Overview

CLEAN TRUCKS PROGRAM BACKGROUND
CLEAN TRUCK FUND RATE UNDER CONSIDERATION
DISCUSSION QUESTIONS AND COMMENTS
18,231 trucks are in the PDTR
3,860 2014+ trucks registered in the PDTR since October 1, 2018
10,493 trucks in the PDTR with engines meeting 2010 EPA standards
42% trucks in the PDTR are 2007 EPA Compliant
56% of the moves are being done by trucks with 2010 EPA engines
687 LNG/CNG trucks are in the PDTR
4% of the moves are being done by LNG/CNG trucks
~130 trucks with the natural gas fueled 0.02g/bhp-hr NOx engines are in the PDTR
9 ZE trucks in the PDTR
Clean Trucks Program

CAAP Goal of 100% Zero Emissions Trucks by 2035
Beginning in 2020, a Clean truck Fund (CTF) Rate will be charged to the beneficial cargo owners for loaded heavy duty container trucks to enter or exit the ports’ terminals, with rebates for trucks that have CARB-certified low NOx engines or better

- Contingent on:
  - Completion of Truck Feasibility Assessment, including evaluation of availability of trucks – **Completed April 2019**
  - Completion of Clean Truck Rate Study – **Draft Released December 2019**
  - Establishment of rate collection mechanism - **Underway**
  - CARB adoption of low NOx manufacturing standard – **Anticipated March/April 2020**
CTP Timeline as Described in the 2017 CAAP Update

- **2018**: New Registration Requirement for MY 2014+
  - Initiate Rate with Rebates for Low-NOx & ZE
- **2020**: New Registration Requirement for Low-NOx
- **2023**: Goal for all trucks to be ZE
  - Modify Rate with Rebates for ZE only
- **2035**
History of the Original CTP

- Circumstances that affected success of the program
  - CARB regulation
  - Clean Truck Program Fee
  - Low cost differential for clean trucks, and available used market
  - Didn’t require a technology change
  - Financing provided by LMCs
  - Early interest by larger trucking companies
- Rapid transition to cleaner trucks with significant emission reductions
Considerations for the CTF Rate

• Commitment to reduce emissions for the benefit of community health, regional air quality, and global climate change and significant concerns raised about the urgency of the needs

• Ports are economic drivers – concerns about loss of market share

• Significant concerns raised by cargo owners related to increased costs

• Global trade policy resulting in volatility of cargo volumes

• Uncertainty related to implementation of AB 5 “Employees and Independent Contractors” bill
Considerations for the CTF Rate

• Requires a technology transition
• Limited availability of new low-NOx and ZE technologies
• Limited regional charging and fueling infrastructure
• High cost differential for new technologies
• Interest and early adoption by some trucking companies in new technology trucks
• Changes to timeline and proposal for Low-NOx Engine Manufacturing Standard
Considerations for the CTF Rate

- No current regulatory requirement for trucks to move to low-NOx or ZE technology
- Access to financing for purchasing new trucks is limited
- Concerns about the costs associated with the Clean Truck Program being borne by individual truck drivers
- Balancing near-term investment in low-NOx with meeting long-term goal for ZE
- Potential for setting up an un-level playing field with subsidized trucks competing against unsubsidized trucks
Truck Feasibility Assessment

- Snapshot in time, 2018-2021
- Assessed for technical viability, commercial availability, operational feasibility, infrastructure availability, economic workability
- Ultra-low NOx natural gas trucks technically feasible, widespread deployment may require additional infrastructure
- Battery-electric trucks could be feasible soon
- Availability is different than anticipated when CAAP was adopted in late-2017
Rate Collection Mechanism

- Ports issued joint Request for Statement of Qualifications
- Preliminary selection of preferred vendor
- Contracts with selected vendor to respective Boards anticipated in early 2020
- Anticipate mechanism to be ready by Fall 2020
Economic Evaluation for the CTF Rate

• Approach to the evaluation:
  – Review of previous studies and analyses
  – Davies Transportation Consulting Inc. estimated potential diversion and truck turnover for a range of potential rates
  – Evaluation of the current port industry competitive environment
  – Input from stakeholders

• Draft study released for public review and posted on CAAP website – comments due January 31st
Key Findings of the Draft Economic Study

- Regression analysis based on cost and time predicted moderate amount of diversion over the range of rates studied
- Factors other than cost and time have an influence on diversion
- Range of rates studied not sufficient to force the transition to cleaner trucks given the high cost differential for those trucks
  - Generating a fund and providing incentives will be the key to promote truck turnover
CARB has indicated phased implementation timeline for low-NOx standard, potentially recommending:

- Standard of 0.05 g/bhp-hr NOx for MY 2024-2026
- Standard of 0.01 – 0.03 g/bhp-hr NOx for MY 2027+

- Continued need to harmonize with federal standards
- Anticipate CARB Board consideration in March/April 2020
- Approach is different than anticipated when CAAP was adopted
Potential CTF Rate for Discussion

• $10 per loaded TEU or $20 per loaded FEU
  – Charged to BCOs for loaded containers hauled by truck
  – Full rebate if hauled by a zero emission truck
  – Full rebate if hauled by a low NOx truck from rate initiation through end of 2027

• Could generate $90 million per year initially
Potential Use of CTF Rate Revenues

• Incentives to support transition to low NOx and ZE trucks
  – Must be in port drayage and remove a truck in the PDTR
  – Initial funding for low NOx and ZE trucks; anticipate transition after 2023 to only incentivize ZE trucks, pending Feasibility Assessment review
  – Details to be developed over the coming months

• Administrative expenses
  – Anticipate RFP for third party administrator of incentive program
Ongoing outreach to stakeholders

Proposed CTF Rate Development Timeline

April 2019

1st Public Workshop

Truck Feasibility Study Completed

Economic Study for Rate Released

December 2019

Boards Consider Resolution on CTP Rate

Boards Consider Contracts for Rate Collection

CARB Adopts Low-NOx Standard

Fall 2020

Boards Consider Tariffs to Implement CTP Rate and Structure of Incentive Program

CTP Rate Begins

www.cleanairactionplan.org
CTF Rate Public Process

• Public engagement process
  – Focused breakout meetings
  – Public workshops: August 2019 and today
  – CAAP Quarterly Stakeholder Meetings
  – Email: trucks@cleanairactionplan.org

• Present potential CTF Rate for stakeholder review and input

• Harbor Commissions’ decision to approve rate amount in early 2020
Additional Comments

- Next CAAP Quarterly Stakeholder Meeting on January 8th
- Board consideration of CTF Rate in early 2020
- Email: trucks@cleanairactionplan.org
Thank you!