



Proposed Rule 2304
Indirect Source Rule for Commercial
Marine Ports – Container Terminals
Working Group Meeting

Join Zoom Webinar Meeting
- from PC or Laptop
<https://scaqmd.zoom.us/j/91542075443>
Zoom Webinar ID: 915 4207 5443
Teleconference Dial In +1 669 900 6833
January 25, 2024, 1:00 PM PST

Agenda



Status of PR 2304 Rulemaking



Staff Preliminary Response to Stakeholder Comments



Framework for Discussing Potential Emission Reduction Strategies



Next Steps



Discussion



Status of PR 2304 Rulemaking



PR 2304 Approach – Discussed in September 2023



Establish further NOx emission reduction targets
Set beyond Ports' own 2023 target



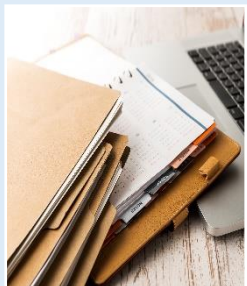
No cap on port cargo volume
Ports and terminals not required to delay or turn away cargo



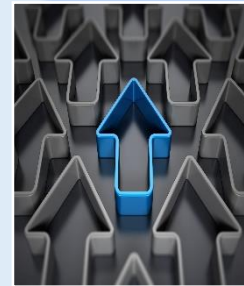
Facilitate investments in zero-emission ports
Stay competitive as world-class ports



Require ZE infrastructure planning and implementation
Meet federal, state, and local goals and requirements



Ports and terminals set their own plans
*Self-determine paths toward emission reduction targets**

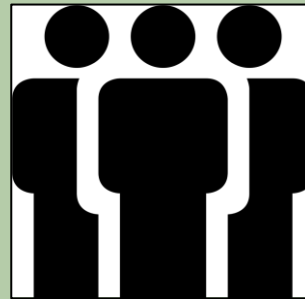
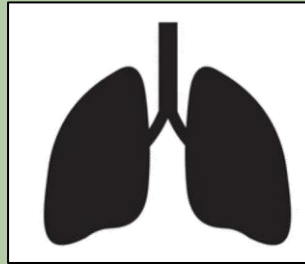


Compliance flexibility with multiple options
Allow for technological and economic uncertainties

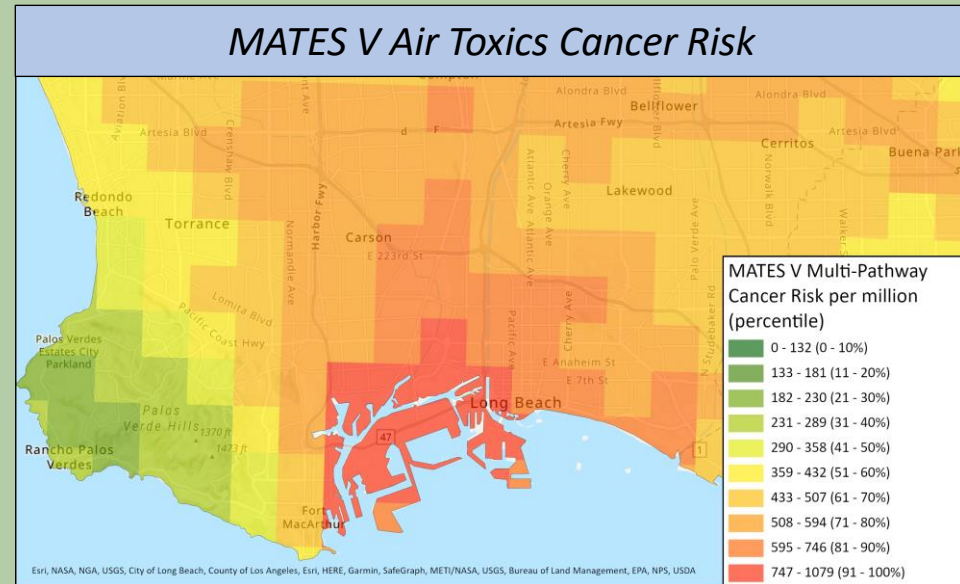
* Within reasonable limits and meeting plan development and approval requirements set in rule

Continued Rule Concept Development

Prioritize public health and air quality needs



MATES V Air Toxics Cancer Risk

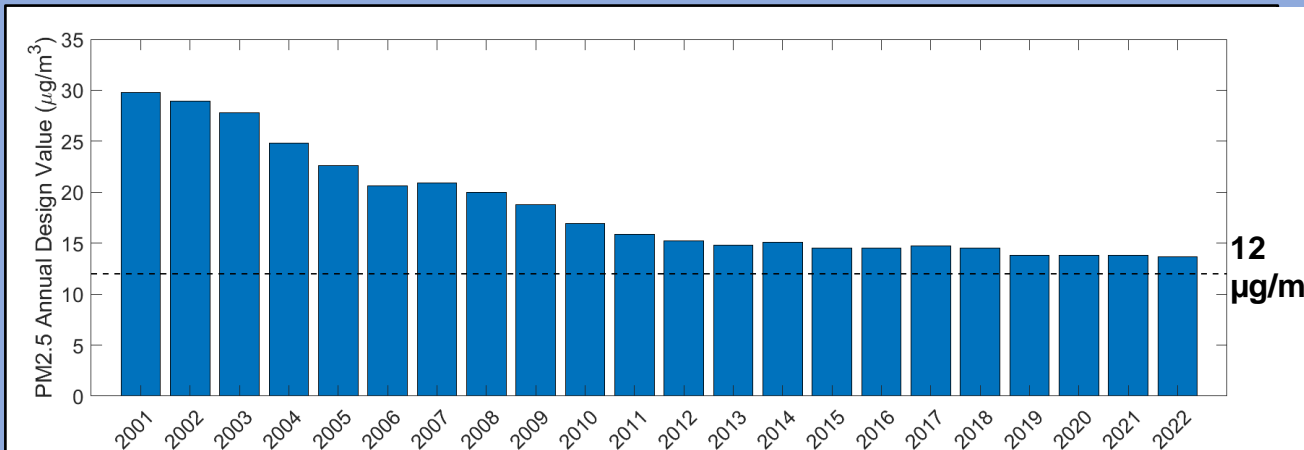
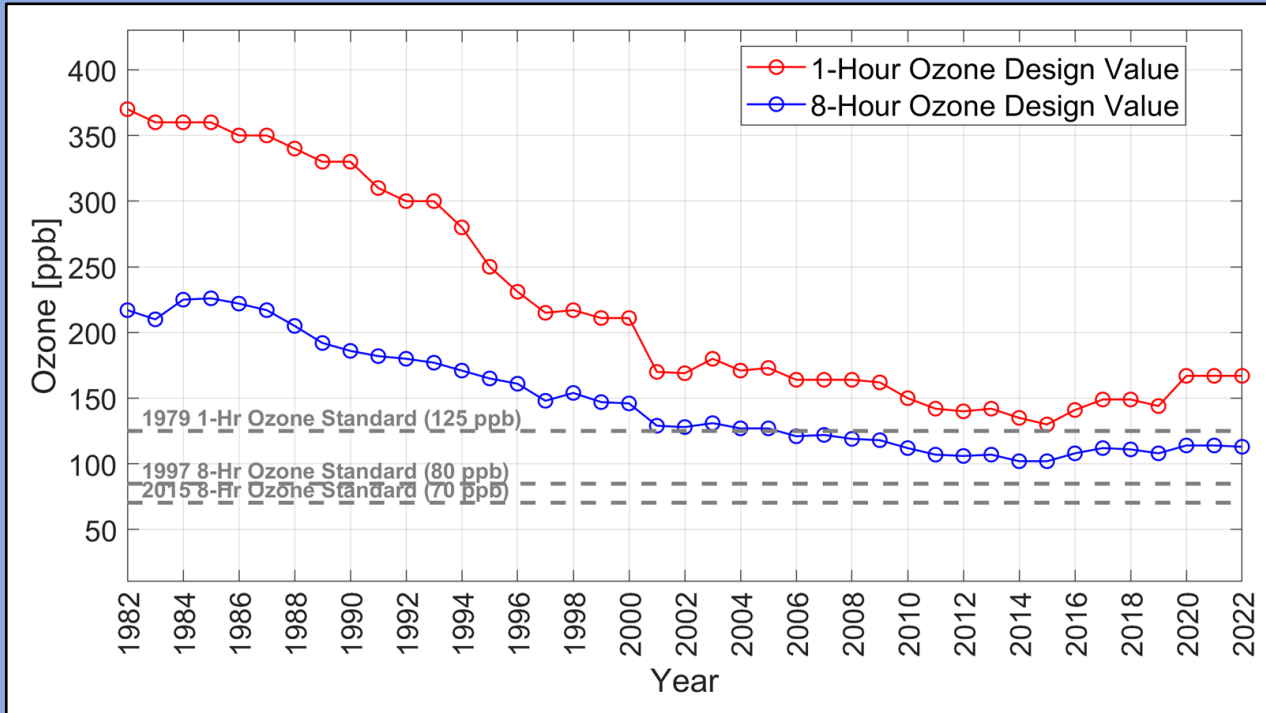


Factor in market and industry trends affecting Ports operations

Maximize use of applicable grants and incentives

Consider potential economic and job impacts and minimize to extent possible

Regional Air Quality Attainment Needs



South Coast Air Basin in non-attainment for multiple health-protective federal and state standards for ozone and fine particulate matter (PM2.5)

San Pedro Bay Ports collectively the largest source of NOx emissions in the South Coast Air Basin

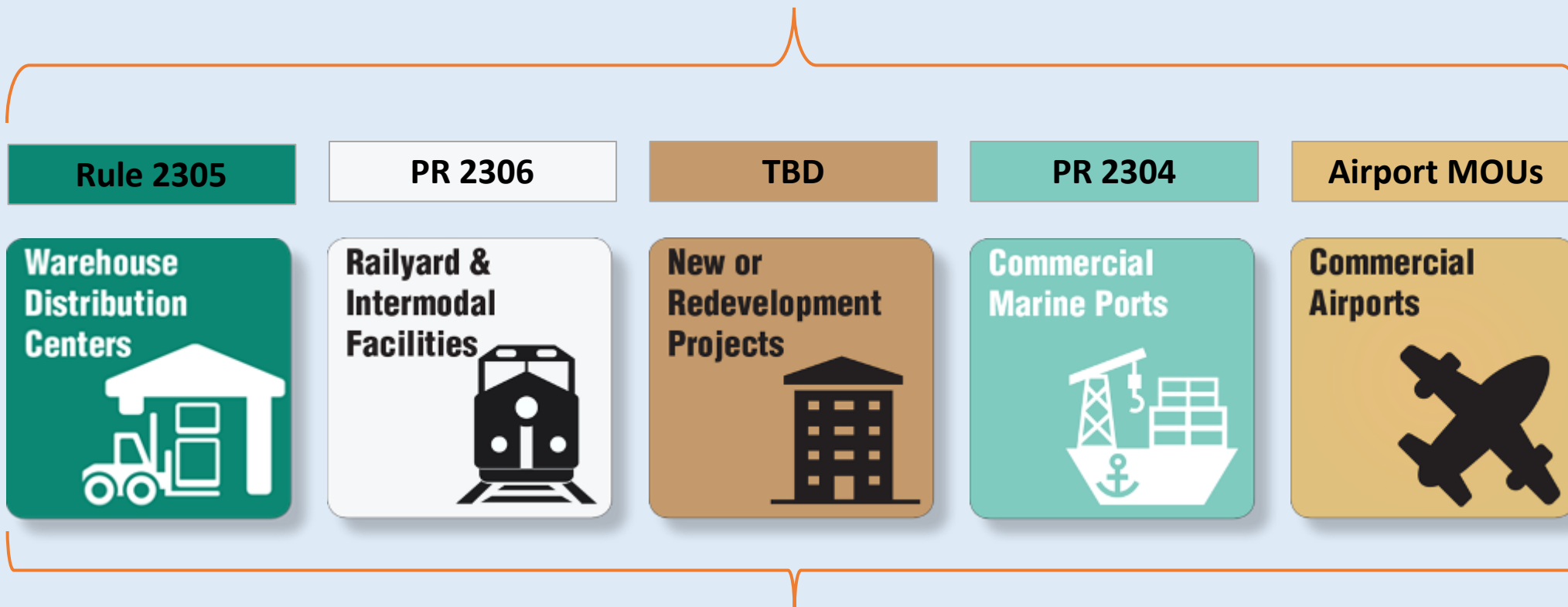
**NOx is a precursor to the formation of ozone and particulate matter*



Further emission reductions from port sources necessary to achieve regional attainment and protect public health

Facility Based Mobile Source Measures

Facility Based Mobile Source Measures (FBMSMs) work together to reduce mobile source emissions from indirect sources within South Coast AQMD*



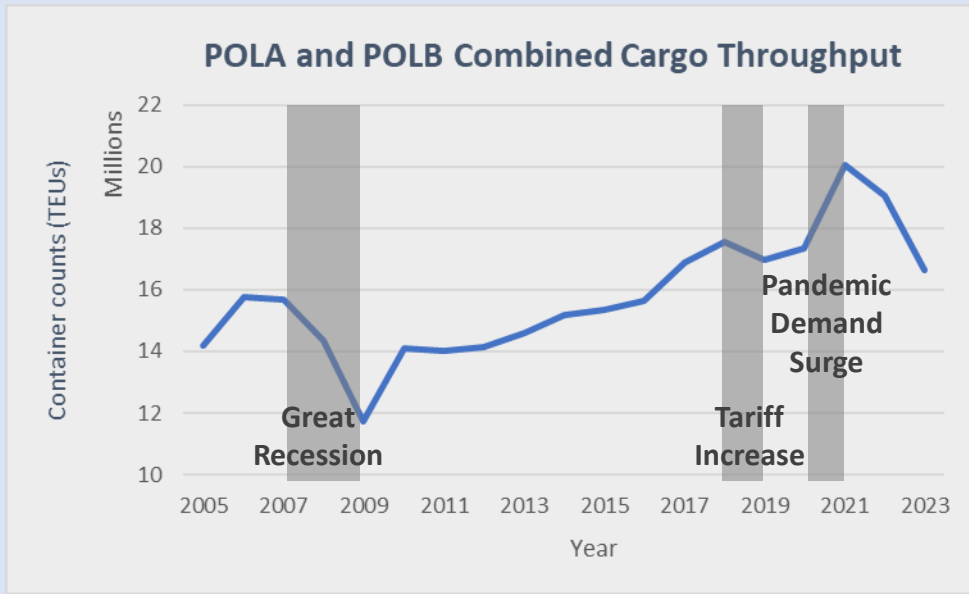
FBMSMs included in 2016 and 2022 Air Quality Management Plans



Indirect Sources Attract Mobile Sources of Emissions

* Prior to FBMSMs, South Coast AQMD has adopted indirect source rules, including Rule 2202, to reduce passenger vehicle emissions associated with commuting to/from large worksites.

Market and Industry Trends



- Overall cargo volume trending upwards at the Ports over past decades
- Decrease in TEU throughput in 2023 seen across major U.S. ports
- Several macroeconomic factors have shifted long-term industry trends:
 - U.S. trade policies and tariff increases
 - Global supply chain shifts
 - Significant investment in other U.S. Ports

New labor contract signed for West Coast ports following the 2022-23 negotiation

LOS ANGELES WELCOMES RATIFICATION OF LONGSHORE WORKER CONTRACT

SAN PEDRO, Calif. – Aug. 31, 2023 – The International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) have reached a new labor agreement that will ensure the flow of U.S. goods to and from the West Coast and the rest of the world. The agreement will make sure the flow of U.S. goods to and from the West Coast and the rest of the world. The agreement will make sure the flow of U.S. goods to and from the West Coast and the rest of the world.

CITY, PORT OF LONG BEACH WELCOME ILWU CONTRACT RATIFICATION

August 31, 2023
 Long Beach Mayor Rex Richardson and Port of Long Beach CEO Mario Cordero congratulated the membership of the International Longshore and Warehouse Union for their ratification of the six-year contract between the ILWU and the Pacific Maritime Association.

LONG BEACH MAYOR REX RICHARDSON
 "We applaud the ILWU members for approving the new labor agreement with the PMA that will benefit 22,000 workers for residents throughout Long Beach and the greater Los Angeles region. We value our port employees and our industry partners, and we are committed to working alongside the ILWU, PMA and our port leadership to make our Port of Long Beach the most competitive and efficient in the world."

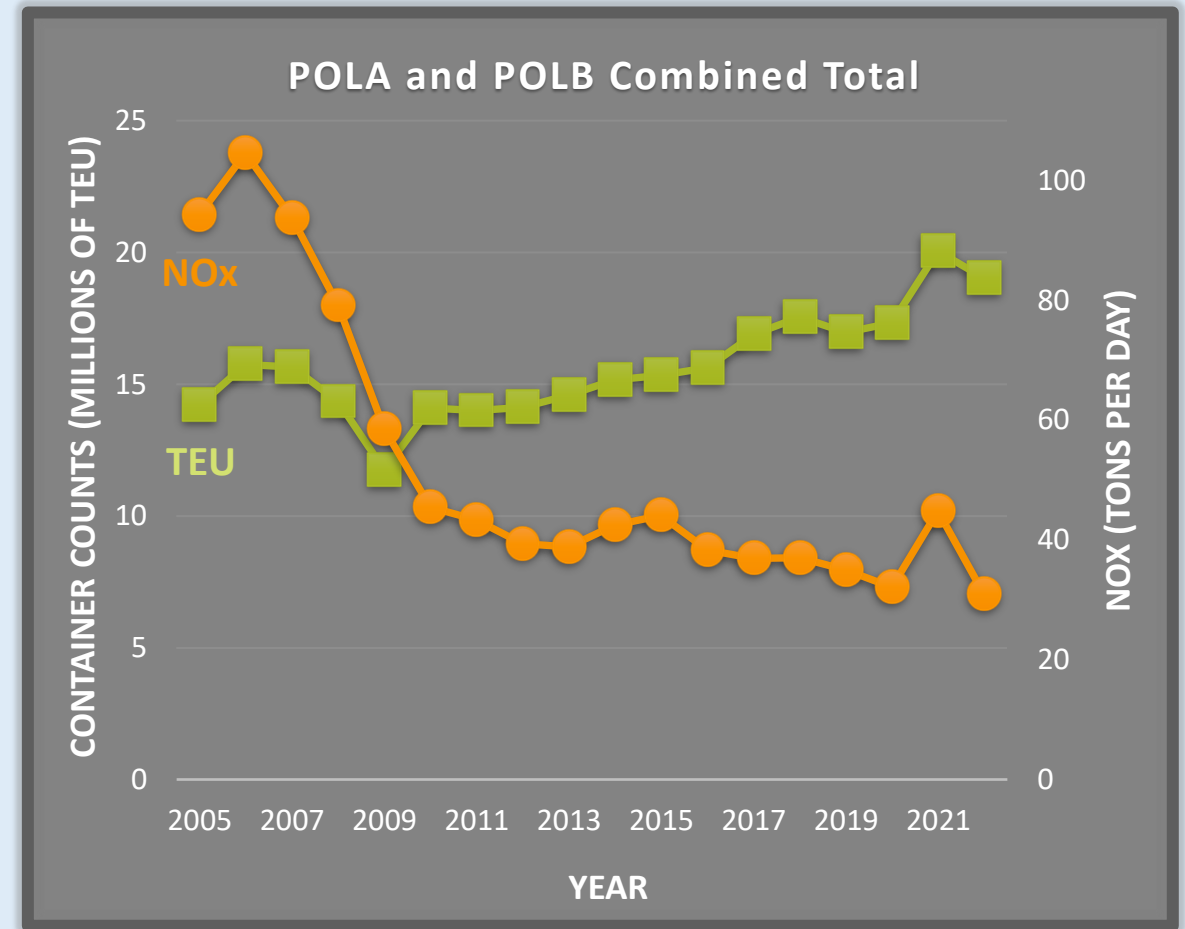
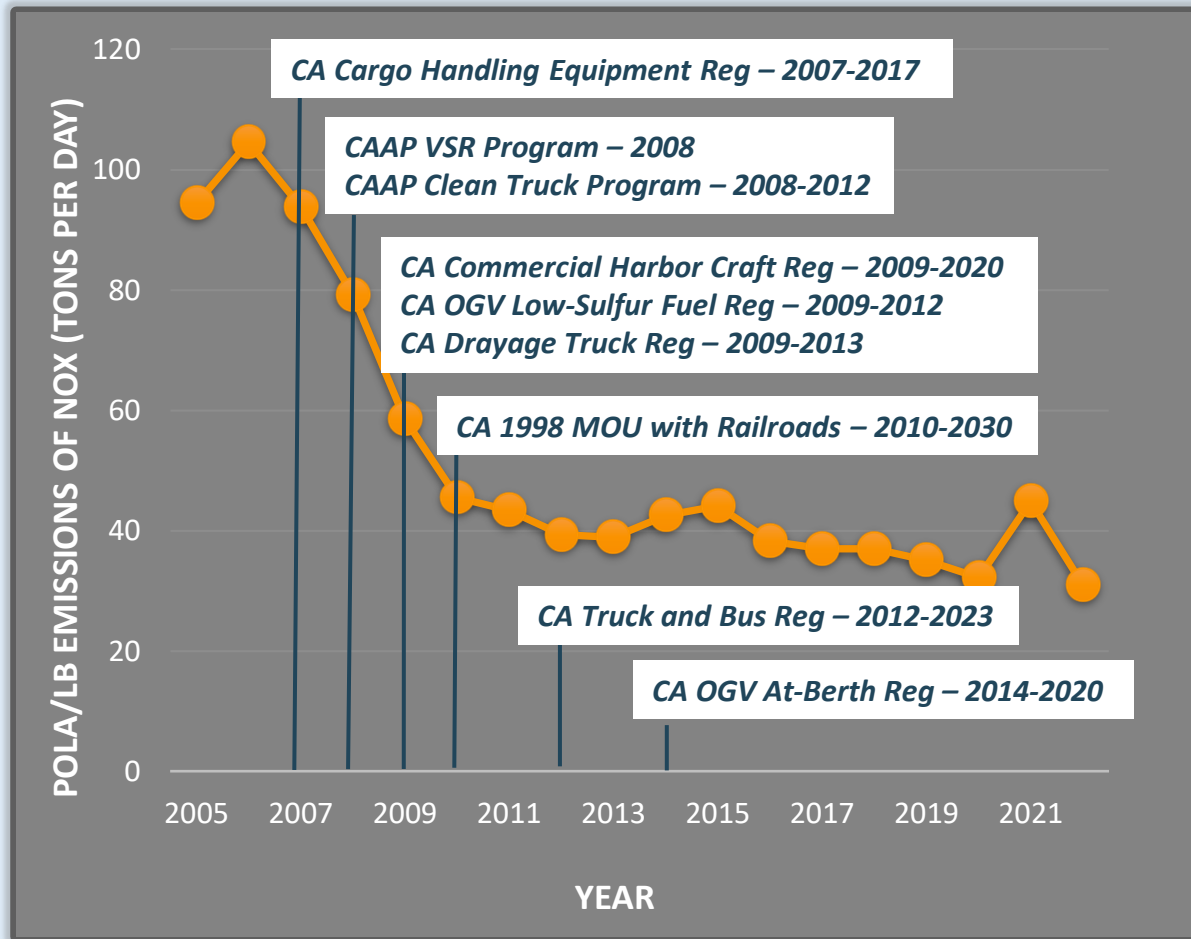


Recent disruptions at major shipping routes (drought at Panama Canal; instability near Suez)

Continued supply chain shifts (e.g. in-sourcing)



Cargo Volume Trending Upwards Amid Implementation of Clean Air Rules and Programs



South Coast AQMD has partnered with the Ports and invested nearly \$1 billion on clean air port operations over the past decade

Unprecedented Amount of Federal & State Funding

Federal Funding Opportunities

Funding being pursued from:

- Inflation Reduction Act (IRA)
 - Climate Pollution Reduction
 - Clean Ports Program
 - Clean Heavy-Duty Vehicles
- Bipartisan Infrastructure Law (BIL)
 - Charging and Fueling Infrastructure
- Federal Railroad Administration (FRA)
- Maritime Administration (MARAD)
- EPA
 - Targeted Airshed, DERA



State Funding Opportunities

- CalSTA Port and Freight Infrastructure Program
- Hybrid and Zero-Emission Truck and Bus Voucher Incentive Program (HVIP)
- Port Infrastructure and Development Program (PIDP)
- Zero and Near Zero-Emission Freight Facilities
- Clean Off-Road Equipment Voucher Incentive Project (CORE)
- Others: Carl Moyer, VW Mitigation, LCFS, CAPP, EnergIZE, etc.



Focus of Funding

- Technology demonstration
- Clean equipment transition
- Zero emission infrastructure

South Coast AQMD will continue to work with a variety of partners to maximize opportunities for funding in our region

Maximizing Use of Grants and Incentives

<p><i>Stakeholder concern:</i> What are the limitation on use of grants or incentives to comply with PR 2304?</p>	
<p>Funding Programs Some programs may limit use of funds. Others do not.</p>	<p>Indirect Source Rules Do not necessarily impose limitations</p>

Based on staff's initial review of federal, state, and local (e.g., ports' Clean Truck Program) funding opportunities, **most are not prohibited** from being used to comply with a regulation. However, some do have limitations such as Carl Moyer Program, Proposition 1B, and VW Mitigation.

Maximizing Use of Grants and Incentives (Cont.)

Example limitation: Carl Moyer Program

Limitation	Not A Limitation	
Rule Compliance Restriction <ul style="list-style-type: none">Project applicant must not use funds to comply with a rule<ul style="list-style-type: none">Limitation based on authorizing statute	Rule Applicability <ul style="list-style-type: none">Moyer project applicant may not be subject to PR 2304 (e.g., drayage truck owner), therefore Moyer restrictions would not be due to PR 2304	Super Compliance <ul style="list-style-type: none">Project may be eligible if it goes beyond regulatory requirements<ul style="list-style-type: none">If used for early compliance, must meet cost-effectiveness criteria

Note: Some incentive programs release funds based on Carl Moyer Program guidelines, but underlying funding is not necessarily tied to Moyer authorizing statute

Information Requests to Ports

Staff requested and received records from Port of Los Angeles and City of Long Beach:

Specific strategies / measures adopted by Port Authority and Marine Terminal Operators

Environmental compliance programs and implementation status, including:

- CEQA mitigation measures
- Terminal lease measures
- Clean Air Action Plan policies

Assessments, plans, and proposals for:

- Zero emission transition
- Infrastructure building

Other supporting documents

Technical and operational data used to develop Ports' Annual Emissions Inventories

Conditions of tenant lease agreements / operating permits

Port tariffs and ordinances documentation

Terminal-Specific Information Collection

- Staff conducted site visits to two more terminals, completing visits to all 13 container terminals
- In coordination with PMSA, staff developed and administered survey to container terminals to gather terminal-specific information
 - Staff received and analyzing initial responses (all marked business confidential)

Terminal-Specific Information Surveyed

<u>Physical Capacity</u>	<u>Business Relationships</u>	<u>Onsite Cargo Handling Equipment</u>	<u>Onsite Charging / Fueling Infrastructure</u>	<u>Onsite Energy Generation and Storage</u>
<ul style="list-style-type: none"> • Annual maximum TEU throughput • On-dock rail capacity and utilization • Physical and operational factors affecting capacity 	<ul style="list-style-type: none"> • Ocean carriers • Freight forwarders • Beneficial cargo owners • Etc. 	<ul style="list-style-type: none"> • Current and planned inventory • Charging / fueling schedule • Costs 	<ul style="list-style-type: none"> • Current and planned inventory • Power / fuel demand • Costs 	<ul style="list-style-type: none"> • Current and planned inventory • Generation / storage amount • Usage purpose • Costs



Staff Preliminary Response to Stakeholder Comments



Community Stakeholder Comments



7 Comment Letters Received Since June 1, 2023

Comments	Staff Responses
<p>Advocacy for:</p> <ul style="list-style-type: none"> • Timely rule adoption • Stringent emission reduction targets • Emission reductions accountability • Cleanest ships • Air monitoring and reporting • Zero emission (ZE) ports • Economic and environmental balance 	<ul style="list-style-type: none"> • PR 2304 Public Hearing scheduled for Q4 2024 • Enforceable targets established for mass emissions related to facility operations <ul style="list-style-type: none"> • Ship emissions included • Upcoming technical discussions with Working Group will inform target setting • Container Terminal Operators and Port Authorities both subject to PR 2304 <ul style="list-style-type: none"> • Will include ZE infrastructure planning and installation and reporting requirements

Port Authority and Industry Stakeholder Comments



3 Comment Letters Received Since June 1, 2023

Comments	Staff Responses
<p>Need further details on preliminary rule concepts, including recognition of early emission reduction efforts</p>	<ul style="list-style-type: none"> • Preliminary response available on Proposed Rules webpage* • Concept still in development <ul style="list-style-type: none"> • Upcoming series of technical working group meetings will feed into rule concept development
<p>Concerns about:</p> <ul style="list-style-type: none"> • Potential for limits to port cargo throughput • Port-related jobs • Regional economy • Use of incentive funds 	<ul style="list-style-type: none"> • Proposed rule will not limit throughput. It only seeks to limit emissions. • Potential economic impacts will be analyzed in socioeconomic assessment • PR 2304 will be designed to maximize applicable use of grants and incentives

*Comment letters and preliminary responses are available on the PR 2304 – Comment Letters webpage: <https://www.aqmd.gov/home/air-quality/clean-air-plans/air-quality-mgt-plan/facility-based-mobile-source-measures/comm-ports-wkng-grp/comment-letters>



Framework for Discussing Potential Emission Reduction Strategies



Working Group Meeting Focus: Strategies to Further Reduce Emissions at the Ports

- Further emission reductions are needed at the Ports
 - Goal of holding this series of Working Group Meetings is to discuss potential strategies that can achieve additional emission reductions from port sources
- Important to obtain technical stakeholder feedback on strategies
 - Additional opportunities for discussion will be made available in future based on initial feedback
- Discussion today:
 - Overview of potential emission reduction strategies
 - Approach to technical discussion on potential emission reduction strategies
 - Stakeholder input on discussion approach

Overview of Potential Emission Reduction Strategies

- Staff distributed to Working Group “**Potential Port Emission Reduction Strategies – Discussion Draft**” containing 30+ potential mechanisms that could further reduce emissions at the Ports

Focus of stakeholder discussion in response to potential mechanism:

Developed and Shared by Staff	Additional Role(s)	Potential Constraints & Opportunities	Potential Community Benefits & Impacts	Other Considerations
<ul style="list-style-type: none"> • Desired Outcome • Potential Mechanism • Elements for Mechanism Implementation 	What additional role or influence can Port Authority, Marine Terminal Operator, or other parties provide to help implement the mechanism?	For the listed factors, what do you see as: <ul style="list-style-type: none"> • Constraints to implement the mechanism? • Opportunities to advance implementation? 	In addition to emissions reductions from the potential mechanism, what do you see as: <ul style="list-style-type: none"> • Community benefits? • Community impacts? 	Any other factors that should be considered?

Stakeholder Preparation for Technical Discussion

- Staff requests stakeholders:
 - Fill out blank columns for mechanisms of interest to them in distributed **“Potential Port Emission Reduction Strategies – Discussion Draft”**; and
 - Bring completed table with them to share at the subsequent Working Group Meetings, or
 - Send completed table to PR 2304 staff at PortsISR@aqmd.gov

Pre-Filled by Staff	Additional Role(s)	Potential Constraints & Opportunities	Potential Community Benefits & Impacts	Other Considerations
<ul style="list-style-type: none"> • Desired Outcome • Potential Mechanism • Elements for Mechanism Implementation 				

To be filled out by stakeholder prior to technical discussion

Example of Mechanism Feedback

“Potential Mechanisms” Tab

Desired Outcome:
Cleaner ocean-going vessel visits

Additional Role or Influence That Could Be Provided By:

Potential Constraints to Mechanism Implementation

Community Benefits

Any Other Considerations for Mechanism Implementation

Potential Mechanism:
Enhanced incentives to increase clean vessel visits through existing programs

- **Port Authority:** Obtain commitments from shipping lines to send cleaner vessels
- **Marine Terminal Operator:** Work with ocean carrier / shipping line sibling company or customer to participate in incentives

- **Timing:** Long equipment lifespan affects deployment of clean ships
- **Costs:** Incentives matching cost for deployment and operation of new build ship

- Reduction to DPM exposure and associated cancer risk

- What are other factors that could help accelerate Tier II+ or cleaner ships deployment?
- How does alternative fueling/bunkering infrastructure affect cleaner vessel visits?

“Other Potential Mechanisms” Tab

Other Outcomes and/or Potential Mechanisms Not Listed?

Stakeholders welcome to provide additional potential emission reduction mechanisms not identified by staff

Approach to Technical Discussion

Two Subsequent Working Group Meetings

In-Person Only at South Coast AQMD Headquarters

Feb 22
1p – 4p

Technical Discussion #1:
**Ocean-going Vessels (OGV) and Cargo
Handling Equipment (CHE)**

Feb 29
9a – 12p

Technical Discussion #2:
**Drayage Trucks, Locomotives, and Harbor
Craft**

** Tentative meeting dates*

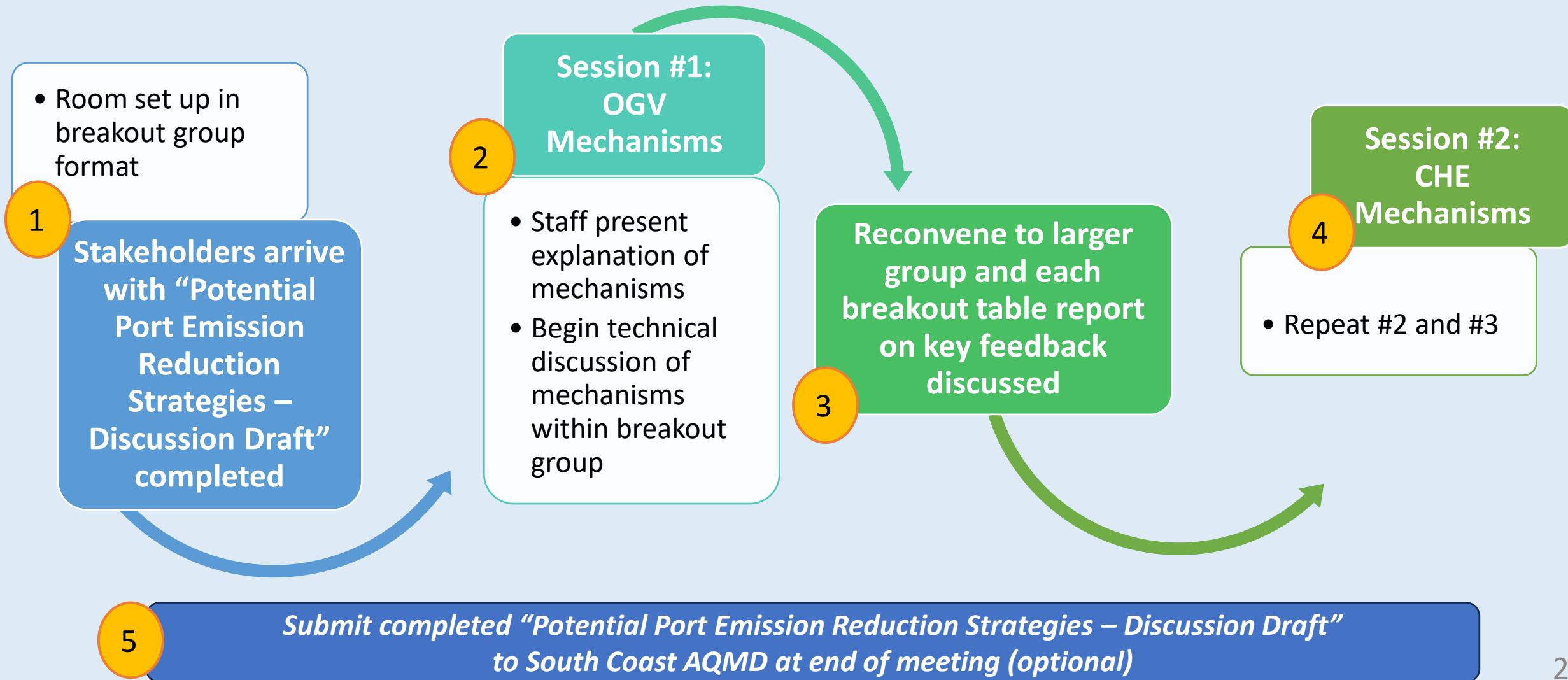
- **Breakout groups** to discuss specific mechanisms to further reduce emissions from respective port sources
- Technical discussion focusing on constraints and opportunities

Zoom Poll

1. Do you plan to attend the discussion if held on **February 22 at 1 pm?**
2. Do you plan to attend the discussion if held on **February 29 at 9 am?**

Tentative Technical Discussion Agenda

Feb 22 Meeting Example



Next Steps

Multiple Working Group Meetings (after WGs in Feb.)

February 2024 – Host two in-person technical working group meetings

March/April – Consolidate Feedback, Follow up with stakeholders

May/June – Revise draft rule concept, Discuss socioeconomic analysis approach with working group

Summer – Release preliminary draft rule language

Late Summer – Anticipated release of Draft Socioeconomic Report and Draft CEQA document

Public Hearing in 4th Quarter 2024

Quarterly Updates to MSC

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Sign up for the mailing list at: <https://www.aqmd.gov/sign-up> (select “Proposed Rule 2304”)

For more information and for materials from previous meetings,
visit: www.aqmd.gov/fbmsm (click into “Commercial Marine Ports”)

Discussion



Are there any questions on the distributed mechanisms?



Are there any questions or suggestions for the breakout discussion format?



Are there specific entities or parties that should be invited to these breakout discussions?