State of California
AIR RESOURCES BOARD

**Report on Reductions Achieved from Incentive-Based Emissions Reduction Measures in the San Joaquin Valley**

Resolution 14-36

October 24, 2014

Agenda Item No.: 14-8-10

WHEREAS, the Legislature in Health and Safety Code section 39602 has designated the State Air Resources Board (ARB or Board) as the air pollution control agency for all purposes set forth in federal law;

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize ARB to adopt standards, rules, and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

WHEREAS, ARB is responsible for the preparation of the State Implementation Plan (SIP) for attaining and maintaining the national ambient air quality standards (NAAQS) as required by the federal Clean Air Act (Act) (42 U.S.C. section 7401 *et seq.*), and to this end is directed by Health and Safety Code section 39602 to coordinate the activities of all local and regional air pollution control and air quality management districts (districts) necessary to comply with the Act;

WHEREAS, section 39602 of the Health and Safety Code also provides that the SIP shall include only those provisions necessary to meet the requirements of the Act;

WHEREAS, sections 39515 and 39516 of the Health and Safety Code provide that any power, duty, purpose, function, or jurisdiction of the Board may be delegated to the Board's Executive Officer as the Board deems appropriate;

WHEREAS, ARB has primary responsibility for the control of air pollution from vehicular sources, including motor vehicle fuels, as specified in sections 39002, 39500, and part 5 (commencing with section 43000) of the Health and Safety Code, and for ensuring that the districts meet their responsibilities under the Act pursuant to sections 39002, 39500, 39602, 40469, and 41650 of the Health and Safety Code;

WHEREAS, the districts have primary responsibility for the control of air pollution from non-vehicular sources and for adopting control measures, rules, and regulations to attain the NAAQS within their boundaries pursuant to sections 39002, 40000, 40001, 40701, 40702, and 41650 of the Health and Safety Code;

WHEREAS, the San Joaquin Valley Air Pollution Control District (District) was established, pursuant to sections 40000 and 40100 of the Health and Safety Code, as the air pollution control district responsible for carrying out these responsibilities in the San Joaquin Valley Air Basin;

WHEREAS, the San Joaquin Valley Air Basin includes Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and western Kern Counties;

WHEREAS, in July 1997, United States Environmental Protection Agency (U.S. EPA) promulgated an annual and 24-hour NAAQS for fine particulate matter (PM2.5) of 15 $\mu g/m^3$ and 65 $\mu g/m^3$ respectively;

WHEREAS, on April 5, 2005, U.S. EPA designated the San Joaquin Valley Air Basin (SJV) as nonattainment for the 15 µg/m3 annual and 65 $\mu g/m^3$ 24-hour PM2.5 standards (PM2.5 standards);

WHEREAS, in 2008, the District and ARB adopted the SJV 2008 PM2.5 Plan (SJV PM2.5 Plan) to fulfill the planning requirements of the Act for the PM2.5 standards for the SJV PM2.5 nonattainment area and transmitted it to U.S. EPA as a SIP revision;

WHEREAS, the SJV PM2.5 Plan relies on emission reductions from already adopted control measures and reductions from new control measures so SJV can reach attainment in 2014;

WHEREAS, the reductions from new control measures in the SJV PM2.5 Plan consist of two components: a commitment to propose new control measures by specific dates, and an aggregate emission reduction commitment in 2014;

WHEREAS, the SJV PM2.5 Plan specifies the commitment to achieve the aggregate emission reductions could be met by new regulations or alternative emission reductions measures including emission reductions from incentive programs;

WHEREAS, on April 28, 2011, the Board adopted revisions to the SJV PM2.5 Plan to reflect the benefits of recently adopted SIP measures;

WHEREAS, on November 9, 2011, U.S. EPA approved the amended SJV PM2.5 Plan, including the ARB State Strategy commitment;

WHEREAS, incentives programs achieve emission reductions beyond those required by regulations by providing grants to private and public entities for the introduction of cleaner technologies earlier than what is required by regulations alone;

WHEREAS, in order for emission reductions from incentive programs to be credited toward fulfilling the ARB aggregate emissions SIP commitment, U.S. EPA guidelines specify that the emission reductions must be enforceable, quantifiable, surplus, and permanent;

WHEREAS, since 1999, the Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program) has provided over $900 million to replace over 41,000 high polluting engines throughout the State cumulatively reducing about 150,000 tons of ozone precursor and 6300 tons of particulate matter emissions;

WHEREAS, since 2008, Proposition 1B: Goods Movement Emission Reduction Program (Prop 1B) has awarded over $718 million to air districts and seaports to reduce air pollution emissions and health risk from freight movement along California trade corridors;

WHEREAS, the Moyer Program and Prop 1B funding guidelines are developed through a public process that include workshops and Board action that allow for stakeholder input;

WHEREAS, ARB prepared the Report on Reductions Achieved from Incentive-Based Emission Reduction Measures in the San Joaquin Valley (Report) to demonstrate that emission reductions from the Moyer Program and Prop 1B are SIP creditable;

WHEREAS, the Report documents that the incentive-based emission reduction measures from the Moyer Program and Prop 1B satisfy the U.S. EPA requirement that the reductions be enforceable by ensuring that actions required of project grantees are independently verifiable, program violations are defined, those liable can be identified, and penalties or corrective action may occur;

WHEREAS, the Report documents that the incentive-based emission reduction measures from Moyer Program and Prop 1B satisfy the U.S. EPA requirement that the reductions be quantifiable by providing publicly available emission factors, calculation methods and project activity data so that project emission reductions can be replicated in a reliable manner;

WHEREAS, the Report documents that the incentive-based emission reduction measures from the Moyer Program and Prop 1B and satisfy the U.S. EPA requirement that the reductions be surplus by showing that the emission reductions are not required by or assumed in a SIP-related program, any State/local rule, consent decree, or federal rule designed to reduce criteria pollutant or precursor emissions or relied upon for SJV PM2.5 Plan contingency;

WHEREAS, the Report documents that the incentive-based emission reduction measures from the Moyer Program and Prop 1B satisfy the U.S. EPA requirement that the reductions be permanent by showing that the project grantee is required to operate and maintain the project, contract provisions allow the public to evaluate the duration of emission to ensure that duration adequately covers the period for which the reductions are relied upon in the SIP and for vehicle or engine replacement projects, the replaced vehicle or equipment is destroyed;

WHEREAS, section 110(l) of the Act and title 40 Code of Federal Regulations (CFR) section 51.102 requires that one or more public hearings, preceded by at least 30-day notice and opportunity for public review, must be conducted prior to the adoption and submittal to U.S. EPA of any SIP revision;

WHEREAS, the Report was made available on September 22, 2014 for public review at least 30 days prior to the hearing date;

WHEREAS, the Report:

1. Quantifies incentive-based emission reductions from 832 Moyer Program off-road equipment repower, replacement, and retrofit projects according to 2005, 2008, 2011 Carl Moyer program guidelines, and 1454 Prop 1B on-road vehicle replacement projects under 2008 and 2010 Prop 1B program guidelines that provide emission reductions throughout the 2014 attainment year in the SJV;

2. Demonstrates that the reductions from the programs meet U.S. EPA requirements for credit toward fulfilling the State Strategy aggregate emission reductions commitment in the SJV PM2.5 Plan; and

3. Documents that ARB and the District have implemented incentive-based emission reduction measures that will provide reductions (7.8 tpd NOx and 0.2 tpd PM2.5) towards the SJV PM2.5 Plan 2014 aggregate emission reduction commitment;

WHEREAS, in consideration of the Report, the Board finds that:

1. The incentive-based emission reduction measures provide 2014 emission reductions of 7.8 tpd NOx and 0.2 tpd PM2.5 that are enforceable, quantifiable, surplus and permanent as these terms are used in applicable U.S. EPA guidance;

2. The Report provides the necessary documentation for U.S. EPA to approve it as an amendment to the California SIP; and

3. The Report meets the applicable requirements established by the Act and U.S. EPA regulations.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby approves the Report on Incentive-based Emission Reduction Measures in the San Joaquin Valley as a revision to the California SIP, and directs the Executive Officer to submit the Report and other appropriate supporting documentation to U.S. EPA for inclusion in SIP as the mechanism to allow California to receive SIP credit for reduction achieved through incentive-based emission reduction measures.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with U.S. EPA and take appropriate action to resolve any completeness or approvability issues that may arise regarding the SIP submission.

BE IT FURTHER RESOLVED that the Board authorizes the Executive Officer to include in the SIP submittal any technical corrections, clarifications, or additions that may be necessary to secure U.S. EPA approval.

BE IT FURTHER RESOLVED that the Board hereby certifies pursuant to 40 CFR, section 51.102, that the Report was approved after notice and public hearing as required by 40 CFR, section 51.102.

I hereby certify that the above is a true and correct copy of Resolution 14-36 as adopted by the Air Resources Board.

Tracy Jensen, Clerk of the Board