



William Leung
Office of Economic Policy & Analysis
California Air Resources Board
1001 I Street
Sacramento, CA 95814

August 5, 2021

Dear Mr. Leung:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for the proposed amendments to the Commercial Harbor Craft regulations, as required in California Code of Regulations, Title 1, Section 200(a)(1) for major regulations. Proposed text of the regulations was not submitted; hence, comments are based solely on the SRIA and other publicly available information.

The proposed regulations amend existing regulations requiring vessel owners to reduce emissions of commercial harbor craft operating in California waters. The amendments regulate engines on additional types of vessels, expand vessel owner reporting requirements, impose more stringent emissions requirements on propulsion and auxiliary engines, and encourage the transition to zero-emission alternative technologies. In addition, the proposed regulations require facilities to submit quarterly vessel reports and install shore power infrastructure. Implementation will begin in 2023 and the regulations will be fully implemented by 2032 lengthening to 2037 if vessel owners apply for and receive compliance extensions. The proposed regulations help California to meet its federal and state emissions targets by improving air quality, leading to annual health benefits of \$451 million, fuel cost savings to vessel owners of \$11 million, and \$10 million in vessel resale revenue by 2038. Costs to vessel owners/operators include administrative, capital, labor and installation costs, sales tax, and loss of use during downtime. Facility owners/operators will incur capital and administrative costs. Annual direct costs are estimated to reach \$169 million by 2038, and based on two select industries per business type analyzed in the SRIA, amortized costs to a typical business are estimated to reach a maximum of 0.7 percent of revenue versus 9.3 percent for a small business. The SRIA explains that these costs may impact consumers of services and cargo through increased prices of fish, ferry transportation, tug services, and commercial fishing trips. Annual fiscal impacts to the state peak in 2024 with \$4.1 million in enforcement and compliance costs and reduced fuel tax revenue, and \$7.5 million in revenue from compliance fees, sales tax revenue, and energy resources fees, decreasing to \$2 million and \$2.6 million, respectively, by 2038.

Finance generally concurs with the methodology used to estimate impacts of the proposed regulations, with two exceptions. First, given that the timing of costs and benefits depends on the compliance scenario assumptions, underlying fitment factors, and uptake of extensions, the SRIA should disclose the feasible range of these parameters and discuss the sensitivity of the cost and benefit estimates to these parameters. For example, the

compliance scenarios are based on the assumption that technological growth increases the feasibility of repowering over time, but it is not clear what that rate of technological advancement is, how it influences compliance timing, or how many businesses would fail to come into compliance if repower feasibility does not grow at the assumed rate. The SRIA should also clarify whether the same compliance scenario assumptions were used in the estimation of avoided adverse health outcomes as in the cost estimates.

Second, the SRIA should report costs and benefits separately from any offsetting benefits or costs, and annual fiscal impacts should be disclosed clearly. While the SRIA reports a lot of detailed information that helps communicate the nuances of the proposed regulations, the SRIA can gain transparency by adding a summary table that indicates the total costs (without netting savings), total benefits, and fiscal impacts in an aggregated annual table.

These comments are intended to provide sufficient guidance outlining revisions to the SRIA. The SRIA, a summary of Finance's comments, and any responses must be included in the rulemaking file that is available for public comment. Finance understands that the proposed regulations may change during the rulemaking process. If any significant changes to the proposed regulations result in economic impacts not discussed in the SRIA, please note that the revised economic impacts must be reflected on the Standard Form 399 for the rulemaking file submittal to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,



Somjita Mitra
Chief Economist

cc: Ms. Dee Dee Myers, Director, Governor's Office of Business and Economic Development
Mr. Kenneth Pogue, Director, Office of Administrative Law
Mr. Richard Corey, Executive Director, California Air Resources Board