



April 5, 2024

Wayne Nastri
Executive Officer
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, California 91765-4178

Subject: Port ISR Technical Workgroup Meetings

Dear Mr. Nastri:

As you know, the Pacific Merchant Shipping Association (PMSA) and International Longshore and Warehouse Union (ILWU) remain concerned about the direction of Rule 2304 – Indirect Source Rule (ISR) for Commercial Marine Ports as proposed by South Coast Air Quality Management District (SCAQMD). Given the broad and comprehensive regulatory framework put in place by the California Air Resources Board, ILWU and PMSA do not believe that additional emission reductions of any significance are possible within the scope of an ISR. As a result, PMSA and ILWU welcomed the opportunity to have a more detailed and technical discussion of the proposed rule, the associated emissions inventory, and what emissions reductions were achievable above and beyond the existing regulatory framework.

The meetings that took place had many of the elements for a positive discussion. The meetings were well attended by a sizable and diverse group of stakeholders, which were well-moderated by SCAQMD staff, who facilitated a thoughtful discussion among the participants. Without a doubt, the meetings surpassed the utility and quality of discussion of past workgroup meetings held via a remote meeting platform. In addition, the time and effort by SCAQMD staff to hold the meetings in the port area is deeply appreciated.

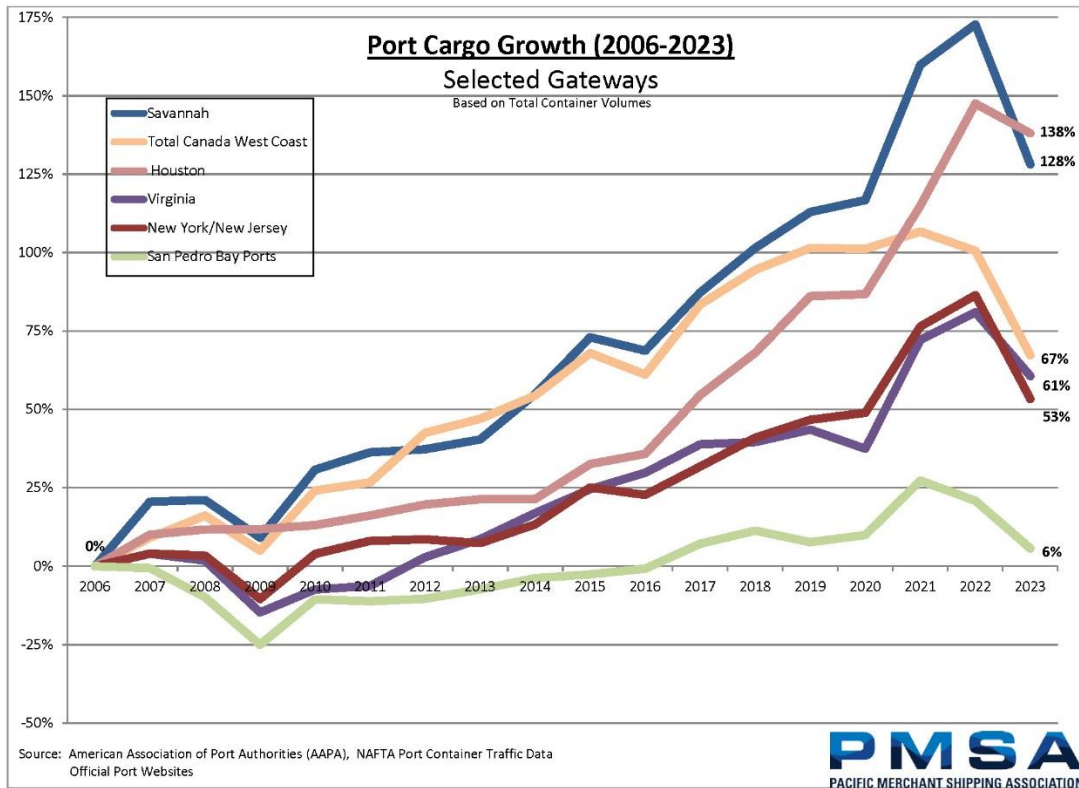
Despite those important and needed improvements to the workgroup meeting structure, two items seriously hampered the ability of the group to engage in a meaningful discussion. First,

the meetings were too compressed in time. In both meetings, the first item of discussion for both days (ocean-going vessels and heavy-duty trucks, respectively) had to be cut short for a very circumscribed discussion of the second item on the calendar each day (cargo-handling equipment and locomotives).

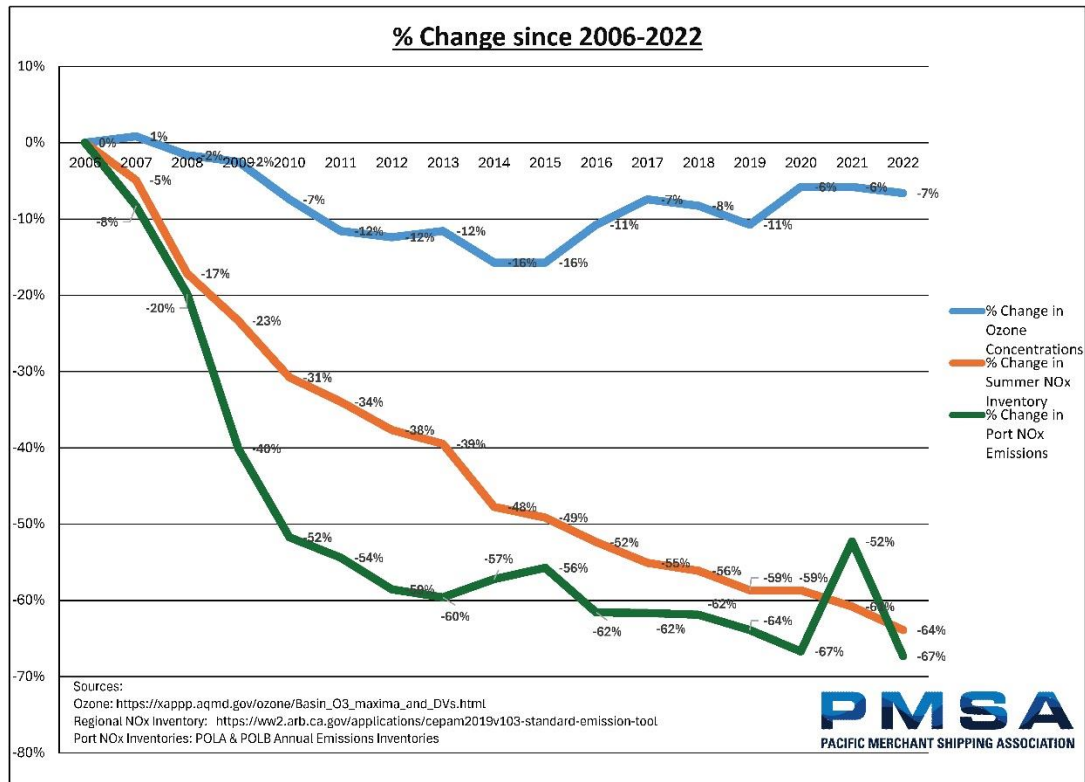
More importantly, there was no discussion of emissions reductions. At the heart of the concern that PMSA and ILWU have raised was what emissions reductions are actually achievable. While the meeting started with a message from staff stating that its purpose was to set aside rule concepts and focus on technical issues, the only discussions facilitated by staff were rule mechanisms for Proposed Rule 2304 (PR2304). Every time an issue was raised that addressed actual emissions reductions or technical issues the concerns were set aside for the course of the meetings.

Emissions Context

The emissions discussion remains important not only due to a lack of real, achievable emission reductions, but also because the assumptions that underlie the need for the proposed rule. As an example, SCAQMD staff continue to frame the need for the ISR as one based on an assertion that the ports are experiencing “strong growth” or “steady growth”. Unfortunately, that is not the case. As you can see below, from 2006-2023, cargo volumes have only grown 6% or 0.33% annually. In general, for San Pedro Bay has been nearly flat for almost two decades while losing market share to other gateways.



Another assertion is that an ISR is necessary to address port-related emissions framed as a growing share of the region’s emissions. In fact, port-related emissions have generally decreased faster than regional emissions. As you can see below, for the period 2006-2022, regional NOx emissions have declined by 64%, while port-related emissions have declined by 67%. Unfortunately, while the region has a strategy to reduce NOx emissions to reduce ozone concentrations, ambient ozone concentrations have only declined 7% over the same period even though NOx emissions have been cut by two-thirds. Simply put, it is not a result of port-related emissions that the region has not attained federal ozone standards.



Given this issue's complexity, it is important to recognize from the outset that the technical issues that underlie the proposed rule have yet to be properly addressed. Unless there is significant work to address these issues, SCAQMD will not be able to credibly move the proposed rule forward. Below are just some of the technical issues that were not addressed during the meetings. This letter is not intended to be comprehensive, but instead to identify major issues that should be addressed during subsequent substantive technical discussions with stakeholders.

Ocean-going Vessels

In its presentation on ocean-going vessels (OGV), SCAQMD staff raised the possibility of emissions reductions from future alternative vessel fuels. While future alternative vessel fuels like green ammonia and green methanol may substantially reduce greenhouse gas emissions, there is no evidence today that such fuels will provide reductions of nitrogen oxides (NO_x). Nonetheless, the presentation showed future alternative fuels as emission reduction concepts.

Another complex issue is the interplay between low-speed/low-load operation of vessels and the use of Tier 3 vessels. Under U.S. Environmental Protection Agency rules for Tier 3 vessels, Tier 3 vessels will shut down their emission control systems below 25% engine load. Today, it is unclear whether vessels operating under a low-load regime without emissions control results in a better or worse emissions profile than the same vessel operating under normal speed characteristics with emissions control systems operating. As a result, Tier 3 vessels and vessel speed reduction programs both represent very effective emission control strategies that are mutually exclusive based on technology limitations and national regulatory environment. Strategies that call for increased Tier 3 penetration without addressing speed reduction programs are offering phantasmal emission reductions. A report¹ published at the United Nations' International Maritime Organization last year discusses these challenges.

The SCAQMD staff presentation also offered mechanisms of proposed technology demonstrations to achieve emissions reductions. As SCAQMD staff know through their own technology demonstration efforts on OGVs, the timeframe for design, fabrication, installation, and deployment of technology demonstrations is inconsistent with the typical 3–5-year vessel rotation period. Vessel technology demonstrations are difficult. Each demonstration is unique, requiring unique design, unique fabrication, and unique installation requirements. In most cases, a vessel will leave California service shortly after completing such a project, taking the emissions benefit with it.

Most recently, the SCAQMD staff contended with the \$3.2 million Water-In-Fuel demonstration². The 33-month long contracting, design, fabrication, installation, and sea trials have resulted in only three vessel visits to San Pedro Bay due to the reasons outlined above. How vessel technology demonstrations would translate into sustainable emission reductions was not addressed by SCAQMD staff during the workshops.

Cargo-Handling Equipment

Due to time constraints, the discussion of cargo-handling equipment was extremely limited, lasting no more than 45 minutes, including breakout discussions. As you know, all terminals in San Pedro Bay are at various stages of planning, testing, or implementing transitions to a zero-emissions future. The two biggest limitations in those efforts are operationally and economically viable- cargo-handling equipment (CHE), which still largely do not exist, and the lack of necessary charging/fueling infrastructure. The most important role that SCAQMD can take in the development of PR2304 is to require utilities and fuel providers to make available the necessary infrastructure. Unfortunately, SCAQMD continues to avoid this issue.

¹ <https://www.dropbox.com/scl/fi/pf42zw0odjttotz4noxv2/MEPC-80-5-1-Assessment-of-Low-Load-Performance-of-IMO-NOX-Tier-III-Technologies-Canada.pdf?rlkey=typ7zcmrkoa0fwotc5srn8tbr&dl=0>

² <http://www.aqmd.gov/docs/default-source/Agendas/Governing-Board/2019/2019-nov1-003.pdf?sfvrsn=2>

As a result, the CHE discussion focused on terminal master planning, which is already underway, and “peel off yards”. As noted above, for terminal master planning to be successful, it is critical that utilities and fuel providers have deadlines for the installation of infrastructure. Absent such requirements, there will be little chance of terminal operators successfully implementing their plans. While peel off yard delivery is an opportunity that any terminal operator would welcome, it depends on cargo-owner decisions regarding the use of on-road trucks, not CHE.

Heavy-Duty Vehicles

It is unclear what emissions reductions are possible for Heavy-Duty Vehicles (HDVs) beyond CARB’s Advanced Clean Fleets Rule (ACF). The ACF rule clearly requires that ANY new truck added to the drayage fleet be zero emissions. The rule has no flexibility for port drayage, and it is not clear what ISR actions would result in additional emission reductions. Like CHE, the biggest constraint is the lack of public-facing infrastructure. Without requirements for third parties to deploy infrastructure, it will be impossible to accelerate HDV deployment. PR2304 does nothing to address that issue. Another impediment is the lack of affordable equipment to be deployed. Again, PR2304 does nothing to address equipment cost. Given current pricing that will require billions of dollars in equipment and billions again for infrastructure, neither the ports, SCAQMD, nor the State of California can incentivize or subsidize its way to a solution. Given existing CARB rules, lack of funding, and current costs, SCAQMD staff has not addressed how PR2304 will result in emission reductions.

If there are potential emission reductions from the HDV category, it will only be understood by considering the emission reductions, by year, that are expected to be achieved through ACF. Then, by understanding the remaining HDV-related emissions it may be possible to determine what actions are possible, by year, to reduce those remaining emissions. This would be a worthwhile task for a technical working group.

Locomotives

Again, the discussion on locomotives was cut short due to time constraints with less than an hour spent on this incredibly complex source category. Unfortunately, the most basic elements of locomotives emission reductions could not be addressed in this discussion. The SCAQMD staff is concurrently pursuing a port ISR and a railyard ISR. While a simplistic geographic separation of the rules has been outlined, the same locomotives operate through multiple facilities in a single trip. It is unclear how the requirements of a port ISR would intersect with the requirements of a railyard ISR. Without understanding the emissions, in this case, both by location and by activity, it is not possible to identify possible emission reductions and potential mechanisms to achieve those reductions.

Harbor Craft

Harbor Craft emissions may be one of the most difficult source categories to achieve real, surplus, and quantifiable emissions reductions from. It is further complicated by disagreement between the State of California and federal government on vessel retrofits. CARB has adopted a very stringent rule that will eventually see the near total replacement of the State's harbor craft fleet. However, in a recent letter³ to CARB, the U.S. Coast Guard stated it would not certify any retrofit for vessels under its jurisdiction unless the retrofit system has been separately approved by the federal government. As U.S. Coast Guard certification is necessary for operation, it is unclear what can be done to further reduce emissions other than complete fleet replacement, something that will take decades and cost hundreds of millions of dollars.

Rather than focusing on achievable emissions reductions, the workshop continued to focus on mechanisms such terminal operator responsibility for harbor craft emissions. As one harbor craft operator emphatically pointed out during the meeting, terminal operators do not contract with harbor craft operators. The harbor craft operator continued that a successful regulation must bear in mind the business models in which the regulation hopes to modify behavior.

San Pedro Bay has the cleanest fleet of harbor craft in the country. CARB has already gone through an extensive process (that neglected U.S. Coast Guard concerns) regarding the speed of vessel replacement. If SCAQMD staff believes that harbor craft can be replaced faster than CARB has already determined, it needs to go through a similar process with stakeholders immediately to evaluate what emissions reductions are possible and when.

Infrastructure

Over the course of the meetings, one issue that emerged that all stakeholders appeared to agree to was the lack of public infrastructure to support the transition to zero-emissions technology. Unfortunately, it does not appear that PR2304 will make any effort to require utilities and fuel providers to provide necessary infrastructure. Ultimately, utilities and fuel providers are responsible for the prioritization and deployment of fueling/charging infrastructure. Any regulation that places the burden elsewhere is misguided.

Needed Technical Discussion

Stakeholders deserve a robust and committed technical discussion of the emission reductions that might be achieved by the rule. By putting a discussion of mechanisms before a discussion of emissions, the workgroup meetings gave a false sense of what is possible as illustrated above. Prior to the pandemic, SCAQMD facilitated an excellent technical working group that included all stakeholders. While the going was slow, the technical working group made progress in addressing what additional emission reductions are potentially possible. A proper, stakeholder-

³ <https://www.politico.com/f/?id=0000018d-ecfe-d22b-a1ad-ecff43380000>

based technical discussion would follow that past effort and would accomplish the following items:

- Identify emissions from all port-related sources for facilities subject to PR2304
- Identify emissions reductions from adopted and proposed California Air Resources Board rules
- Determine what remaining emissions could be targeted by PR2304
- Identify what technologies or actions could reduce those emissions, resulting in emission reductions attributable by PR2304
- Evaluate whether such technologies or actions are technically, economically, and operationally feasible

PMSA and ILWU hope that SCAQMD can implement these suggestions to facilitate a substantive technical discussion about PR2304.

Sincerely,



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ILWU Local 13



Danny Vilicich
President
ILWU Local 63



Daniel Miranda
President
ILWU Local 94



Mike Jacob
President
Pacific Merchant Shipping Association

cc: Senator (Ret.) Vanessa Delgado, Chair, SCAQMD Governing Board
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Supervisor Andrew Do, Member, Member, SCAQMD Governing Board
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Hon. Robert Garcia, Congressmember, CA-42
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Hon. Lena A. Gonzalez, Senator, SD 33
Hon. Mike Gipson, Assemblymember, AD 65
Hon. Josh Lowenthal, Assemblymember, AD 69
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