJECT: California Clean Miles Standard and Incentive Program: zero-emission vehicles

SUMMARY: Requires the Air Resources Board (ARB) to adopt, and the Public Utilities Commission (PUC) to implement annual targets for the reduction of greenhouse gas (GHG) emissions driven on behalf of a Transportation Network Company (TNC). Specifically, **this bill**:

1) Establishes the California Clean Miles Standard and Incentive Program, and requires ARB to establish an emissions baseline for TNCs on a per-vehicle-mile or per-passenger-mile basis by January 1, 2020.

2) Requires ARB to use data from 2018 to establish the baseline.

3) Requires ARB to adopt annual targets, by January 1, 2021, and PUC to implement those annual targets, beginning in 2023, for the reduction under the specified baseline of emissions per vehicle-mile or passenger-mile driven on behalf of a TNC.

4) Requires ARB, when developing these targets:

    a) To be consistent with the Zero Emission Vehicle (ZEV) Action Plan;

    b) Include annual targets for increasing vehicle or passenger miles traveled using ZEVs; and,

    c) Use vehicle and mileage data reported by TNCs to PUC.

5) Requires ARB to delay adoption, and PUC to delay implementation, of the specified targets if ARB or PUC finds that unanticipated barriers exist to expanding usage of ZEVs by TNCs.

6) Requires ARB and PUC to review available data related to barriers to expanding usage of ZEVs by TNCs at least every two years, including data relative to current and future electric transportation adoption rates and charging infrastructure utilization rates.

7) Requires each TNC, by January 1, 2022, and every two years thereafter, to develop an emissions reduction plan.

8) Requires a TNC emissions reductions plan to include proposals on how to meet the emissions reduction targets based upon the following:

    a) Increased proportion of participating drivers with ZEVs using TNCs;

b) Increased proportion of vehicle-miles completed by ZEVs relative to all vehicle-miles driven on behalf of a TNC;

c) Decreased gram-per-mile GHG emissions rates; and,

d) Increased passenger-miles in proportion to overall vehicle-miles driven on behalf of a TNC.

9) Requires PUC to consult with ARB and the California Energy Commission (CEC) to ensure that the California Clean Miles Standard and Incentive Program complements ongoing state planning efforts and funding programs intended to accelerate the adoption of ZEVs; and requires PUC to do all the following:

a) Ensure minimal negative impact on low-income and moderate income drivers;

b) Ensure that ride-hailing services complement and support the sustainable land-use objectives of sustainable communities strategies; and,

c) Support the goals of clean mobility for low- and moderate-income individuals.

10) Defines "zero-emission vehicle" as a vehicle that produces no emissions of criteria pollutants, toxic air contaminants, and GHGs when stationary or operating.

11) Makes various findings and declarations.

EXISTING LAW:

1) Establishes PUC to regulate privately owned public utilities and common carriers in California.

2) Establishes PUC's authority to regulate, require license or permit to operate, require insurance and workers compensation, require vehicles are in safe operating condition, take appropriate enforcement action and other provisions related to charter-party carrier of passengers (CPC).

3) Establishes TNC as a subset of CPCs and defines a TNC as an organization, including, but not limited to, a corporation, limited liability company, partnership, sole proprietor, or any other entity, operating in California that provides prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using a personal vehicle.

4) Designates ARB as the air pollution control agency in California and requires ARB to control emissions from mobile sources.

5) Requires ARB, pursuant to California Global Warming Solutions Act of 2006 [AB 32 (Núñez and Pavley), Chapter 488, Statutes of 2006], to adopt a statewide greenhouse gas (GHG) emissions limit equivalent to 1990 levels by 2020, and to ensure that statewide GHG emissions are reduced to at least 40% below 1990 levels by 2030.

6) Establishes the Charge Ahead California Initiative pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014, that, among other things, includes the goal of placing at least one million ZEV and near-zero emission vehicles (NZEV) into service by January 1, 2023, and increasing access to these vehicles for disadvantaged, low-income, and moderate-income communities and consumers.

7) Establishes the Air Quality Improvement Program (AQIP) that is administered by the ARB for the purposes of funding projects related to the reduction of criteria air pollutants and improvement of air quality and establishes the Clean Vehicle Rebate Project (CVRP) to promote the production and use of ZEVs by providing rebates for the purchase of new ZEVs.

8) Requires PUC, in consultation with the ARB and CEC, to direct electrical corporations to file applications for programs and investments to accelerate widespread transportation electrification to reduce dependence on petroleum, meet air quality standards, achieve the goals set forth in the Charge Ahead California Initiative, as specified, and reduce emissions of GHG to 40 percent below 1990 levels by 2030, and to 80 percent below 1990 levels by 2050. Programs proposed by electrical corporations shall seek to minimize overall costs and maximize overall benefits. Requires PUC to approve, or modify and approve, programs and investments in transportation electrification, including those that deploy charging infrastructure, via a reasonable cost recovery mechanism, as specified, do not unfairly compete with nonutility enterprises as specified, include performance accountability measures, and are in the interests of ratepayers, as specified.

9) Requires each metropolitan planning organizations to develop a sustainable communities strategy, as part of its regional transportation plan, to coordinate transportation and land-use planning to meet the regional target for the reduction of GHG emissions.

FISCAL EFFECT: Unknown

COMMENTS: TNCs provide pre-arranged transportation services for compensation using smart phone apps or a computer to connect drivers with passengers. Typically, a passenger hails a ride through their mobile device to a pre-determined location and a participating driver using their personal vehicle provides the ride. Payment is processed through the mobile device and the TNC receives a commission on each trip. Drivers have the flexibility to work on a full-time or part-time basis by simple "logging on and off" the mobile app. TNC drivers typically work part-time. The most commonly known TNCs are Uber and Lyft.

Recognizing the need to regulate TNCs and their similarities with taxis and CPCs, PUC commenced an ongoing rulemaking to determine the proper oversight and corresponding rules that are needed to regulate this industry. In 2013, PUC determined that TNCs are a type of CPC, similar to tour buses and limousines, as they provide pre-arranged transportation services. Taxis, on the other hand, need not be pre-arranged and can be hailed from the curb. Taxis are regulated at a local level by cities and counties. In order to operate in the state, TNCs must obtain a permit from the PUC and comply with the requirements established through its ongoing rulemaking. For five years now, PUC has adopted various regulations to provide public safety and customer protection, and is on its third phase of its rulemaking proceeding.

The TNC sector has grown tremendously in the past several years and the impacts of these services raise questions around increased vehicle miles traveled (VMTs), the associated

environmental effects of using gas-powered TNC vehicles, the effects on transit, and the ability to support our state goals. To reduce mobile source pollution and GHGs, the state is reducing its reliance on gasoline-powered cars and promoting efforts to advance the deployment of ZEVs and NZEVs, which run on electricity and have very small or no tailpipe emissions. California has looked to expand the sale and use of ZEVs by setting specific goals through legislation and executive orders. In 2012, Governor Brown issued EO B-16-2012 which established the milestone of placing 1.5 million ZEVs on California roadways by 2025. The EO also established ZEV purchase targets for state agencies and required the integration of plug-in electric vehicle charging into the state's electricity grid by 2020. To continue the momentum initiated by the 2012 EO, the Governor's Office convened an interagency working group, led by ARB and others, that culminated in the release of the 2012 ZEV Action Plan. The ZEV Action Plan, which was updated in 2016, established goals for the advancement of ZEVs and outlined strategies to achieve those goals. This year, Governor Brown announced a new goal and issued B-48-2018 which orders the deployment of 5 million ZEVs on California roads by 2030.

To complement our goals, legislation along with regulations promulgated by ARB have led to the establishment of a number of EV-related programs at ARB, including the ZEV Mandate (that set the requirement that manufacture's make and sell a certain number of ZEVs based on a specified credit requirement). ARB has created a number of incentive programs to encourage consumers to purchase and use these vehicles. Examples of these incentive programs include the Clean Vehicle Rebate Program (CVRP) that provides rebates (ranging from $1,500-$7,000, depending on the purchasers' income status) on the purchase of new ZEVs. There is also a component of CVRP that includes a set aside program to provide rebates for public fleets purchasing ZEVs. In addition, programs such as the Enhanced Fleet Modernization Program (EFMP) and EFMP-Plus Up, while not exclusively a ZEV program, offers incentives for individuals to retire their old, high-polluting vehicles with additional incentives for those individuals who replace their vehicles with ZEVs. In addition to other EV market acceleration investment programs throughout California state agencies, in 2015 the Legislature passed SB 350 (de León) Chapter 547, Statutes of 2015, which set 2030 GHG reduction targets to be achieved through a variety of measures, including widespread transportation electrification. In 2015, the CPUC directed California's three investor owned utilities (IOUs) to submit applications proposing projects aimed at achieving the transportation electrification goals in SB 350.

On April 2018, recognizing the increasing VMTs attributed to vehicles under the TNC platform and the potential role TNCs can play in the deployment of cleaner cars, the PUC released a whitepaper, *Electrifying the Ride-Sourcing Sector in California: Assessing the Opportunity,* to "(1) serve as a useful starting point for the PUC to assess the opportunity for GHG reduction in the TNC sector through increased use of EVs, (2) offer framework for comparison of available regulatory options, and (3) identify key questions for the PUC to consider, should it choose to initiate regulatory changes". Using very limited data and noting a major analytical gap, the report found that for the month of October 2017, Uber and Lyft total VMT amounted to 2% of the total VMT traveled on the California state highway system (approximately 17.22 billion miles). In comparison, ARB has estimated that the state needs to reduce VMT by 7% below the projected VMT levels to meet our 2030 climate goals.

Ultimately this preliminary discussion document concluded that EV use in the TNC sector can advance the state's overall EV deployment goals, increase awareness of these vehicles and pose significant challenges for drivers including both EV acquisition and use on TNC platforms (e.g.

vehicle price, access to vehicle charging), and reasoned that more data is needed to explore options such as, incentives, mandates or market based mechanisms to increase EV use in the this sector. Additionally, as part of Phase III, the commissioner overseeing the TNC rulemaking proceedings, released an updated scoping memo in which she noted: "In view of currently pending legislation on ZEVs, I intend to hold a workshop on ZEVs and TNCs after the legislative session ends."

One of the best ways to reduce VMTs, congestion, and emissions, especially in populated dense areas, is to promote transit ridership, and provide transportation options and services that complement transit. The effects of TNCs on transit are unclear and may vary from jurisdiction to jurisdiction. For example, a study conducted by UC Davis, which considered seven major metropolitan areas (Boston, Chicago, Los Angeles, New York, the San Francisco Bay Area, Seattle, and Washington D.C.), found that, on average, TNC use is associated with a net 6 % reduction in overall transit use in these cities. However, other studies have concluded that TNC use complements public transit and that riders are more likely to substitute personal vehicle trips than public transit travel. In fact, many regions that are adopting sustainable community strategies to better provide transit service and reduce VMTs have looked to use TNC rides as a way to complement transit service, address first- and last mile transportation, and incentivize shared mobility.

TNC services are most comparable to taxi services and due to their popularity have significantly displaced taxis. At a local level, regions are allowed to adopt emission standards for taxis. California major cities such as San Francisco, San Diego, and Los Angeles, have all adopted some form of vehicle emission standard for the taxi fleets operating in their jurisdiction. However, it is important to note that there is a major distinction between taxi and TNC vehicle ownership. Taxi companies typically own and operate vehicles in their fleet making it easier to respond to such regulations. TNCs, however, cannot own vehicles operated on their platforms making it difficult to influence the deployment and purchase of personally-owned clean vehicles.

The author has introduced this bill to establish the Clean Miles Standard and Incentive Program and states, "Tailpipe emissions from fossil-fueled vehicles are still the largest source of air and climate pollution; SB 1014 enlists ride-hailing services (TNCs) in our state wide efforts to increase electric and other ZEVs on our roads". The author also contends that existing incentives can help finance the goals of this bill. However, this bill does not provide any monetary incentives to meet such goals.

Committee Comments and Concerns: This bill requires the ARB to establish a 2018 emissions baseline for TNCs on a per-vehicle-mile or per-passenger-mile basis and requires PUC to implement annual targets to reduce such emissions. Progress is measured by VMTs or the amount of passengers transported in a given ride. The goal is to reduce GHG emissions by requiring TNCs to develop plans that would reduce emissions, increase ZEVs usage, and promote pooling efforts from vehicles providing transportation on the TNC platform.

While well-intended, this bill may have unintended consequences for TNCs and drivers providing transportation service under their platform. As noted by the TNCs, rides are most often provided by low-income individuals using their own car to supplement their income. By imposing targets on these drivers' vehicles, the burden will ultimately fall on the drivers to comply. There are many practical barriers that make it difficult for someone who is low-income to comply with emission reduction targets; including relatively higher costs associated with the

purchase of a clean vehicle, long recharging times for EVs, and limited charging opportunities for those who commute long distances for work. These drivers may only be able to afford one vehicle and may live in multi-unit dwellings with limited charging infrastructure. Additionally, if a current driver is unable to comply with these reduction plans, it is unclear if they would be forced out of the TNC platform and TNCs may be unable to retain drivers for this reason. Economically, both parties may be negatively affected.

Proposed Amendments: Concerns with this bill remain and the author has agreed to the following amendments to remove opposition from the bill:

1) In Section 1 (a) modify the language as follows:
   The transportation sector accounts for almost 50 percent of the **greenhouse gas** emissions of greenhouse gases in California, with light-duty vehicles making up 70 percent of the sector's emissions. Additionally, approximately 80 percent of smog that continues to plague our state comes from the tailpipes of cars.

2) In Section 1, remove (o) from the declarations and findings.

3) In Section 1 (p) modify the language as follows:
   (p) In furtherance of state, regional, and local goals to align pollution and **greenhouse gas** emissions reduction from light-duty vehicles with sustainable land-use planning, and to promote access to clean mobility for all, including low- and moderate-income individuals, it is the intent of the Legislature to support transportation decarbonization and the widespread deployment of zero-emission vehicles throughout the state, and particularly by transportation network companies, in a manner that promotes accessible, good quality jobs, sustainable land use, reduced congestion, and increased mobility for all Californians.

4) In Section 3, modify the language as follows:
   (a) (1) The program established pursuant to this section shall be known as the California Clean Miles Standard and Incentive Program.
   (2) For purposes of this section, "board" means the State Air Resources Board.
   (3) For purposes of this section, these provisions shall apply to transportation providers regulated by the Commission that provide prearranged transportation services for compensation using an online-enabled application or platform to connect passengers, including autonomous vehicles, charter-party carriers, and new modes of ridesharing technology that may arise through innovation and subsequent regulation.
   (b) (1) By January 1, 2020, the board shall establish a~~n~~ **greenhouse gas e**missions baseline for **vehicles used on the online-enabled applications or platforms of** transportation network companies on a ~~per-vehicle-mile~~ or per-passenger-mile basis. The board shall use 2018 as the baseline year.
   (2) By January 1, 2021, the board shall adopt, and the commission shall implement, annual targets, beginning in 2023, for the reduction under the baseline established pursuant to paragraph (1) of **greenhouse gas** emissions ~~**per vehicle-mile or**~~ passenger-mile driven on behalf of a transportation network company. These targets **and goals shall include annual goals for increasing passenger miles traveled using zero-emission vehicles. These targets and goals** shall be consistent with the Zero Emission Vehicle Action Plan, **the stated goals detailed in Executive Order B-48-18, be technically and economically feasible,** ~~shall include annual targets for increasing vehicle or passenger miles traveled using zero-emission~~

~~vehicles,~~ and shall be based upon ~~vehicle and mileage~~ data reported by the transportation network companies to the commission.

The data required of transportation network companies to support this program shall be limited to annual reports of information necessary to determine average greenhouse gas emissions per passenger-mile to be calculated by the board and commission, based upon:

(A) Total miles completed by drivers;

(B) Percent share of miles completed by qualified zero-emission means, including miles completed by vehicle, walking, biking, other modes of active transportation, and ZEVs;

(C) Miles-weighted average network-wide grams of CO2 per mile to produce an estimate of greenhouse gas emissions; and

(D) Total passenger-miles completed using an average passengers-per-trip estimate to account for trips where exact passenger head count data was not captured.

(3) The board shall delay adoption, and the commission shall delay implementation, of the targets pursuant to paragraph (2) if the board or commission finds that unanticipated barriers exist to expanding usage of zero-emission vehicles by transportation network companies. The board and commission shall review available data related to barriers to expanding usage of zero-emission vehicles by transportation network companies no less often than every two years, including data relative to current and future electric transportation adoption rates and charging infrastructure utilization rates.

(c) By January 1, 2022, and every two years thereafter, each transportation network company shall develop a~~n~~ **greenhouse gas** emissions reductions plan. A transportation network company **greenhouse gas** emissions reductions plan shall include proposals on how to meet the **greenhouse gas** emissions reduction targets established pursuant to subdivision (b) based upon the following:

(1) Increased proportion of participating drivers with zero-emission vehicles using transportation network companies.

(2) Increased proportion of vehicle-miles completed by zero-emission vehicles relative to all vehicle-miles.

(3) Decreased gram-per-mile greenhouse gas emissions rates.

(4) Increased passenger-miles in proportion to overall vehicle-miles**.**

(d) In implementing this section, the commission, **the board and the Energy Commission shall ensure ongoing state planning efforts and funding programs that are intended to accelerate the adoption of zero-emission vehicles and charging infrastructure shall consider the goals of** ~~shall consult with the board and the Energy Commission to ensure that~~ the California Clean Miles Standard and Incentive Program ~~complements ongoing state planning efforts and funding programs intended to accelerate the adoption of zero-emission vehicles .~~**.**The commission shall additionally do all the following:

(1) Ensure minimal negative impact on low-income and moderate-income drivers.

(2) Ensure ~~that ride-hailing services~~ **the program** complement**s** and support**s** the sustainable land-use objectives ~~of sustainable communities strategies prepared pursuant to~~ **contained in** Section 65080 of the Government Code.

(3) Support the goals of clean mobility for low- and moderate-income individuals.

(4)(A) Solicit and facilitate pilot program proposals between electrical corporations, ZEV charging companies, and transportation network companies through the existing SB 350 proceeding, and consistent with section 740.12(b), to promote the operation and use of ZEVs by participating drivers and the increase of electric vehicle charging infrastructure that would support increased adoption of ZEVs by participating drivers and the general public. These proposals shall:

(i) Prioritize deploying electric vehicle charging infrastructure in low-income communities.
(ii) Include plans to install make-ready infrastructure to support the installation of electric vehicle charging equipment that will be available to participating drivers for transportation network companies and the public.
(B) An electrical corporation may own and operate the make-ready infrastructure for the electric vehicle charging infrastructure in their proposal, if the commission determines that it meets the statutory requirements under SB 350. The commission shall review, modify if appropriate, and decide whether to approve a proposal filed by an electrical corporation.

5) Adds a new section to the bill to read: **The board shall work with transportation network companies, and their affiliates, or entities contracting with TNCs with ZEVs, and stakeholders to evaluate the role of rental fleet, car share fleet, and business Clean Vehicle Rebate Project incentives with the California Clean Miles Standard and Incentive Program**.

Double Referral: This bill passed out of the Assembly Communications and Conveyance Committee on June 20, 2018, with an 8-3 vote.

Previous Legislation: SB 32 (Pavley), Chapter 249, Statutes of 2016, sets a target of reducing statewide GHG emissions by 40% below 1990 levels by 2030.

SB 350 (de León), Chapter 547, Statutes of 2015, set GHG reduction targets to be achieved by 2030 through a variety of measures, including supporting electrification of the transportation system and established requirements of the CPUC in adopting EV charging proposals from the IOUs.

AB 2293 (Bonilla), Chapter 389, Statutes of 2014, defined TNCs as a form of charter-party carrier and established insurance coverage guidelines for TNCs.

SB 1275 (de León), Chapter 530, Statutes of 2014, establishes the Charge Ahead California Initiative to be administered by ARB to place in service at least 1 million ZEVs and NZEVs by January 1, 2023, and to increase access for disadvantaged, low-income, and moderate-income communities and consumers to ZEVs and NZEVs.

SB 375 (Steinberg), Chapter 728, Statutes of 2008, aligns transportation planning, land use and housing to reshape development in communities to help achieve the state's climate goals by requiring ARB to set regional targets for GHG emissions reductions from passenger vehicle use.

AB 118 (Núñez), Chapter 750, Statutes of 2007, established the AQIP.

AB 32 (Núñez), Chapter 488, Statutes of 2006, requires ARB to adopt a statewide GHG emissions limit equivalent to the statewide GHG emissions levels in 1990 to be achieved by 2020 and adopt GHG emissions reduction measures by regulation.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Bay Area
American Lung Association
Borrego Solar
California Electric Transportation Coalition
California Environmental Justice Alliance
City of Emeryville
Clean Power Campaign
Coalition for Clean Air
East Bay Community Energy
Electric Vehicle Charging Association
Friends Committee on Legislation of California
Friends of the Earth
Fossil Free California
Local Government Commission
Marin Clean Energy
Metropolitan Transportation Commission
Peninsula Clean Energy
Plug In America
San Francisco Department of the Environment
Office of Ratepayer Advocates - PUC

Opposition

California Chamber of Commerce (unless amended)
Congress of Racial Equality
Interfaith Movement for Human Integrity
Internet Association (unless amended)
Los Angeles Area Metropolitan Churches
Lyft (unless amended)
National Action Network
National Asian American Coalition
National Diversity Coalition
Oakland African-American Chamber of Commerce
San Francisco African-American Chamber of Commerce
Silicon Valley Leadership Group (unless amended)
Southern Christian Leadership Conference
TechNet (unless amended)
Uber (unless amended)

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