
THIRD READING

Bill No: SB 726
Author: Gonzalez (D), et al.
Amended: 4/21/21
Vote: 21

SENATE ENVIRONMENTAL QUALITY COMMITTEE: 5-1, 4/12/21

AYES: Allen, Gonzalez, Skinner, Stern, Wieckowski

NOES: Dahle

NO VOTE RECORDED: Bates

SENATE TRANSPORTATION COMMITTEE: 13-1, 4/27/21

AYES: Gonzalez, Bates, Allen, Archuleta, Becker, Cortese, Dodd, McGuire, Min,
Newman, Rubio, Umberg, Wilk

NOES: Melendez

NO VOTE RECORDED: Dahle, Skinner, Wieckowski

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/20/21

AYES: Portantino, Bradford, Kamlager, Laird, Wieckowski

NOES: Bates, Jones

SUBJECT: Alternative fuel and vehicle technologies: transportation
sustainability strategy

SOURCE: CALSTART

DIGEST: This bill revises the California Energy Commission's (CEC) Alternative and Renewable Fuel and Vehicle Technology Program and requires the development of a sustainable transportation strategy by the CEC and the California Air Resources Board (ARB).

ANALYSIS:

Existing law:

- 1) Establishes the ARB as the air pollution control agency in California and requires ARB, among other things, to control emissions from a wide array of mobile sources and implement the FCAA. (HSC §39500 et seq.)

- 2) Designates ARB as the state agency charged with monitoring and regulating statewide greenhouse gas (GHG) emissions, and requires ARB to ensure that GHG emissions are reduced to at least 40 percent below the 1990 level by December 31, 2030. (HSC §38500 et seq.)
- 3) Establishes the Alternative and Renewable Fuels and Vehicle Technology Program (Clean Transportation Program, or CTP), to be administered by the California Energy Resources Conservation and Development Commission (CEC), to develop and deploy technologies and alternative and renewable fuels to help attain the state's climate change policies. (HSC § 44272)

This bill:

- 1) Requires ARB and CEC, in coordination with specified state and local agencies, to jointly develop a comprehensive transportation sustainability strategy by January 1, 2024, to identify plans, actions and required funding needed to meet California's GHG reduction and criteria pollutant reduction goals in a cost effective and efficient manner. The strategy shall:
 - a) Consider a variety of programs including, but not limited to, zero emission vehicles (ZEVs), transit, active transportation, vehicle pooling, and vehicle miles traveled (VMT) reduction initiatives.
 - b) Identify programs, funding sources and levels and regulatory mandates which, through their collective implementation, result in meeting transportation sector emission reduction goals.
 - c) Include a roadmap to achieve the ZEV goals established in Executive Order N-79-20.
 - d) Be equity focused and prioritize investments that will support low-income and disproportionately emissions-overburdened communities.
- 2) Requires ARB, as part of the 2027 update of the scoping plan, to consider a GHG emissions reduction target for the whole transportation sector.
- 3) Requires the Governor to identify and appoint one key lead agency to steer the coordination of ZEV deployment across state agencies.
- 4) Revises and recasts the CTP to no longer provide certain project preferences and to additionally provide preference to projects that meet certain criteria:

- a) Makes the first preference criteria reducing criteria air pollutants and air toxics, with prioritization for projects that reduce these emissions in emissions-overburdened communities and low-income communities.
 - b) Adds preference criteria related to vehicle infrastructure needed to meet the state's climate goals and adds economic benefits located in disadvantaged communities.
 - c) Removes preference criteria related to transitioning from the use of petroleum fuels, decreasing the discharge of water pollutants, not adversely impacting the state's natural resources, reducing GHG emissions by at least 10 percent, and using alternative fuel blends of at least 20 percent.
- 5) Revises the CTP requirement to rank applications based on project preference criteria to additionally include a certain percentage of funding for medium- and heavy-duty vehicles.
- 6) Requires the CEC to expend at least 50% of the funds for projects that benefit low-income and disadvantaged communities.
- 7) Adds a funding prioritization list for the CTP that includes:
- a) Medium- and heavy-duty vehicle infrastructure, including on-road and off-road vehicle, infrastructure, vehicle, research, pilot, demonstration, and deployment projects that reduce emissions from fleets in the goods movement and public transit sectors.
 - b) Infrastructure deployment and related workforce training programs for alternative-fueled vehicles, including utility distribution system upgrades, and grid integration technologies to support those vehicle technologies, specifically including infrastructure deployment for multi-dwelling units.
- 8) Changes the CTP funding eligibility for developing and awarding block grants or incentive programs administered by public entities or not-for-profit technology entities into a funding requirement for the CTP.
- 9) Includes medium- and heavy-duty vehicle research, prototype, pilot, demonstration, and deployment projects for on- and off-road vehicles as an eligible project category for funding under CTP.

Background

- 1) *Health Impacts of Vehicle Air Pollution*. Fossil fuel combustion from cars, trucks, buses, and on- and off-road equipment emits criteria air pollutants and their precursors which can cause irritation and damage lung tissue, worsen asthma and chronic illnesses including obstructive pulmonary disease and reduce lung function. Studies have linked short-term ozone exposure with increased risk of death. Moreover, fine particulate matter (PM_{2.5}) in the atmosphere contributes to more fatalities than other air pollutants, and can lodge deep in the lungs or pass through the lungs to enter the blood stream and affect the heart, brain, and other organs.

Diesel engines emit a complex mixture of air pollutants, including both gaseous and solid material. The solid material in diesel exhaust is known as diesel particulate matter (diesel PM). Diesel PM is typically composed of over 40 known cancer-causing organic substances such as benzene and formaldehyde. Diesel exhaust also contains gaseous pollutants, including volatile organic compounds and NO_x that lead to the formation of PM_{2.5} and ozone.

- 2) *CTP*. AB 118 (Núñez, Chapter 750, Statutes of 2007) originally established the CTP, which was reestablished by AB 8 (Perea, Chapter 401, Statutes of 2013). The statutory direction for the program is to provide funding measures to specified entities to develop and deploy technologies and alternative and renewable fuels in the marketplace, without adopting any one preferred fuel or technology, to help attain the state's climate change policies.
- 3) *Executive Order N-79-20*. On September 23, 2020, Governor Newsom signed Executive Order (EO) N-79-20 which established a goal that 100 percent of California sales of new passenger car and trucks be zero-emission by 2035. In addition, the Governor's order set a goal to transition all drayage trucks to zero-emission by 2035, all off-road equipment to zero-emission where feasible by 2035, and the remainder of medium- and heavy-duty vehicles to zero-emission where feasible by 2045. Under the order, ARB is tasked to work with other state agencies to develop regulations to achieve these goals taking into account technological feasibility and cost effectiveness.

NOTE: See the Senate Environmental Quality Committee analysis for detailed background of this bill.

Comments

- 1) *Purpose of Bill.* According to the author, “California has set ambitious goals to reduce greenhouse gas emissions and local air pollutants that stem from the transportation sector. To achieve these goals, the state must invest in the future of clean transportation, and advance inter-agency coordination to develop clear strategies on how to reach these environmental and climate goals.

“California’s Clean Transportation Program (CTP) has been critical to advancing clean charging infrastructure, developing clean technology, and getting clean cars and trucks on the road. However, this program was last updated in 2013, and the market, technology, and goals of the program have all progressed in the intervening decade, leaving the program in grave need of revitalization. SB 726 will reassess the funding priorities of the CTP to prioritize equity and reduce harmful air pollutants that disproportionately affect low-income, disadvantaged, and emissions-burdened communities. Updating and improving the state’s CTP means standing up for our communities and defending their right to breathe clean air. With these changes, the state will invest in future generations, and protect the right for disadvantaged communities to live healthy lives. In addition to focusing the CTP on equity-driven goals that reflect the current state of available technology, SB 726 also requires cross-agency planning to align clean transportation strategies with emissions-reduction goals. Targeted investment and comprehensive level-headed planning for the future of clean transportation is necessary to pave the road toward a brighter, healthier, and thriving future for all Californians.”

- 2) *Air Pollution has Disproportionate Impacts.* Millions of California residents living in low-income and disadvantaged communities experience disproportionate levels of negative health impacts from air pollution. Research shows large disparities in exposure to pollution between white and non-white populations in California, and between disadvantaged communities and other communities, with Black and Latino populations experiencing significantly greater air pollution impacts than white populations. ARB has found that mobile sources are the largest sources of pollution exposure disparity for Black populations and disadvantaged community residents. Specifically, mobile sources accounted for 45 percent of exposure disparity for the Black population, and 37 percent of exposure disparity for people in disadvantaged communities.
- 3) *Transportation Sustainability Strategy.* Various state agencies produce reports, assessments, and planning documents that could be considered transportation sustainability strategies within their jurisdiction. For example, related to vehicle

emissions reductions, ARB's 2020 draft Mobile Source Strategy provides multi-pollutant planning to determine the pathways forward for the various mobile sectors in order to achieve California's air quality and climate goals. The strategy specifically addresses the ZEV targets required to be included in the proposed transportation sustainability strategy in this bill. In addition, ARB reports that the final strategy will include VMT reduction strategies as SB 726 also requires to include when developing the new strategy. Another state transportation strategy is GO-Biz's ZEV Market Development Strategy, which is a cross-agency statewide collaboration that includes both ZEV vehicles and infrastructure.

In short, the Transportation Sustainability Strategy required by SB 726 will be another entrant to an already crowded field of similar planning and reporting efforts. Successful implementation of this component of SB 726 depends on thoughtful answers to a number of questions, such as how broad or narrow should the strategy be, how can this strategy be the least redundant of existing efforts, where are gaps in reporting and planning that this strategy could fill, and how can disparate issue areas be compared alongside each other?

- 4) *Revising the CTP.* Since the last reestablishment of the CTP in 2013 through AB 8, there have been significant state and federal policy changes. These changes include (a) SB 32 GHG emissions reduction target of at least 40 percent below the 1990 level by 2030, (b) a new program focused on reducing pollution in heavily-polluted communities (AB 617, C. Garcia, Chapter 136, Statutes of 2017), and (c) a new administrative focus on ZEVs through the recent EO and ARB's Advanced Clean Trucks Regulation. This bill attempts to update and refocus the CTP to better address these more recent policy changes.

First, this bill attempts to update the CTP by removing various project preference criteria. These criteria are likely related to the original focus of the program, alternative fuels, and particularly biofuels at the time. By removing those criteria, this bill is revising the program to likely focus more on ZEV technology. Additionally, this bill moves criteria for reducing local air pollution to first preference and adds prioritization for projects that reduce these emissions in emissions-overburdened communities and low-income communities.

Second, this bill attempts to provide a greater focus on certain types of projects through funding prioritization. The CTP currently lists 13 broadly different project types that are eligible for funding, with no direction for prioritization.

SB 726 intends to focus the CTP by prioritizing funding for medium- and heavy-duty vehicles and infrastructure deployment projects.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- ARB estimates ongoing costs of \$1.5 million annually (Greenhouse Gas Reduction Fund [GGRF]) to jointly develop a Sustainable Transportation Strategy by January 1, 2024, that identifies GHG and criteria pollutant emission reduction goals for the transportation sector. ARB would additionally be tasked to consider the strategy as a part of the 2026 update to the mobile source strategy and the 2027 update to the scoping plan.
- CEC estimates costs of \$150,000 (Alternative and Renewable Fuel and Vehicle Technology Fund) to support one position either limited-term or ongoing depending on whether the strategy is one-time or updated on a periodic basis, which is not clear from this bill.
- Minor costs for other departments to consult with ARB and CEC to develop the strategy.

SUPPORT: (Verified 5/20/21)

CALSTART (source)
Abb INC.
Amplify Power
Anaheim Transportation Network
Arrival
California Electric Transportation Coalition
Center for Sustainable Energy
Change Energy
Elders Climate Action, Norcal and Socal Chapters
Enow
Greenpower Motor Company
Mack Trucks
Momentum Dynamics Corporation
Motiv Power Systems
Nikola Corporation
Odyne Systems, LLC
Pheonix Motorcars
Proterra, INC.

Sea Electric
The Lion Electric Co.
Veloce Energy
Volvo Group North America

OPPOSITION: (Verified 5/20/21)

California Hydrogen Coalition

ARGUMENTS IN SUPPORT: According to CALSTART, this bill’s sponsor, “The Clean Transportation Program, first established in 2007, invests approximately \$100M a year in the research, development, and deployment of clean vehicle and infrastructure fuels and technologies. This landmark program has been a critical economic engine that has helped jumpstart the clean fuels industry.

“However, since the program’s passage and subsequent reauthorization, not only has the state established new climate goals, but the fuels and vehicles market has significantly evolved. Since the program was reauthorized in 2013, the state has passed SB 350 (de León, 2015), SB 32 (Pavley, 2016), has a new carbon net neutrality by 2045 goal, and has created a 2025 zero-emission vehicle infrastructure deployment goal, as well as a 2030 goal for 5 million zero-emission vehicles on the road. These goals are not incorporated into the CTP; doing so would help better align the program and focus its investments in technologies that help achieve these targets. Furthermore, zero-emission vehicles, are increasingly available in the medium- and heavy-duty vehicle sector. Aligning the CTP to better support these latest technology trends would go a long way toward helping this market mature and scale rapidly.”

ARGUMENTS IN OPPOSITION: According to the California Hydrogen Coalition, “Currently, the CTP requires 20% of annual program dollars (\$200M total) be directed toward hydrogen fueling. Except for eligibility under the Low Carbon Fuel Standard, the CTP is the only program supporting the development of hydrogen fueling infrastructure in the state. Conversely, the build-out of charging infrastructure receives support from a number of sources including well-above 20% of the CTP, investor and publicly-owned utilities, the Low Carbon Fuel Standard as well as the NRG and Volkswagen settlements which when combined, total well above \$2.4 billion.

“For these reasons, we oppose SB 726 unless amended to dedicate 50% of program

dollars toward supporting the development of hydrogen fueling infrastructure for the light and heavy-duty markets as well as transit districts.”

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