

Proposed Draft Chapter 6:

Stationary Source and Community-Identified Projects

1. Introduction

As part of the CAP Guidelines approval on May 23, 2019 (Resolution 19-12), the Board delegated authority to the Executive Officer to modify the CAP Guidelines to increase transparency, provide needed flexibility, and expand project types that are of priority to the communities. The Board also directed staff to work with local air districts to ensure incentive funds are utilized in accordance with feedback received during community outreach completed in the process of implementing AB 617. In response to the directives of the resolution, CARB staff developed criteria to assist the development of project plans for community-identified projects consistent with the strategies identified in the applicable Community Emissions Reduction Programs and new stationary source projects. The criteria outlined in this new chapter add flexibility to the CAP Guidelines and allow air districts to respond in a timely manner to community needs for incentives.

This chapter expands the eligibility of stationary source project types beyond those at chromium plating (Chapter 4) and school facilities (Chapter 5). The stationary source project portion of this chapter gives air districts the flexibility to fund stationary projects that address air pollution without the adoption of additional chapters in the CAP Guidelines. Stationary source projects are not restricted to those communities with Community Emissions Reduction Programs. Air districts that receive fiscal years 2018-2019 and 2019-2020 CAP incentive funding and subsequent CAP incentive appropriations with similar legislative direction may utilize this chapter to fund stationary source projects provided all applicable criteria in the CAP Guidelines are met.

Pursuant to the requirements of AB 617, community-identified projects are restricted to communities selected for development of Community Emissions Reduction Programs. Selected community-identified projects must consider community input and address an identified strategy in the applicable approved Community Emission Reduction Program.

2. Evaluation Process

Prior to funding a project category type, an air district is required to develop a category plan with funding criteria (Project Plan). The funding criteria must be similar to those for other categories in the CAP or Moyer Guidelines.

A Project Plan must contain all of the criteria outlined in this chapter in addition to criteria described in Chapter 2: Guiding Principles and Chapter 3: Program Administration. Air districts must develop a Project Plan with sufficient information for CARB staff to determine general compliance with AB 617, CCI Funding Guidelines, and other legislative requirements.

Air districts must also ensure a Project Plan follows the CAP incentives requirements for process transparency and accountability to the community. Where a Project Plan may address a source already covered by other chapters of the CAP Guidelines (e.g. a mobile source measure in a Community Emissions Reduction Program), CARB staff may request the air district to provide additional justification for points of difference. Air districts must obtain final approval of a Project Plan from CARB staff prior to implementation. The list of approved Project Plans will be posted on CARB's CAP incentives program website.

The evaluation process, as outlined below, is structured to ensure transparency and facilitate an expedited review and approval of a Project Plan. Air districts are also encouraged to discuss any potential Project Plan with CARB staff in a project scoping meeting prior to formal submission.

- (1) Air district meets with CARB in a project scoping meeting
- (2) Air district submits a proposed Project Plan
- (3) CARB reviews Project Plan (up to 60 business days)
- (4) CARB provides preliminary comments on Project Plan to air district
- (5) Air district submits additional information in response to comments (if necessary)
- (6) CARB conducts follow-up review of Project Plan (if necessary)
- (7) CARB approves or denies the Project Plan
- (8) CARB posts approved Project Plan on CARB website.
- (9) Air district includes approved Project Plan in the air district's Policies and Procedures for CAP Guidelines.

3. General Requirements for Project Plans

The general requirements for Project Plans are listed below. In addition to the general requirements, specific requirements for stationary source projects and community-identified projects are listed in sections D and E, respectively.

1. Project Identification

- (A) Identification of whether the Project Plan is applicable to stationary source or community-identified projects. If applicable to stationary source projects, the source classification code or unit type code (if available) should be

included in the description. If applicable to community-identified projects, the specific Community Emissions Reduction Program strategy must be indicated, and Section E also applies in addition to Sections C.1. to C.12 of this chapter.

- (B) Broad description of the category projects with identification of specific benefits.

Examples:

Replacement: The purchase of new equipment with an engine certified to the current emission standard or tier to replace an older, fully functional piece of equipment that is to be scrapped.

Process Improvements: Improvements to processes that will result in emission or exposure reductions or related co-benefits beyond those required by regulation. This may include removal of emissions, capture of emissions, redirection of emissions away from sensitive receptors, efficiency improvements that result in a reduced need to produce emissions in the first place, and other such strategies as applicable.

2. Community Support

- (A) Air districts must show that projects reflect the priorities of the affected community. Ultimately, the community itself will be the judge of whether an air district has successfully demonstrated the community's support for a project category type. A crucial component to establishing community support for projects is ensuring the community members have sufficient opportunities to voice their concerns/support at public meetings. Each Project Plan must include a description of the mechanism by which community support is demonstrated and information regarding the community group(s) (e.g. schools, civic group, senior groups, etc.). The information should include, but not be limited to, the following:

- (1) Name(s) of the community group(s)
- (2) Purpose of community group(s)
- (3) Total number of members in the community group(s)
- (4) Date(s) of formation/establishment
- (5) A description of the decision-making process must be included. If the community group has a governing board, the Project Plan must include a summary of the voting process.
- (6) Documentation such as letters, emails, meeting minutes, and other public outreach documents may be submitted to demonstrate support. Additionally, air districts can also identify individual factors in CalEnviroScreen that most impact a disadvantaged or low-income community, refer to the list of common needs in Table 5 of the

CCI Funding Guidelines and select a need that has documented broad support from local community groups.

- (B) The mechanism by which communities will be informed about projects, dollars spent, and project-associated benefits need to be outlined in the Project Plan.

3. Participant Requirements

- (A) Air districts must identify who is eligible to apply for or receive a grant for a project under the category.

Example:

Public and private entities that own stationary source equipment or are authorized to make modifications to stationary sources are eligible to apply. The existing stationary equipment/source must be located in California, and the owner must not be subject to the requirements of the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation, title 17, California Code of Regulations, sections 95801-96022.

- (B) Air districts must identify all relevant participant requirements, including but not limited to, the following:
 - (1) Meet and maintain compliance with all federal, State, or local requirements applicable to the project category.
 - (2) Have authority to make any necessary modifications to the engine, equipment, facility, or source.
 - (3) Show proof of regulatory compliance and/or valid operating permit.
 - (4) Maintain the funded technology to manufacturer's specifications during the entire contract period.
 - (5) May not claim emissions reduction credits from project during the entire contract period.
 - (6) Comply with local air district requirements during the contract period, such as monitoring and reporting requirements.
 - (7) If applicable, ensure permits for the equipment/source remain up-to-date and all permit requirements are met during the contract period as required by the air district.
 - (8) Make the project available for inspection if requested by air district and/or CARB staff during the contract period.
 - (9) If applicable, describe the competitive bidding process by which an air district selects projects. This process must be outlined in the air district's solicitation and approved by the air district board.

4. Emissions Reductions and Quantitative Methodology

- (A) Projects must reduce emissions either beyond existing requirements or in advance of regulatory deadlines. Air districts must clearly identify all federal, State, and local rules/regulations that apply, the existing regulatory requirements, and the effective dates of those requirements.
- (B) Districts must obtain written proof if a technology requires certification/verification by the United States Environmental Protection Agency or CARB and must do the following:
 - (1) Provide a detailed, contracted scope of work with verifiable milestones and associated incremental pay milestones to ensure fiscal responsibility.
- (C) The projects must reduce criteria air pollutants and/or toxic air contaminants (TACs).
 - (1) If a quantitative methodology used to quantify the pollutants and/or TACs for a project category type have been approved by CARB staff, then the quantitative methodology must be described in the Project Plan and utilized for that project category type.
 - (2) If a CARB-approved quantitative methodology has not been established for a project category type, then a description of the qualitative benefit(s) is required.
 - (3) CARB staff encourages air districts to consult one another on a quantification methodology needed for a category of common interest, such as internal combustion engines. This will expedite the review and approval process and enable use by any air district.

5. Relative Exposure Reduction

- (A) Air districts must provide an estimate of the number of community members which will benefit from a given risk reduction measure over time, with particular focus given to sensitive receptors.
- (B) The air districts need to identify the risks reduced, metrics used, and the impacted communities.

6. Qualitative Benefits

- (A) As outlined in the CCI Funding Guidelines, air districts must identify applicable project qualitative benefits for the project category type. These co-benefits include social, economic, and environmental benefits. Examples include, but are not limited to:
 - (1) Fostering jobs creation
 - (2) Improving air quality
 - (3) Lessening the impacts and effects of climate change

- (4) Improving connectivity between travel modes
 - (B) Where applicable, air districts are encouraged to develop standardized qualitative benefits for project categories.
 - (C) If a qualitative benefit is not identified as an established benefit in the CCI Funding Guidelines, CARB staff will need to approve it prior to inclusion in a Project Plan. Non-established co-benefits will be reviewed based on impacts to the environment, local health concerns/impacts, and socio-economic factors.
Example: Charging infrastructure project that improves combined housing and transportation affordability.
7. Funding Amount
- (A) Air districts must establish the funding amounts available for the projects.
 - (B) As applicable, the Project Plan must clearly define the factors that will affect the amount of the grant for each project. The Project Plan must provide examples such as the dollar cost caps and usage percentages.
8. Costs: If applicable, the Project Plan should include a list of eligible and ineligible costs for the project category type(s).
9. Project Life: Air districts must include a description of the anticipated project life and the factors used to determine that project life.
10. Project Selection
- (A) The air district's criteria for project selection must be documented in the Project Plan.
 - (B) The selection process for individual projects in the Project Plan is at the discretion of the air districts, but all criteria in the approved Project Plan, AB 617, and the applicable funding source must be met.
11. Reporting Requirements: Air districts are required to collect and report all information as outlined in Chapter 3, Section H. Reporting.

4. Required Information for Stationary Source Projects

1. General Criteria
- (A) The minimum qualifications for stationary source projects are listed below.
 - (B) All projects must conform to the requirements in Chapter 2: Guiding Principles, and Chapter 3: Program Administration, and Sections B to D of this chapter.
 - (C) Participating air districts retain the authority to impose additional requirements in order to address local concerns.

2. Project Criteria

(A) Projects must address stationary sources.

(B) Categories should include a cost-effectiveness calculation (and threshold, if applicable) or benchmark.

(1) The air district must include sufficient information for calculation of the costs and benefits of projects within the category such that two projects can be compared to determine which provides greater or lesser benefits per dollar expended. Where possible, a benchmark figure for comparison of these values should be determined.

(2) Cost-effectiveness calculations should include all emissions benefits and do not need to be limited to oxides of nitrogen (NO_x), reactive organic gas (ROG), and particulate matter (PM) emissions.

(3) All supporting documentation used to derive the cost-effectiveness calculation must be provided in the Project Plan (e.g. parameters, inputs, assumptions, models used, etc.).

(4) Air districts are encouraged to use existing cost-effectiveness methodologies from relevant programs (e.g. Carl Moyer Program), where applicable.

(5) When reviewing costs, benefits, and quantification methodologies, CARB staff will consider whether there are already existing programs or measures that can be used as benchmarks. In cases where another air district has identified additional benefits beyond those established for a similar project, staff will evaluate whether a subsequent air district will need to quantify those same benefits.

(C) Inspection Requirements

(1) Air districts must identify pre- and post-inspection criteria for the project. Air districts must identify what documentation would be generated, how proof of installation and operation will be determined, etc.

(2) Air districts are encouraged to use existing pre- and post- inspection criteria from relevant programs (e.g. Carl Moyer Program), where applicable.

(3) For engine/equipment projects, the pre-inspection must verify the operational condition of the existing engine/equipment. Examples of items for pre-inspection include:

a. Engine/equipment able to start up

b. Fuel tank in usable condition

c. No parts stripped

d. Engine/equipment not vandalized

e. *Clear photographs of the existing engine/equipment must verify that the project has taken place. The air district will specify the required digital format. Examples of photographs to include are:*

i. *Right side*

ii. *Front*

iii. *Left side*

iv. *Rear*

v. *Equipment serial number (if applicable)*

vi. *Engine serial number - either tag or stamp on block*

(4) **Post-Inspection Requirements:** Post-inspection of the funded engine/equipment must be completed prior to disbursement of funds. Examples of post-inspection photographs:

a. *Photograph(s) of full equipment (if applicable)*

b. *Equipment serial number (if applicable)*

c. *Engine serial number and engine information (if applicable)*

d. *Retrofit (if applicable)*

e. *Hour meter reading (if applicable)*

(5) **Destruction Requirements**

a. If an air district would like to claim State Implementation Plan (SIP) credits for projects in the Project Plan, the air district must identify procedures and criteria to ensure the emission/risk reductions are permanent either via the destruction of the existing equipment or other equivalent method. If destruction is required, the description in the Project Plan should specify documentation (photos, tags, forms, etc.), identification of parties authorized to dispose of the equipment, etc.

Engine Destruction Examples: Existing engines replaced must be destroyed and rendered useless. At a minimum, the destruction of an engine must include:

1. *A hole in the engine block with a diameter of at least three inches at the narrowest point. The hole must be irregularly shaped (i.e. no symmetrical squares or circles) and*

2. *A section of the oil pan flange must be removed as part of the hole or have a line cut through it that connects the hole.*

Equipment Destruction Examples: The destruction method of the equipment will vary depending on the structure of the equipment:

- 1. Structural damage, with cuts or otherwise, that renders the main body of the equipment inoperable and unrepairable.*
- 2. Other equivalent methods of destruction are acceptable if approved by the air district.*

b. For air districts that require destruction of the engine/equipment, the air district must verify that the existing engine and/or equipment is destroyed and rendered permanently unusable and irreparable, consistent with requirements stated above. Air district staff must verify and document through photographic or video evidence that the destroyed engine serial number matches that on the project contract.

(6) For non-engine/non-equipment projects, the air districts must identify the required items for the pre- and post-inspections and if applicable, the destruction requirements and inspection for projects that will be submitted for SIP credits. Air districts must also identify all required photographs for the project.

(B) Funding Amount

(1) Air districts must establish funding amounts available for projects. This must include clearly defined factors that will affect the size of the grant.

(2) Maximum eligible funding amount

- a. Air districts must identify the maximum funding amount for each type of project in a category. This may include one or more of the following: total dollar cap, maximum percentage of project cost, or cost-effectiveness cap determined by the air district and its communities.
- b. CARB staff recommends consideration be given to limiting funding amounts to incremental cost i.e., paying no more than the additional costs of a project incurred beyond the normal course of business.

5. Required Information for Community-Identified Projects

To address local air quality concerns in response to AB 617, Community Emission Reduction Programs might require uniquely designed community-identified projects that might not fit in existing CAP incentive categories to achieve local emission reduction benefits.

To ensure a collaborative partnership in developing the Community Emissions Reduction Programs, air districts must form local community steering committees using an open and transparent nomination process. The community steering

committees are comprised of community members who live, work, or own businesses in their respective communities (e.g., community residents, small businesses, facility managers/workers, school personnel). Community-identified projects that address strategies identified in the applicable approved Community Emissions Reduction Programs are designed to have maximum flexibility with minimal project criteria.

The elements below are necessary for air districts to develop and implement an effective Project Plan for community-identified projects that will properly reflect the concerns of the community while providing flexibility to meet the unique environmental challenges of current and future selected communities.

1. General Criteria

The minimum qualifications for projects that are derived from approved Community Emissions Reduction Program strategies are listed below. All projects must conform to the requirements in Chapter 2: Guiding Principles, and Chapter 3: Program Administration, and Sections B through D of this chapter. Participating air districts retain the authority to impose additional requirements in order to address local concerns.

2. Project Plan Requirements

(A) Project Plans must identify the emission reduction strategy in the applicable approved Community Emissions Reduction Program that the Project Plan will support.

(B) Project Plans must contain emission reduction or exposure reduction targets. Emission and exposure reduction targets are specific, numeric goals for compliance and deployment of technology and/or control techniques. These targets must be developed in consultation with the community steering committee.

(1) Staff will consider demonstration projects provided the requirements in section C.4.(B)(1) are met.

(C) Project Plans must outline direct emission reduction benefits or qualitative benefits the project will provide to the selected community.

3. Air District Requirements

(A) As the implementing agency, air districts will be required to ensure projects are consistent with the applicable approved Community Emissions Reduction Programs.