



William Leung  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

June 10, 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 Airborne Toxic Control Measure for In-Use Diesel-Fueled Transport Refrigeration Units (TRU) and TRU Generator Sets, and Facilities where TRUs Operate, 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 amendments put more stringent requirements on TRU operations, imposing emissions and refrigerant standards, zero-emission equipment requirements and reporting requirements. The proposed regulations will come into effect in 2022, impacting approximately 210,000 trucks, trailers, domestic shipping containers, railcars and generator sets and facilities that receive shipments via TRU. These figures are based on CARB's 2019 Emissions Inventory for Transport Refrigeration Units (EITRU) where CARB estimated a compliance rate with existing Airborne Toxic Control Measure (ATCM) regulations of 89 percent in 2018. The SRIA uses the legal baseline of full compliance with existing regulations by assuming that all non-complying TRUs were replaced in 2020. While this amount is not stated in the SRIA, this implies there were around 22,000 non-compliant TRUs. The proposed regulations will be fully implemented by December 31, 2030, and annual benefits of the regulations are expected to peak in the following 12 months at around \$260 million in social cost of carbon benefits, avoided negative health outcomes and cost savings to TRU operators. The SRIA expects costs to total around \$130 million in 2031, including \$91 million in equipment capital costs associated with requirements for TRU owners to replace non-complying equipment. The proposed regulations are projected to have a positive effect on fiscal budgets following implementation, leading to savings of \$12.2 million from increased sales tax and new registration fees to local and state governments in 2023. However by 2031, there will be a net cost to budgets of \$1.1 million, as \$5.9 million in costs to government-owned operators and facilities, CARB operation costs, and declining tax revenue outweigh savings of \$4.8 million.

Finance generally agrees with the methodology used to estimate impacts of the proposed regulations, with three exceptions. First, the costs of equipment disposal must be quantified. Because existing ATCM regulations prevent sale of non-complying TRUs within California, the revised emissions and zero-emission requirements will effectively decrease or eliminate the resale value of existing equipment that was complying under

the existing ATCM requirements within California. Based on the EITRU, historically around 20 percent of non-complying non-truck TRUs are replaced rather than retrofit and all truck TRUs must be replaced, which means around 45,000 of the original 200,000 TRUs will either need to be scrapped or sold interstate when they become non-compliant and the SRIA should quantify the costs associated with this.

Second, the SRIA could be improved by including a more explicit discussion of the anticipated state revenues that would be generated by the proposed operating and facility registration fees that CARB proposes to collect from TRU owners. Furthermore, the SRIA notes an estimated \$48 million in fee revenue would be collected over the lifetime of the regulation, yet CARB's implementation and enforcement costs are estimated to be only \$19.4 million. The SRIA should clarify how the remaining fee revenue would be utilized by CARB.

Finally, the SRIA could be improved by including actual data for 2020 when it becomes available or using the most up-to-date data available. The current baseline assumption of significant turnover in 2020 results in nearly double the capital costs in 2027 (\$120 million compared to an average of \$65 million in all other years) because there are double the number of non-truck TRUs that need to take compliance actions in that year (around 40,000 in 2027 compared to an average of 20,000 in all other years). Updating the analysis would be helpful as the costs and benefits appear to be impacted significantly by the share of TRUs assumed to be non-compliant. Alternatively, the SRIA could include a separate scenario analysis with different assumptions on the share of non-compliant TRUs that need to come to compliance in 2020 to illustrate how impacts would vary if the share of non-compliant TRUs in 2020 were higher or lower than the 2018 rate.

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