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*Executive Director*

August 11, 2021

South Coast AQMD Governing Board  
21865 East Copley Drive  
Diamond Bar, CA 91765  
[submitted electronically to [clerkofboard@aqmd.gov](mailto:clerkofboard@aqmd.gov)]

Dear Members of the Board:

The Port of Los Angeles (Port) thanks you for your decision to engage in collaborative negotiations to achieve our shared goals to reduce emissions from port operations. Further, we share and appreciate the sense of urgency with which we must act. In that spirit, the Port offers the attached proposal – a Memorandum of Understanding (MOU) based on actions and commitments the ports of Los Angeles and Long Beach (Ports) proposes to make under the San Pedro Bay Port’s Clean Air Action Plan (CAAP) – as the Marine Ports Subcommittee begins its work to produce an MOU for your consideration within six months.

A key feature of the proposed MOU is the assignment of roles and responsibilities between the Port, which agrees to a timely implementation of the CAAP, and the South Coast AQMD, who will work through a Technical Working Group (TWG) to determine the State Implementation Plan (SIP) credit associated with the Ports’ implementation of CAAP measures. The MOU provides a flexible framework within which CAAP actions and associated SIP credit can be identified and agreed to for all equipment categories, beginning with drayage trucks (MOU Schedule No. 1). Additional schedules can be added for cargo handling equipment, ocean going vessels, harbor craft, and rail locomotives; however, any proposed measures, outside of the existing authority under the 2017 CAAP Update will take more time to identify and authorize, provided they are within the Port’s jurisdiction to implement.

The Port stands as committed as ever to the goals of our CAAP and recognizes the need for urgent dedicated action to address local air pollution and global climate change, as evidenced by our Board’s recent direction to advance the Clean Truck Fund Rate and prioritize development and deployment of zero-emission (ZE) trucks. We thank you for your continued support of the CAAP and we look forward to working with your staff toward completion of the MOU discussions.

Together, we believe we can make significant progress towards our common goals and continue to set an example for the rest of the nation and world to follow.

Respectfully,

EUGENE D. SEROKA  
Executive Director

6.17.21  
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**RECOMMENDATION APPROVED AND  
RESOLUTION NOS. 21-9845 & 21-9846 ADOPTED  
BY THE BOARD OF HARBOR COMMISSIONERS**



**THE PORT  
OF LOS ANGELES**  
Executive Director's  
Report to the

Board of Harbor Commissioners

June 17, 2021

**AMBER M. KLESGES  
Board Secretary**

**DATE: JUNE 17, 2021**

**FROM: ENVIRONMENTAL MANAGEMENT**

**SUBJECT: RESOLUTION NO. 21-9845 - CLEAN TRUCK FUND RATE  
DEVELOPMENT ROADMAP**

**SUMMARY:**

Staff requests adoption of a Resolution to provide a clear and comprehensive roadmap (Roadmap Resolution) towards implementation of the Clean Truck Fund Rate (CTF Rate) as described in the 2017 Clean Air Action Plan (CAAP) Update and Board Resolution No. 20-9613. The Roadmap Resolution directs staff to take all feasible actions to accelerate deployment of zero emissions (ZE) trucks in accordance with the 2017 CAAP Update's 2035 ZE drayage truck goal, and conduct robust stakeholder outreach to inform key design elements of the forthcoming CTF Rate Tariff Amendment before making any recommendations. The Roadmap Resolution further directs staff to develop the proposed Tariff Amendment to implement the CTF Rate for consideration by the Board of Harbor Commissioners (Board) before the end of 4Q 2021 based on a series of key principles listed therein. This Roadmap Resolution will have no financial effect on the City of Los Angeles Harbor Department (Harbor Department) or others, unless and until CTF Rate collection commences pursuant to Board and City Council adoption of a Tariff Amendment as described in the Roadmap.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is generally and statutorily exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines Sections 15061(b)(3), 15262, and 15273;
2. Approve, for planning purposes, the Clean Truck Fund Rate Development Roadmap; and
3. Adopt Resolution No. 21-9845 & 21-9846.

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**SUBJECT: CLEAN TRUCK FUND RATE ROADMAP RESOLUTION**

**DISCUSSION:**

Background/Context – The San Pedro Bay Ports CAAP is a landmark environmental program adopted by the Board for the Port of Los Angeles (POLA), working jointly with the Port of Long Beach (POLB) (each a Port and collectively Ports). The original 2006 CAAP planned voluntary measures to reduce emissions from maritime freight operations at the Ports (ocean-going vessels, trains, trucks, cargo handling equipment and harbor craft) and was updated in 2010 and 2017.

The Clean Truck Program (CTP), implemented in 2008, was one of the most successful emissions reduction strategies contained in the CAAP, which helped to incentivize the trucking industry to replace the existing fleet of trucks that provided drayage services at the Ports with cleaner trucks. Since 2008, the Ports helped the industry transition towards compliance with State laws regulating drayage trucks, by advancing phased early adoption at the Ports.

The Ports also provided incentives to trucking companies to replace their older trucks with cleaner trucks, funded in part by a clean truck fee that was charged to cargo owners from 2009-2011 on loaded cargo carried by any drayage truck that did not meet the 2007 Environmental Protection Agency (EPA) compliance standard, ultimately adopted as an in-use requirement for statewide port trucks by the California Air Resources Board (CARB) under State law, effective in 2014. Despite the Tariff requiring the truck fee to be paid by the beneficial cargo owners, some drayage truck drivers have reported to the Ports that they were required by licensed motor carriers (LMCs) to pay the truck fee if they did not have a 2007 compliant truck. Payment of this fee, or alternatively shouldering the cost of financing a new truck, caused an adverse economic impact on many drivers, which led to some of them leaving the drayage industry altogether.<sup>1</sup>

The 2017 CAAP Update included new strategies to support the Ports' aggressive effort to clean the air for the community, move toward utilization of zero-emission freight moving equipment, plan for zero-emissions infrastructure, encourage freight efficiency, and address energy resources. As part of the 2017 CAAP Update, the Ports committed to a new version of the CTP. In order to reduce NOx and GHGs, the goal of the new version of the CTP is to help encourage the transformation of the current drayage fleet to ZE trucks by 2035. An important element in the 2017 CAAP Update's CTP is the establishment of a CTF Rate, which will charge a direct fee on Beneficial Cargo Owners (BCOs) for heavy-duty trucks hauling loaded containers that utilize Port terminals if those trucks are not rated by CARB as meeting Low NOx emissions or better. Board members

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<sup>1</sup> <https://cleanairactionplan.org/documents/final-2017-clean-air-action-plan-update.pdf/> pp 37-38, and 48-49.

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**SUBJECT: CLEAN TRUCK FUND RATE ROADMAP RESOLUTION**

have made public comments expressing concern that staff seek to address direct effects on drivers of this new CTF Rate.

On March 9, 2020, at a joint meeting of the Ports, the Boards of Harbor Commissioners of Los Angeles and Long Beach adopted Resolution No. 20-9613 (Joint Resolution, Transmittal 1). For planning purposes, the Joint Resolution set the amount of the CTF Rate at \$10 per Twenty-foot Equivalent Unit (TEU) to be collected pursuant to a future tariff amendment to be developed for Board consideration.

Relevant Actions – The Joint Resolution stipulated that the following key actions needed to occur in order to proceed with CTF Rate collection:

- The Board must adopt a “future Tariff Amendment adopted by the Board and, in the City of Los Angeles, the City Council,” after satisfaction of the four conditions precedent set forth in the 2017 CAAP Update and in Section 6 of the Joint Resolution.
- Affirm that both Boards meet annually to review the level of the CTF rate to ensure it continues to support long term CAAP goals. **This will be carried out annually after commencement of rate collection.**
- Continue to work with the South Coast Air Quality Management District (SCAQMD), the CARB, Equipment Manufacturers, and other partners as appropriate, to develop a comprehensive long-term strategy, including market development, technology development, and product deployment, aimed at supporting achievement of the goals established in the 2017 CAAP update. Provide regular updates on the strategy to the Boards with the first update within 4 months. **This report back was completed at the July 23, 2020 meeting of the Board.**
- Work to convene additional Port authorities to encourage similar Clean Truck Programs at ports in the United States and around the world. **On April 7, 2021, Los Angeles Mayor Eric Garcetti and POLA Executive Director Gene Seroka launched the C40 Cities Green Ports Forum working group, an international consortium of cities and ports collaborating on climate action solutions.**

Since the Joint Resolution, various stakeholders have requested clarification of the necessary steps to commence collection of the CTF Rate. At POLA’s June 3, 2021 Board meeting, the Board President and other commissioners requested a roadmap that describes the actions yet to be taken that will culminate in the adoption of the Tariff Amendment to collect the CTF Rate as well as commencement of collection of the CTF Rate. The proposed Roadmap Resolution (Transmittal 2) provides staff with the roadmap

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**SUBJECT: CLEAN TRUCK FUND RATE ROADMAP RESOLUTION**

to achieve the CTF Rate collection, for planning purposes, and the following guiding principles:

**Zero Emissions Commitment:** The Board directs staff to take all feasible actions to accelerate deployment of ZE trucks by prioritizing the testing, demonstration and deployment of ZE equipment, and supporting infrastructure in accordance with the 2017 CAAP Update and the 2035 goal for ZE drayage trucks serving the POLA.

**Stakeholder Engagement:** In developing the Tariff, the Board directs staff to undertake robust stakeholder engagement to inform key design elements of the tariff, including but not limited to input from regulatory agencies, trucking associations, labor groups, environmental justice organizations, and port communities.

**Tariff Development:** The Board further directs staff to develop a proposed Tariff for the CTF Rate for Board consideration before the end of 4Q 2021. The proposed Tariff should be based on the following principles:

- Consider stakeholder input in development of tariff details;
- Coordinate with POLB to achieve, as much as feasible, uniform implementation across the San Pedro Bay Port Complex;
- Achievement of zero-emissions must be the overall goal, with incentives for acceleration of deployment of ZE trucks;
- Responsible treatment of the collected CTF Rate funds through expenditures consistent with the Tidelands Trust requirements and with the goals of the 2017 CAAP Update;
- Maximizing partnerships to accelerate ZE fleet transition that leverage other sources of funding, such as other public sources or funding and financing from the private sector;
- Exemptions based on federal and state clean truck regulations, with a permanent exemption for ZE trucks and an exemption to be developed following the Stakeholder Engagement process, for Low NOx trucks, as defined by CARB in their Low NOx Heavy-Duty Omnibus Regulation, that are purchased before the end of 2021, registered into the Port Drayage Truck Registry, and put into service before the end of 2022;
- Integration with and contribution to a regional strategy for ZE supporting infrastructure;
- Policy advocacy directed at increasing funding and at reducing direct costs, including taxes and insurance, for ZE drayage trucks and supporting infrastructure;
- Consider results from a survey of truck drivers to assist with development of solutions to reduce the direct and indirect costs to drivers arising from fleet conversion; and

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- Consider overall equity, including of economic and environmental outcomes and to drivers and port communities.

**Commencement of CTF Rate Collection:** In compliance with applicable laws, commence collection of the CTF Rate following adoption of a Tariff for the proposed CTF Rate completion of a fee collection system, and establishment of a plan to expend the collected funds.

Proposed Roadmap Resolution – As directed by the Board President and other commissioners at the June 3, 2021 Board meeting, staff requests Board adoption of the proposed Roadmap Resolution. Staff will follow direction set forth in the Roadmap Resolution to develop the final tariff amendment to be brought to the Board and City Council for final approval before the end of 4Q 2021. This proposed Roadmap Resolution is for planning purposes, and no rate amounts will be collected until after the future tariff amendment.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval a CTF Rate Roadmap Resolution, which is an action that can be seen with certainty that there is no possibility of a significant adverse effect on the environment, is a planning study for possible future action, and is the first step in a rate setting activity. Therefore, the Director of Environmental Management has determined that the proposed action is generally and statutorily exempt from CEQA in accordance with Sections 15061(b)(3), 15262, and 15273 of the State CEQA Guidelines.

**FINANCIAL IMPACT:**

This Roadmap Resolution is a planning activity for future action that has no financial effect to the Harbor Department or others, unless and until CTF Rate collection commences pursuant to a future Tariff adopted by the Board and City Council.

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved as to form and legality the Roadmap Resolution directing the development of the CTF Rate.

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SUBJECT: CLEAN TRUCK FUND RATE ROADMAP RESOLUTION

**TRANSMITTALS:**

1. 2020 Joint Clean Truck Program Rate Resolution
2. Proposed Clean Truck Fund Rate Roadmap Resolution 219846

FIS Approval:   
CA Approval: 



CHRISTOPHER CANNON  
Director of Environmental Management



*for*  
MICHAEL DIBERNARDO  
Deputy Executive Director

APPROVED:



EUGENE D. SEROKA  
Executive Director

CC/yo  
AUTHOR: Tim DeMoss

FILE: Y:\ADMIN\BOARD REPORTS\AIR QUALITY\CTP\2021 CLEAN TRUCK FUND RATE ROADMAP\Environmental\_CTP 2021 Clean Truck Fund Rate Board Report - FINAL.docx  
UPDATED: 6/11/2021 3:08 PM - YO

RECOMMENDATION APPROVED;  
RESOLUTION'S 20-9613 AND 20-9614 ADOPTED  
\*\* Amended as set forth below with attached "INSERT A" \*\*  
BY THE BOARD OF HARBOR COMMISSIONERS



Executive Director's  
Report to the  
Board of Harbor Commissioners

March 9, 2020

*Amber M. Klesges*  
AMBER M. KLESGES  
Board Secretary

DATE: MARCH 5, 2020

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. 20-9613 - ADOPTION OF A JOINT 2020 CLEAN TRUCKS PROGRAM RATE RESOLUTION AND RESOLUTION NO. 20-9614 - APPROVAL OF A 2020 CLEAN TRUCK FUND RATE

**SUMMARY:**

Staff requests that the Board of Harbor Commissioners (Board) approve a 2020 Clean Truck Fund (CTF) Rate amount to be set at \$10 per Twenty-Foot Equivalent Unit (TEU). The CTF Rate will be charged to the Beneficial Cargo Owners (BCOs) that utilize trucks hauling loaded containers in and out of the marine terminals at the ports of Los Angeles and Long Beach (Ports), with a permanent full exemption for California Air Resources Board (CARB) certified zero emission (ZE) trucks, and a temporary full exemption for CARB certified heavy-duty low nitrogen oxides (NOx) trucks through December 31, 2031. After this date, only ZE trucks will be exempt from the CTF Rate. Though details of how money collected from the fee is to be administered and disbursed will be developed through stakeholder engagement in the next few months, the Ports plan to use the money collected from the CTF Rate to provide incentive funding toward the purchase of low NOx and ZE trucks including supportive infrastructure, and to pay consultant fees to collect the CTF Rate at their container terminals. The Port of Long Beach (POLB) is requesting the same action from its Board. Staff also requests that the Board adopt the Joint 2020 Clean Truck Program Rate Resolution.

The City of Los Angeles Harbor Department (Harbor Department) is setting the amount of the CTF Rate in advance of tariff approval to allow for stakeholder planning. This additional time will allow various stakeholders, including the BCOs, shipping lines and trucking companies, to incorporate this information into their annual contract negotiations for 2020 pricing. The CTF Rate amount will not be collected until the following actions take place: (1) CARB adoption of a heavy-duty low NOx engine manufacturing standard; (2) Board approval of a CTF Rate collection mechanism; and (3) adoption of a Port of Los Angeles (POLA) Tariff Amendment by the Board and the Los Angeles City Council that authorizes the details of the CTF Rate collection.

Staff plans to return to the Board and City Council later in 2020 with a request to adopt and begin collecting the CTF Rate through a POLA Tariff Amendment including this 2020 CTF Rate and other details. Setting the CTF Rate amount has no financial effect on the



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Harbor Department or others, unless and until CTF Rate collection commences pursuant to Board and City Council adoption of a POLA Tariff Amendment as described.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners:

1. Find that the Director of Environmental Management has determined that the proposed action is generally and statutorily exempt from the California Environmental Quality Act (CEQA) under Sections 15061(b)(3), 15262, and 15273 of the State CEQA Guidelines;
2. Approve, for planning purposes, the 2020 Clean Truck Fund (CTF) Rate amount at \$10 per Twenty-Foot Equivalent Unit (TEU) with the following exemptions:  
**\*\*Amended as set forth in attached "INSERT A"**
  - ~~Full exemption of the CTF Rate for the pick up or drop off of a loaded container hauled by a California Air Resources Board (CARB) certified zero emission (ZE) truck throughout all collection periods;~~
  - ~~Full exemption of the CTF Rate for the pick up or drop off of a loaded container hauled by a CARB certified low nitrogen oxides (NOx) truck between the start of the CTF Rate collection from commencement in 2020 through December 31, 2031; and~~
  - ~~Starting January 1, 2032, low NOx trucks are proposed to pay the full CTF Rate amount to encourage transition to ZE trucks.~~
3. Adopt the Joint 2020 Clean Truck Program Rate Resolution No. 20-9613 as amended by the Boards and set forth in the signed Joint Resolution; and
4. Adopt Resolution No. 20-9614

**DISCUSSION:**

Background/Context – In 2006 and 2010, the Ports adopted the first and second iterations of the San Pedro Bay Ports Clean Air Action Plan (CAAP). The original CAAP planned measures the Ports would take to reduce emissions from Port-related operations, specifically, from ocean-going vessels, trains, trucks, cargo handling equipment and harbor craft. One of the most notable and successful strategies contained in the original CAAP was the Clean Truck Program (CTP). Starting in 2008, the CTP helped the drayage industry transition towards the State Drayage Truck Rule requirement that mandated statewide port trucks to use 2007 U.S. Environmental Protection Agency (EPA) compliant trucks by 2014. The CTP set a goal of 2012 for this transition.

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In order to help incentivize trucking companies to replace their trucks, the Ports charged a clean truck fee of \$35 per TEU to BCOs on loaded cargo carried by any drayage truck that did not meet the 2007 EPA compliance standard. The Ports used the money collected to administer the CTP and provide incentive funding for truck drivers and trucking companies to purchase clean trucks. Notably, as a result of the successful CTP efforts over the years, air emissions from the Ports' drayage fleet have been reduced by 97% for diesel particulate matter (DPM), 78% for NOx, and 92% for sulfur oxides (SOx) compared to 2005. These reductions in emissions took place despite an increase in cargo volumes of over 25%. However, even with these tremendous improvements, heavy-duty trucks remain the Ports' largest source of greenhouse gas emissions (GHGs) and second highest source of NOx.

CAAP 2017 Update – The 2017 CAAP Update was adopted in 2017. The updated strategies in the 2017 CAAP Update support the Ports' aggressive effort to clean the air for the community, move toward utilization of zero-emission freight moving equipment, plan for zero-emissions infrastructure, encourage freight efficiency, and address energy resources. As part of the 2017 CAAP Update, the Ports committed to a new version of the landmark CTP. In order to reduce NOx and GHGs, the goal of the new version of the CTP is to help encourage the transition to near-zero trucks in the near term, while ultimately helping to transform the fleet to ZE trucks by 2035. An important element in the 2017 CAAP Update's CTP is the establishment of a CTF Rate.

CTF Rate – The basis for the CTF Rate is outlined in the 2017 CAAP Update, which identifies that, beginning in 2020, a rate will be charged to the BCOs for heavy-duty trucks hauling loaded containers that utilize the Ports' terminals, with reduced or eliminated charges for trucks that have engines certified to the CARB near-ZE's manufacturing standard (CARB refers to it as "Heavy-Duty Low NOx engine standard"<sup>1</sup>) or better. Though details of how money collected from the fee is to be administered and disbursed will be developed through stakeholder engagement in the next few months, the money collected from the CTF Rate is intended to be used to provide incentive funding toward the purchase of low NOx and ZE trucks including supportive infrastructure, and to pay consultant fees to collect the CTF Rate at the Ports' container terminals.

As further stated in the 2017 CAAP Update, implementation of this CTF Rate would be contingent upon the following factors<sup>2</sup>:

- Completion of a Truck Feasibility Assessment to understand the current status of low NOx and ZE heavy-duty truck technology development, including evaluation of availability of heavy-duty trucks meeting the lower emissions standards

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<sup>1</sup> <https://ww2.arb.ca.gov/our-work/programs/heavy-duty-low-nox/about>

<sup>2</sup> <https://cleanairactionplan.org/documents/final-2017-clean-air-action-plan-update.pdf/>, at pages 39-40.

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**SUBJECT: APPROVAL OF 2020 CLEAN TRUCK FUND RATE**

- Completion of an Economic Study of the CTF Rate to understand the potential effect of the rate on cargo diversion and the local drayage truck industry
- Establishment of a CTF Rate collection mechanism
- Regulatory agency adoption of a heavy-duty low NOx engine manufacturing standard

The Economic Study for the CTF Rate<sup>3</sup> and the Truck Feasibility Assessment<sup>4</sup> are complete and posted on the CAAP website. The CTF Rate collection mechanism contract is planned for Board consideration in April of 2020. CARB plans to adopt a heavy-duty low NOx engine manufacturing standard at a CARB Meeting in the Spring of 2020.<sup>5</sup>

CTF Rate Action – The Ports are bifurcating the efforts associated with the CTF Rate into the following two actions:

- This action: At present, request Board adoption of a Resolution to approve the CTF Rate amount and provide exemptions on certified heavy-duty low NOx trucks and ZE trucks through December 31, 2031. Beginning on January 1, 2032, only ZE trucks will be exempt from the CTF Rate. The Harbor Department is taking this initial action for planning purposes, which allows the shipping industry to plan their annual contract negotiations for 2020 pricing. This action has no effect on the collection of the CTF Rate until the following future action occurs.
- Future action: In later 2020, request Board adoption of a POLA Tariff Amendment to collect the CTF Rate. This action will give the Harbor Department the authority to begin collecting the CTF Rate from the BCOs as of a specified date and finalize all conditions. The timing of this action is contingent upon the bulleted factors listed in the CTF Rate section immediately above.

CTF Rate Public Process – The Ports have been engaged in stakeholder outreach on the latest iteration of the CTP since 2015. Throughout the two-year development of the 2017 CAAP Update, significant emphasis was placed on the CTP, and numerous meetings and discussions were held with the regulatory agencies, trucking industry, broader port industry, technology providers, community members, and environmental groups to receive input on the intended approach. Since the 2017 CAAP Update was approved, the Ports have continued to discuss the next steps in the implementation of the CTP through CAAP Quarterly Stakeholder Meetings, eight of which have been held to date,

<sup>3</sup> <https://cleanairactionplan.org/documents/draft-economic-study-for-the-clean-truck-fund-rate.pdf/>

<sup>4</sup> <https://cleanairactionplan.org/documents/final-drayage-truck-feasibility-assessment.pdf/>

<sup>5</sup> The U.S. Environmental Protection Agency (EPA) announced "EPA intends to work with CARB to initiate the development of a new harmonized Federal and California comprehensive NOx reduction program for heavy-duty on-highway engines, including lower NOx emission standards for heavy-duty on-highway engines and vehicles...." in response to various California air district petitions requesting EPA regulatory action. <https://www.epa.gov/sites/production/files/2016-12/documents/nox-memorandum-nox-petition-response-2016-12-20.pdf>

**SUBJECT: APPROVAL OF 2020 CLEAN TRUCK FUND RATE**

and focused smaller group meetings with industry, agencies, and environmental groups. Specifically related to the CTF Rate development, the Ports hosted a public workshop on August 1, 2019, to receive initial comments on the objectives and approach for the CTF Rate. Additional public workshops were held on December 18, 2019, and January 15, 2020, to receive input on the Draft Economic Study and the proposed CTF Rate presented in this document. The Ports received written comments through January 31, 2020. The Ports will continue communicating with the stakeholders and receiving public input leading up to a joint Board's consideration of adoption of this Resolution to approve the CTF Rate amount at a special joint meeting on March 9, 2020. The Ports will continue to work with stakeholders following each Board's action on the Resolutions to receive input on the details of the incentive programs and the implementation tariffs, which are expected to be brought to the Boards for consideration in later in 2020.

General Stakeholder Themes – Ports received over 40 letters from stakeholders throughout the comment period. The following is a summary of the general themes addressed in those letters:

- Cargo owners and shippers want no rate or as small as possible in order to avoid increased costs in the San Pedro Bay. These stakeholders expressed concern about diversion of cargo.
- Many trucking companies sought lower rates out of concern that the rates would be pushed down to them in the market place. Certain trucking associations also indicated they would consider initiating litigation, based on federal pre-emption concepts, if a rate is imposed. Some truckers are pushing for a higher rate, as much as \$100/TEU, as they believe this could influence BCOs to help pay for new trucks.
- Agencies and environmental advocacy groups want as high of a rate as possible, as they believe this will help incentivize the turn-over of older diesel trucks.
- Various stakeholders felt that timelines for CTF Rate exemptions for low NOx trucks should be adjusted.

Economic Study for the Clean Truck Fund Rate – The CTF Economic Study evaluates the capacity of the goods movement industry to absorb the cost of the CTF Rate above existing costs and fees. The purpose of this study was to assess how the CTF rate would affect the potential for cargo diversion, the drayage industry, and the Ports' economic competitiveness.

The analysis considers potential clean truck fund rates in the range of \$5 to \$70 per loaded TEU. The following are key points from the study:

- Modeling was used to estimate the sensitivity of San Pedro Bay market share for Chicago-bound cargo to transit time and cost as compared to transport through the Port of NY/NJ. The model predicts a diversion of only 1.4% for local cargo, since there are few alternatives for this cargo in the near term, even at \$70/TEU.

SUBJECT: APPROVAL OF 2020 CLEAN TRUCK FUND RATE

Note that local cargo is most likely to be impacted by the CTF Rate, as it is typically moved by truck.

- This is consistent with previous analyses of sensitivity to diversion of local cargo brought into the San Pedro Bay, though these previous assessments indicate the effect is likely to be short term, as local markets adjust. The Economic Study reaches a similar conclusion that the low elasticity for local cargo predicted by the model would increase (i.e. greater diversion potential) in the near to medium term as the local market begins to adjust, especially at higher CTF rate levels. Recent changes in market conditions due to global trade policies may have made cargo even more sensitive to cost increases. Export cargo is also very sensitive to cost.
- Historical analysis shows that the Ports have experienced losses in their market share of containerized imports from Asia to ports on the East and Gulf Coasts. The Ports' share of total Pacific Rim containerized imports fell from 52.7 percent in 2007 to 46.4 percent in 2017.
- A CTF rate in the range studied (\$5-\$70/TEU) is not enough, by itself, to cause a trucking company to choose to replace its current trucks, due to the very high cost of the low NOx (\$200,000) and ZE trucks (\$350,000+). Paying the CTF Rate needs to be balanced vs purchasing a new low NOx or ZE truck.
- Purchase of a low NOx or ZE truck can be made competitive through grants, including money collected by the CTF Rate, though multiple grants may be needed to help trucking companies that typically purchase used California compliant diesel drayage trucks for as little as \$50,000.
- Given that higher CTF rates would likely increase diversion of local cargo in the near to medium term without causing truckers to purchase a low-NOx and ZE truck (in the absence of grant money), the Ports should exercise caution in setting a rate, starting at a lower CTF rate to try to limit diversion while still generating a substantial grant fund.
- The transition of trucks to new, cleaner equipment will take a collaboration of agency grant money (South Coast Air Quality Management District, CARB, EPA, and Ports) and substantial private sector investment to reach the Ports' goal of 100% ZE by 2035.

Proposed 2020 CTF Rate Amount for Board Adoption – Based on the CTF Economic Study and assessment by port experts, staff hereby proposes a CTF Rate of \$10 per loaded TEU (\$20 per typical loaded 40-foot container) with the following exemptions:

- Full exemption of the CTF Rate for the pick up or drop off of a loaded container hauled by a CARB certified ZE truck throughout all collection periods;
  - Full exemption of the CTF Rate for the pick up or drop off of a loaded container hauled by a CARB certified low NOx truck between the start of the CTF Rate collection from commencement in 2020 through December 31, 2031; and
  - Starting January 1, 2032, low NOx trucks are proposed to pay the full CTF Rate amount to encourage transition to ZE trucks.
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**SUBJECT: APPROVAL OF 2020 CLEAN TRUCK FUND RATE**

Numerous factors have been considered when developing this proposal. These are included in a CTF Rate Staff Evaluation and Recommendation (Transmittal 2). Key conclusions include:

- Approximately 18,000 trucks are currently registered in the Ports' Drayage Truck Registry, including nearly 8,000 trucks meeting USEPA 2007 emissions standards. These 8,000 will have to be replaced by 2023 when CARB's Truck and Bus Rule mandates that they meet at least USEPA 2010 emissions standards.
- The CTF Rate of \$10 per loaded TEU would initially generate approximately \$90 million per year, based on recent cargo volumes and anticipated exemptions.
- This rate amount is being recommended to provide a balanced approach to achieving the Ports' objectives of reducing emissions for reducing impacts to community health and to meet our criteria pollutant and GHG reduction goals, while minimizing unintended consequences related to economic impacts and disruption to the industry.
- The amount of funding that is being proposed is significant. Having a dedicated and recurring funding program on the order of magnitude of what is being proposed, dedicated specifically to the Ports' drayage truck industry, will be transformational. For example, if incentives are offered at \$100,000 per truck, consistent with recent low NOx truck incentive programs, up to 900 trucks per year could be replaced.
- In the original CTP, the trucking industry paid more than \$1 billion to meet the CTP's goal of early transition to CARB's 2014 Drayage Truck Rule in-use standard. The 2017 CAAP Update indicates that for the latest CTP Update, substantial funding support by state and federal agencies will be critical to build upon the efforts of the Ports' CTP strategies to meet the ultimate goal of 100% ZE's by 2035, as no CARB in-use rule is imminent that will help motivate industry to make this transition.
- The uncertainties and considerations raised in the CTF Rate Proposal lead us to recommend moving forward cautiously as the most prudent and sustainable approach in initiating the CTF Rate amount.
- The Ports' Economic Study raised concerns about competitiveness and potential cargo diversion mainly from the cost that would be added, in addition to other factors.
- Both Ports have already experienced a steady reduction in market share for more than a decade. A high added cost may have the potential to accelerate that trend. Feedback received from cargo owners have indicated that the industry is likely to have a negative reaction to a higher rate amount that is not predictable by solely analyzing the specific additional cost of the CTF Rate.
- Further, as identified in the Ports' truck feasibility assessment and the Ports' ongoing evaluation of the development of the low NOx and ZE technologies, there is currently limited availability of low NOx and ZE Heavy-Duty trucks. This limit on

**SUBJECT: APPROVAL OF 2020 CLEAN TRUCK FUND RATE**

availability will affect how many trucks can be purchased and deployed using incentive funds.

- The Ports will work with stakeholders in the coming months to identify details for how the CTF Rate revenues will be used, including timing for grants to support transition to low NOx and ZE trucks, and confirmation that trucks receiving grants are operating in Port service. It is anticipated that the incentive program would be administered by a third party.
- The Harbor Department will monitor performance of this proposed rate and report to the Board annually, including revenue generated and grant administration.

The Los Angeles and Long Beach Boards always have the ability to use their discretion to make adjustments to the CTF Rate amount over time based on continued evaluation of progress of the CTF in relation to other market conditions. Staff requests that the Board adopt the 2020 CTF Rate amount at this time for planning purposes, with the understanding that no rate amounts will be collected until after the future tariff action, expected sometime in 2020.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is the approval of the CTF Truck Rate, which is an action that can be seen with certainty that there is no possibility of a significant adverse effect on the environment, is a planning study for possible future action, and is the first step in a rate setting activity. Therefore, the Director of Environmental Management has determined that the proposed action is generally and statutorily exempt from CEQA in accordance with Sections 15061(b)(3), 15262, and 15273 of the State CEQA Guidelines.

**FINANCIAL IMPACT:**

The Harbor Department anticipates generating approximately \$50 million in annual revenue from collection of the CTF Rate at POLA (approximately \$90 million with POLB). This money will be used to provide incentive funding toward the purchase of low NOx and ZE trucks including supporting infrastructure, and to pay consultant fees to collect the 2020 CTF Rate at POLA's container terminals. The agreement with such consultant will be submitted to the Board as a separate Board item.

Setting the CTF Rate amount as a planning activity for future action has no financial effect to the Harbor Department or others, unless and until CTF Rate collection commences pursuant to a future tariff adopted by the Board and City Council, forecast to occur in 2020 after occurrence of various conditions precedent.

**CITY ATTORNEY:**

The Office of the City Attorney has reviewed and approved as to form and legality the resolutions adopting the 2020 CTF Rate.

DATE: MARCH 5, 2020

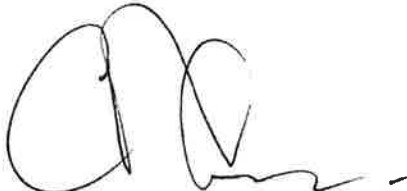
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SUBJECT: APPROVAL OF 2020 CLEAN TRUCK FUND RATE

TRANSMITTALS:

1. 2020 Joint Clean Truck Program Rate Resolution
2. 2020 Clean Truck Fund Staff Rate Staff Evaluation and Recommendation
3. Draft Economic Clean Truck Fund Rate Study Written Public Comments
4. Final Economic Study for the Clean Truck Fund Rate

FIS Approval: MB  
CA Approval: MD



CHRISTOPHER CANNON  
Director of Environmental Management



MICHAEL DIBERNARDO  
Deputy Executive Director

APPROVED:



For

EUGENE D. SEROKA  
Executive Director

CC/yo  
AUTHOR: Tim DeMoss

FILE: Y:\ADMIN\BOARD REPORTS\AIR QUALITY\CTP\2020 TRUCK RATE\Environmental\_CTP 2020 Clean Truck Fund Rate\_Board Report - FINAL.docx  
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**Recommendation 2 of Resolution 20-9613 is amended by this \*\* "Insert A"**

- (a) Approve, for planning purposes, the 2020 Clean Truck Fund (CTF) Rate amount at \$10 per Twenty-Foot Equivalent Unit (TEU) for loaded containers hauled by Heavy-Duty trucks that enter or exit Port terminals, and request a report back from Staff regarding exemptions up to 2031 prior to implementation of the rate later this year.
  - This section shall not apply to zero emissions trucks, which shall be exempt for the duration of the program.
- (b) Affirm that both Boards of Harbor Commissioners will meet annually to review the level of the CTF rate to ensure it continues to support long term CAAP goals.
- (c) Continue to work with the South Coast Air Quality Management District, the California Air Resources Board, Equipment Manufacturers, and other partners as appropriate, to develop a comprehensive long term strategy, including market development, technology development, and product deployment, aimed at supporting achievement of the goals established in the 2017 CAAP update. Provide regular updates on the strategy to the Boards of Harbor Commissioners with the first update within 4 months.
- (d) Work to convene additional Port authorities to encourage similar Clean Truck Programs at ports in the United States and around the world.

RESOLUTION NO. 21.9846

A Resolution of the Board of Harbor Commissioners of the City of Los Angeles (Board), approving the 2021 Clean Truck Fund (CTF) Rate Development Roadmap (CTF Rate Development Roadmap Resolution).

FINDINGS

The Board makes the following findings:

**Clean Air Action Plan and the Clean Trucks Program**

1. The San Pedro Bay Ports Clean Air Action Plan ("CAAP") is a landmark environmental program adopted by the Board for the Port of Los Angeles (POLA), working jointly with the Port of Long Beach (POLB) (each a Port and collectively Ports). The original 2006 CAAP planned voluntary measures to reduce emissions from maritime freight operations at the Ports (ocean-going vessels, trains, trucks, cargo handling equipment and harbor craft) and was updated in 2010 and 2017. The Final 2017 CAAP Update ("2017 CAAP Update"), adopted by the Ports' Boards on November 2, 2017, set a goal to transition drayage trucks operating at the Ports to zero-emission trucks by 2035.

2. One of the most successful emissions reduction strategies contained in the CAAP was the Clean Truck Program ("CTP"), which helped to incentivize the trucking industry to replace the existing fleet of trucks that provided drayage services at the Ports with cleaner trucks. Since 2008, the Ports helped the industry transition towards compliance with State laws regulating drayage trucks, by advancing phased early adoption at the Ports. The Ports also provided incentives to trucking companies to replace their older trucks with cleaner trucks, funded in part by a truck fee from 2009-2011 on loaded cargo carried by any drayage truck that did not meet the 2007 EPA compliance standard, which was adopted as an in-use requirement for statewide Port trucks under State law effective in 2014. Despite the Tariff requiring the Truck Fee to be paid by the beneficial cargo owners, some drayage truck drivers have reported to the Ports that they were required by licensed motor carriers (LMCs) to pay the Truck Fee if they did not have a 2007 compliant truck. Payment of this fee, or alternatively shouldering the cost of financing a new truck, caused an adverse economic impact on

many drivers, which led to some of them leaving the drayage industry altogether.<sup>1</sup>

3. The Board finds that a roadmap with principles for development of a tariff and commencement of collection of the CTF Rate shall continue to help the trucking industry transition towards compliance with State laws regulating drayage trucks at the Ports.

#### **Clean Air Action Plan 2017 Update and the Clean Truck Fund Rate.**

4. A critical element in the 2017 CAAP Update's CTP is the establishment of a Clean Truck Fund Rate ("CTF Rate" or "Rate") to help incentivize the transition to ZE drayage trucks. The 2017 CAAP Update provides that a rate will be charged to the beneficial cargo owners ("BCOs") on loaded containers hauled by heavy-duty trucks that enter or exit the Ports' terminals, with exemptions for trucks that have engines certified to the California Air Resources Board ("CARB") Zero Emissions (ZE) standard and Low NOx Emissions (Low NOx) manufacturing standard or better.

5. As further stated in the 2017 CAAP Update, implementation of this CTF Rate would be contingent upon the following factors:

a. Completion of a truck feasibility assessment to understand the current status of Low NOx and ZE heavy-duty truck technology development, including evaluation of availability of heavy-duty trucks meeting the lower emissions standards. **This was completed in 2018.**

b. Completion of an economic study of the CTF Rate to understand the potential effect of the Rate on cargo diversion and the local drayage truck industry. **This was completed in March 2020.**

c. Establishment of a CTF Rate collection mechanism. **Contract approved by the Board on May 20, 2021 and Vendor work on Collection System to commence in 2021 upon FMC contract review completion;** and

d. Regulatory agency adoption of a heavy-duty Low NOx engine manufacturing standard. **CARB approved its Low NOx Heavy-Duty Omnibus Regulation on August 27, 2020.**

6. The 2017 CAAP Update did not have an express requirement to address impacts of the new CTF Rate on drivers.

7. On March 9, 2020, both Boards of Harbor Commissioners for Los Angeles and Long Beach adopted a Resolution setting the CTF Rate amount at \$10 per TEU "for planning purposes to allow the Ports' stakeholders to plan for future implementation." The March 2020 Rate Setting Resolution set out certain additional

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<sup>1</sup> <https://cleanairactionplan.org/documents/final-2017-clean-air-action-plan-update.pdf/> pp 37-38, and 48-49.

actions to be taken by the Ports in order to proceed with the CTF Rate Collection:

a. The Board must adopt a “future Tariff Amendment adopted by the Board and, in the City of Los Angeles, the City Council,” after satisfaction of the conditions precedent set forth in the 2017 CAAP Update and in Section 5 of the Findings above. This resolution, as part of the CTF Rate development process, therefore establishes a timeline by which the Board will vote on a proposed Tariff.

b. Affirm that both Boards of Harbor Commissioners will meet annually to review the level of the CTF rate to ensure it continues to support long-term CAAP goals. **This will be carried out annually after commencement of rate collection.**

c. Continue to work with the South Coast Air Quality Management District, the California Air Resources Board, Equipment Manufacturers, and other partners as appropriate, to develop a comprehensive long-term strategy, including market development, technology development, and product deployment, aimed at supporting achievement of the goals established in the 2017 CAAP update. Provide regular updates on the strategy to the Boards of Harbor Commissioners with the first update within 4 months. **This report back was completed at the July 23, 2020 meeting of the Board.**

d. Work to convene additional Port authorities to encourage similar Clean Truck Programs at ports in the United States and around the world. **On April 7, 2021, Los Angeles Mayor Eric Garcetti and Port of Los Angeles Executive Director Gene Seroka launched the C40 Cities Green Ports Forum working group, an international consortium of cities and ports collaborating on climate action solutions.**

**NOW, THEREFORE, IT IS HEREBY RESOLVED** by the Board of Harbor Commissioners of the City of Los Angeles:

Section 1. [CEQA] This 2021 CTF Rate Development Roadmap Resolution is the first step in a rate setting activity for the purpose of purchasing equipment, and as such, is exempt from the California Environmental Quality Act under State CEQA Guidelines § 15273.

Section 2. [CEQA] This 2021 CTF Rate Development Roadmap Resolution is a planning study for possible future action, and as such, is exempt from the California Environmental Quality Act under State CEQA Guidelines § 15262.

Section 3. [CEQA] It can be seen with certainty that there is no possibility that the approval of this 2021 CTF Rate Development Roadmap Resolution may have a

significant adverse effect on the environment, as such, the Resolution is therefore exempt under the common-sense exemption of State CEQA Guidelines § 15061(b)(3).

Section 4. [CEQA] The Harbor Department Director of Environmental Management shall file a notice of CEQA exemption with the County Clerk of the County of Los Angeles and with the State Office of Planning and Research.

Section 5. [Zero Emissions Commitment] The Board directs staff to take all feasible actions to accelerate deployment of ZE trucks by prioritizing the testing, demonstration and deployment of ZE equipment, and supporting infrastructure in accordance with the 2017 CAAP Update and the 2035 goal for ZE drayage trucks serving the Port.

Section 6. [Stakeholder Engagement] In developing the tariff, the Board directs staff to undertake robust stakeholder engagement to inform key design elements of the tariff, including but not limited to input from regulatory agencies, trucking associations, labor groups, environmental justice organizations, and port communities.

Section 7. [Tariff Development] The Board further directs staff to develop a proposed tariff for the CTF Rate for Board consideration by the end of 4Q 2021. The proposed tariff should be based on the following principles:

- Consider stakeholder input in development of tariff details;
- Coordinate with Port of Long Beach to achieve, as much as feasible, uniform implementation across the San Pedro Bay Port Complex;
- Achievement of zero-emissions must be the overall goal, with incentives for acceleration of deployment of ZE trucks;
- Responsible treatment of the collected CTF Rate funds through expenditures consistent with the Tidelands Trust requirements and with the goals of the 2017 CAAP Update;
- Maximizing partnerships to accelerate ZE fleet transition that leverage other sources of funding, such as other public sources or funding and financing from the private sector;
- Exemptions based on federal and state clean truck regulations, with a permanent exemption for ZE trucks and an exemption to be developed following the Stakeholder Engagement process, for Low NOx trucks, as defined by CARB in their Low NOx Heavy-Duty Omnibus Regulation, that are purchased before the end of 2021, registered into the Port Drayage

Truck Registry, and put into service before the end of 2022;

- Integration with and contribution to a regional strategy for ZE supporting infrastructure;
- Policy advocacy directed at increasing funding and addressing barriers to adoption of ZE trucks, such as reduction of direct costs, including taxes and insurance, for ZE drayage trucks and supporting infrastructure;
- Consider results from a survey of truck drivers to assist with development of solutions to reduce the direct and indirect costs to drivers arising from fleet conversion; and
- Consider overall equity, including of economic and environmental outcomes and to drivers and port communities.

Section 8. [Commencement of CTF Rate Collection] Commence collection of the Clean Truck Rate following adoption of a tariff for the proposed Clean Truck Rate completion of a fee collection system, and establishment of a plan to expend the collected funds and compliance with applicable laws.

Section 9. Authorize the Board Secretary to execute the proposed Resolution. This resolution shall take effect upon its adoption by the Board of Harbor Commissioners and compliance with City Charter Sec. 245.

I HEREBY CERTIFY THAT the foregoing Order was adopted by the Board of Harbor Commissioners of the City of Los Angeles at its meeting held on

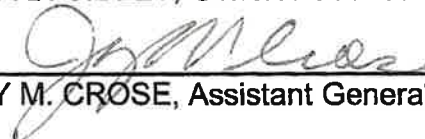
June 17, 2021.



AMBER M. KLESGES  
Board Secretary

APPROVED AS TO FORM AND LEGALITY

June 18, 2021  
MICHAEL N. FEUER, City Attorney  
JANNA B. SIDLEY, General Counsel

By   
JOY M. CROSE, Assistant General Counsel