

BOARD MEETING DATE: September 6, 2024

AGENDA NO. 6

PROPOSAL: Establish Special Revenue Fund and Recognize Revenue for Implementation of INVEST CLEAN Program and Reimburse General Fund

SYNOPSIS: South Coast AQMD has been awarded up to \$499,997,415 from the U.S. EPA Climate Pollution Reduction Grant (CPRG) program to implement the Infrastructure, Vehicles, and Equipment Strategy for Climate, Equity, Air Quality, and National Competitiveness (INVEST CLEAN) program in the Los Angeles - Long Beach - Anaheim and Riverside - San Bernardino - Ontario Metropolitan Statistical Areas. The INVEST CLEAN program will fund deployment of charging infrastructure and zero-emission battery electric Class 8 trucks, last mile delivery vehicles and strategies, cargo handling equipment, and locomotives, along with workforce training and community benefits programs. These actions are to: 1) establish the U.S. EPA CPRG Special Revenue Fund (90); 2) recognize revenue, upon receipt, up to \$499,997,415 from U.S. EPA into Fund (90); and 3) reimburse the General Fund up to \$24,297,415 from U.S. EPA CPRG Special Revenue Fund (90) for South Coast AQMD administrative expenses.

COMMITTEE: Technology, August 16, 2024, Recommended for Approval

RECOMMENDED ACTIONS:

1. Establish the U.S. EPA Climate Pollution Reduction Grant (CPRG) Special Revenue Fund (90);
2. Recognize revenue, upon receipt, up to \$499,997,415 from U.S. EPA into Fund (90);
and
3. Reimburse the General Fund up to \$24,297,415 for South Coast AQMD administrative expenses from the U.S. EPA Climate Pollution Reduction Grant Special Revenue Fund (90).

Wayne Nastri
Executive Officer

Background

The Inflation Reduction Act (Public Law 117-169) created the U.S. EPA Climate Pollution Reduction Grant (CPRG) program to provide \$4.6 billion in grants to states, local governments, tribes, and territories to develop climate action plans and to implement projects to reduce GHG emissions, criteria pollutants, and hazardous air pollution. CPRG required regional cooperation within Metropolitan Statistical Areas (MSA) and encouraged multijurisdictional partnerships for both planning and implementation efforts.

South Coast AQMD played an active role in spurring the creation of the local CPRG Steering Committees in both the Los Angeles – Long Beach – Anaheim (LA – OC) and Riverside – San Bernardino – Ontario (Inland Empire) MSAs to meet CPRG requirements. The LA – OC Steering Committee includes the counties, cities, county transportation commissions, and other local government agencies such as waste and recycling. The Inland Empire Steering Committee is comprised of the San Bernardino Council of Governments, Western Riverside Council of Governments, Coachella Valley Association of Governments, and Mojave Desert Air Quality Management District. SCAG and South Coast AQMD participate in both MSA Steering Committees. These Steering Committees worked for over one year to develop Priority Climate Action Plans (PCAP) which serve as the foundation for CPRG implementation grant proposals across our region.

Throughout the PCAP development process, South Coast AQMD and other members of the MSA Steering Committees advocated for the prioritization of goods movement-related measures due to their potential for substantial GHG reductions, co-benefits for reducing criteria and hazardous air pollutants, impacts on low-income disadvantaged communities, and the opportunity to drive economic growth, including job creation. This led to the formation of the regional CPRG Goods Movement Working Group spearheaded by South Coast AQMD which included members of both MSAs as well as the Ports of Los Angeles and Long Beach and other interested parties.

Additionally, South Coast AQMD, in partnership with SCAG, the city and county of Los Angeles, and other Steering Committee Members worked with CARB to secure state support for our region's goods movement proposal. South Coast AQMD coordinated with the MSA Steering Committees and Goods Movement Working Group to develop consensus on the broad framework to support a CPRG proposal that encompasses freight movement from the coast through the Inland Empire to the California, Nevada and Arizona borders.

In April 2024, South Coast AQMD submitted the regional CPRG proposal entitled Infrastructure, Vehicles, and Equipment Strategy for Climate, Equity, Air Quality, and National Competitiveness (INVEST CLEAN). The proposal received 81 letters of commitment or support with 131 signatories from Mayors and City Councils, County Supervisors, State Legislators, Members of Congress, local and State agencies including

CARB, the National Renewable Energy Laboratory, International Brotherhood of Electrical Workers – National Electrical Contractors Association, California State Universities, Universities of California, Riverside and Irvine, University of Redlands, community colleges, non-governmental and environmental justice organizations, industry, and utilities.

In July 2024, U.S. EPA awarded South Coast AQMD the full proposal request of \$499,997,415 for INVEST CLEAN, which is the largest CPRG award out of the 25 projects funded nationwide. Nearly 300 applications totaling almost \$33 billion in funding were received by U.S. EPA. INVEST CLEAN is a transformational initiative aimed at overcoming barriers to transitioning the Southern California goods movement and logistics corridor to zero-emission (ZE) technologies. The Project includes four measures, which are:

- (1) **Heavy Duty Charging Infrastructure Deployment Incentive Program:** Incentives will be provided to install electrical charging equipment for heavy-duty trucks. Anticipated program design will provide higher incentives for items not limited to public charging locations, use of renewable energy, installations conducted by apprenticeship programs, use of labor agreements, and public accessibility.
- (2) **Battery Electric Freight Vehicle Deployment Incentive Program:** Incentives will be provided for the purchase of Class 8 battery electric trucks. This measure will also provide funding to support the deployment of Class 4 and 5 battery electric vehicles in SCAG's Last Mile Freight Program.
- (3) **Battery Electric CHE Deployment Incentive Program:** Incentives will be provided for the deployment of battery electric yard tractors and top handlers. Funding for chargers is also included in the incentive and other types of CHE equipment may be considered.
- (4) **Battery Electric Locomotive Pilot Program:** Funding will be provided for the development and operation of battery electric switcher locomotives. The program also provides funding to railroad operators for the installation of chargers needed to operate these battery electric locomotives.

INVEST CLEAN's investment in ZE infrastructure, vehicles, and equipment is expected to create an estimated 470 high-road jobs in California while supporting and creating approximately 4,700 high-road jobs nationwide due to original equipment manufacturer manufacturing and the involvement of related suppliers. As the infrastructure is fully utilized over time, an estimated 43,500 additional high-quality jobs will be created and sustained through manufacturing, electrical installations, and maintenance. The Project's collaboration with International Brotherhood of Electrical Workers-National Electrical Contractors Association, academia, and non-government organizations enhances the potential for significant job creation and the workforce development necessary to implement, maintain, and sustain the ZE transformation of the freight sector. Additionally, the Project includes a framework for a Community

Benefits program, which aims to uplift equity and community priorities and projects, while engaging in education and outreach on climate, air pollution, and ZE technologies.

Proposal

This action is to establish the U.S. EPA CPRG Special Revenue Fund (90) and recognize revenue, upon receipt, up to \$499,997,415 from U.S. EPA into Fund (90). Additionally, this action is to reimburse the General Fund up to \$24,297,415 for South Coast AQMD administrative expenses.

Program announcements to solicit eligible projects will be provided in the following months along with contracting with entities to assist in the implementation of INVEST CLEAN. Subsequent Board actions will be needed as the Project is implemented.

Benefits to South Coast AQMD

The South Coast Air Basin has some of the worst air quality in the nation and is currently in extreme and serious nonattainment for the ozone and PM 2.5 National Ambient Air Quality Standards, respectively. INVEST CLEAN will deliver significant environmental benefits through the widespread large-scale transition to battery electric technologies for infrastructure projects and mobile sources that are key for the zero-emission transition. INVEST CLEAN is projected to annually reduce 1,615 tons of NOx, 28 tons of PM2.5, and 30 tons of diesel particulate matter (DPM). Furthermore, INVEST CLEAN is expected to decrease carbon dioxide equivalent (MT CO2e) emissions by 3.6 million metric tons between 2025 and 2030, and by 11.8 million MT CO2e between 2025 and 2050.

INVEST CLEAN will implement a workforce training program that not only supports the transition to ZE technologies; but will create high-road jobs throughout the region. The combined MSA regions have an unemployment rate of approximately 5.5 percent which is above the national average. The Community Benefits framework in INVEST CLEAN will amplify workforce training and job creation for our residents through outreach and educational efforts. INVEST CLEAN's Community Benefits framework will create a program that directly serves residents through workshops and meetings to identify community priorities, outreach and education, and other types of engagement activities. Additionally, INVEST CLEAN will work with a third-party facilitator and Steering Committee to implement community projects based on identified priorities.

Resource Impacts

The U.S. EPA CPRG Grant award of \$499,997,415 will be used towards implementing the four measures along with other actions as shown in the Table 1 Project Budget. Up to \$24,297,415 will be reimbursed to the General Fund from U.S. EPA CPRG Special Revenue Fund (90) for administrative costs to implement the Project.

Table 1. Project Budget

	Cost	% of Total Cost
Incentives for the four measures	\$467,900,000	93.6%
Workforce training	\$5,000,000	1.0%
Community engagement and outreach	\$1,000,000	0.2%
Data collection, analysis and future planning	\$1,800,000	0.4%
Project administration	\$24,297,415	4.9%
Total	\$499,997,415	100%