Emily Wimberger
Chief Economist
California Air Resources Board
1001 I Street
Sacramento, CA 95814

August 29, 2019

Dear Ms. Wimberger:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and summary (Form DF-131) for Proposed Control Measure for Ocean-Going Vessels At Berth, as required in California Code of Regulations, title 1, section 200(a)(1) for major regulations. Proposed text of regulatory amendments were not submitted, therefore comments are based solely upon the SRIA and other publicly available information.

The proposed regulatory amendments require ships and operators at California ports to reduce their use of the vessels' own power generation—which typically use bunker fuel—in favor of drawing electricity from the on-shore power grid or land-based capture and control systems, rather than setting limits on vessel fleets. The additional requirements should help California meet its federal clean air regulations, especially given the assumed 50 percent increase in cargo activity by 2032. ARB estimates this package will reduce greenhouse gas emissions by an average of 33,000 metric tons annually, or the equivalent of around 7,000 passenger vehicles. ARB estimates the package will result in about 23 annually avoided cases of cardiopulmonary mortality, as well as lower health care costs from lower particulate emissions. ARB identifies 55 terminals between 10 ports subject to the regulation. ARB estimates these costs will exceed $70 million per year through 2032, mostly to pay for capital upgrades, but including additional monitoring and operations.

With one exception, Finance generally concurs with the methodology used to estimate impacts of proposed regulations. The SRIA clearly lays out for the public the proposed regulatory impacts. The methodological appendices are particularly valuable, as they clearly identify distribution of costs across geography, vessel type, and class of regulated party.

However, the SRIA must include non-annualized capital costs. Capital costs are almost half of the direct costs of the package. However, because new facilities are required for compliance, these capital costs may not be spread evenly across the effective period of the regulation as ARB assumes, but will depend on the ability of parties to finance up-front costs. The SRIA should disclose the cost of capital construction to the year the money will actually be spent, as well as the assumed amortization.

These comments are intended to provide sufficient guidance outlining revisions to the impact assessment if a SRIA is required. 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,

Irena Asmundson
Chief Economist

cc: Mr. Lenny Mendonca, 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