

Date of Hearing: April 18, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1657 (O'Donnell) – As Amended April 7, 2016

SUBJECT: Air pollution: public ports and intermodal terminals

SUMMARY: Establishes the Zero- and Near-Zero-Emission Intermodal Terminals Program (Intermodal Terminals Program) and the Port Building and Lighting Efficiency Program (Port Efficiency Program) to fund projects to reduce emissions and increase energy efficiency from freight movements and public port operations. Specifically, **this bill:**

- 1) Creates the Intermodal Terminals Program, administered by the California Air Resources Board (ARB) and funded by the Greenhouse Gas Reduction Fund (GGRF), to pay for equipment upgrades and investments at port terminals to help transition the state's freight system to zero-emission and near-zero-emission operations.
- 2) Specifies, for the Intermodal Terminals Program, certain project eligibility requirements to ensure deployment of zero- and near-zero-emission equipment including:
 - a) Early deployment of zero-emission and near-zero-emission equipment that handles the cargo transfers at intermodal terminals;
 - b) Installation of infrastructure necessary for the deployment of zero- and near-zero-emission equipment, including fueling infrastructure at intermodal terminals; and,
 - c) Transition of cargo handling equipment to zero- and near-zero-emission equipment.
- 3) Requires, for the Intermodal Terminals Program, that ARB:
 - a) Develop and adopt specified program guidelines consistent with AB 32 (Núñez), Chapter 488, Statutes of 2006, the GGRF Investment Plan, as well as the Communities Revitalization Act established pursuant to AB 1532 (Pérez), Chapter 807, Statutes of 2012;
 - b) Include baseline equipment eligibility for types of equipment that satisfies zero-emission and near-zero-emission requirements; and,
 - c) Establish limits on program award amounts so that no one project or entity receives more than 50% of program funding.
- 4) Requires ARB, when allocating monies for the Intermodal Terminals Program, to consider:
 - a) The impact of the investment on freight system efficiency;
 - b) The degree to which the investment facilitated transition of the system to zero- or near-zero-emissions;
 - c) The impact on cost and competitiveness on the freight sector; and,

- d) The reduction of greenhouse gas (GHG) emissions.
- 5) Creates the Port Efficiency Program, to be administered by the California Energy Commission (Commission), to fund energy upgrades and investments at public ports that reduce electrical load and increase on-site renewable generation using GGRF monies appropriated by the Legislature.
- 6) Requires, pursuant to the Port Efficiency Program, that eligible projects include:
 - a) Installing renewable technologies at public ports, marine terminals, warehouses, and other freight facilities;
 - b) Replacing conventional lighting at public ports;
 - c) Implementing energy efficiency measures that reduce grid-based energy demand from port operations; and,
 - d) Other projects that help electrify public ports and reduce GHGs.
- 7) Requires, pursuant to the Port Efficiency Program, that the Commission adopt guidelines consistent with AB 32, the GGRF Investment Plan, and the Communities Revitalization Act.
- 8) Requires public ports to adopt, in consultation with the appropriate electric utility, an energy plan that meets specified criteria.
- 9) Requires, for the Port Efficiency Program, that the Commission allocate funds on a competitive basis for projects shown to achieve the greatest GHG emission reductions not otherwise required by law or regulation.
- 10) Prohibits vessel upgrades from being considered for funding for both the Intermodal Terminals and the Port Efficiency Programs.
- 11) Defines a variety of terms.
- 12) Is an urgency measure.

EXISTING LAW:

- 1) Requires ARB, pursuant to AB 32, to adopt a statewide GHG emissions equivalent to 1990 levels by 2020 and to adopt regulations to achieve maximum technologically feasible and cost-effective GHG emission reductions.
- 2) Authorizes ARB, pursuant to AB 32, to use market-based compliance mechanisms (cap and trade) to comply with GHG reduction regulations.
- 3) Established the GGRF and requires all moneys, except for fines and penalties, collected by ARB pursuant to cap and trade to be deposited in the GGRF and made available for appropriation by the Legislature.
- 4) Established the GGRF Investment Plan and Communities Revitalization Act, pursuant to AB 1532, which set procedures for the investment of cap and trade revenues.

- 5) Requires, pursuant to SB 535, (de León), Chapter 830, Statutes of 2012, that GGRF Investment Plan allocate a minimum of 25% of available GGRF revenues to projects that provide benefits to identified disadvantaged communities and a minimum of 10% of available GGRF revenues to projects located within identified disadvantaged communities.

FISCAL EFFECT: Unknown

COMMENTS: According to the author, California ports need to reduce emissions while also improving energy efficiency and promoting economic growth. To accomplish this, the author introduced AB 1657 to provide a framework to help publicly finance public port infrastructure improvements using GGRF monies generated by the state's cap and trade program.

Specifically, AB 1657 would establish the Intermodal Terminals Program and the Port Efficiency Program administered by ARB and the Commission, respectively. The Intermodal Terminals Program would fund equipment upgrades and investments at intermodal terminals to help the state transition its freight system to zero- and near-zero-emissions operations. The Port Efficiency Program, administered by the Commission, would fund energy efficiency upgrades and investments at public ports to help reduce electrical load and increase on-site renewable generation.

The author points out that one of the most valuable tools available to help the state achieve its climate change goals is the AB 32 cap and trade program and that these funds should be used to address the state's greatest environmental challenges. The author asserts that in Southern California, ports have much more work remaining to achieve zero- and near-zero emissions operations despite, making substantial progress in reducing emissions and cleaning up the air. He contends that using cap and trade funds to implement programs that reduce emissions and improve air quality offers the perfect opportunity for the state to partner with industry to address major transportation sector emissions and improve air quality, particularly for disadvantaged communities that tend to lie within close proximity to ports and other transportation hubs.

Addressing emissions associated with California's public ports would result in significant air quality improvements and get the state closer to achieving its climate change goals. This is particularly necessary given that the American Lung Association again reported in 2015 that the Los Angeles Basin has some of the nation's highest ozone and fine particle pollution and that studies continue to indicate that black carbon, formaldehyde, nickel, benzene, arsenic, and other chemicals that are still causing increased cancer risks around the ports of Los Angeles and Long Beach, due primarily to heavy diesel emissions associated with port operations, it makes sense to use of cap and trade dollars should be used to address these issues.

AB 1657 is only one of many bills before the Legislature this year that seeks to utilize GGRF revenues to address climate change and air quality impacts. Undoubtedly, there is merit in all of these proposals and they will have to reconcile one with the other at some point in the legislative process. It is important to note, however, that in directing GGRF funds to projects on or near California's public ports as envisioned by AB 1657, the state would be able to achieve significant leveraging of the funds from private investments while reducing emissions in disadvantaged communities, all the while improving the supply chain and ultimately result in economic benefits across California.

Double referral: This bill passed out of the Assembly Natural Resources Committee on April 4, 2016, with a 9-0 vote.

Previous legislation: AB 678 (O'Donnell), requires ARB, in conjunction with the Commission, to develop the Energy Efficient Ports Program to fund energy efficiency projects that help reduce emissions of GHG and air pollutants at public ports. AB 678 was approved by this Committee on April 13, 2015, by a vote of 9-0, but was later held in the Senate Appropriations Committee.

AB 1532 (Pérez), Chapter 807, Statutes of 2012, created the Greenhouse Gas Reduction Fund Investment Plan and Communities Revitalization Act to set procedures for the investment of regulatory fee revenues derived from the auction of GHG allowances.

AB 32 (Núñez), Chapter 488, Statutes of 2006, created the California Global Warming Solutions Act of 2006 and required ARB to adopt GHG reduction measures to ensure that statewide emissions are reduced to 1990 levels by 2020.

REGISTERED SUPPORT / OPPOSITION:

Support

APM Terminals
Associated General Contractors
California Association of Port Authorities
California Railroad Industry
Center for Sustainable Energy
Los Angeles County Business Federation
Los Angeles County Economic Development Corporation
Los Angeles County Economic Development Corporation
Maersk Line
Pacific Merchant Shipping Association
Philips Lighting
San Diego County Regional Airport Authority
Wilmington Chamber of Commerce

Opposition

None on file

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