



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JANUARY 7, 2025

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - GRANT ACCEPTANCE AND APPROVAL OF THE LOS ANGELES MARINE EMISSION REDUCTION PROJECT GRANT AGREEMENT WITH THE CALIFORNIA AIR RESOURCES BOARD

SUMMARY:

Staff requests approval of a California Air Resources Board (CARB) Fiscal Year (FY) 2021/22 and 2022/23 Advanced Technology Demonstration and Pilot Projects Grant Agreement to fund the proposed Los Angeles Marine Emission Reduction (LA MER) Project (Project) with Catalina Channel Express, Inc. (CCE), Harbor Breeze Corp. (HBC), and the City of Long Beach. The City of Los Angeles Harbor Department (Harbor Department) was awarded the grant to implement the proposed Project, which includes CCE deploying a passenger ferry with Tier 4 engines and potentially a diesel particulate filter (DPF), and HBC deploying two zero-emission (ZE) capable excursion boats. The Project will receive \$30,980,376 in funding from CARB, to be matched by the Project participants (CCE, HBC, the City of Long Beach, and the Harbor Department) with matching funds and in-kind contributions totaling \$31,471,492. Project participants' matching funds are as follows: \$15,370,554 from CCE; \$15,110,938 from HBC; and \$340,000 from the City of Long Beach. Subrecipient Agreements with CCE and HBC will be presented under a separate Board action.

The Harbor Department's cost share amounts for the data collection and analysis, Next Generation Harbor Craft Technology Assessment, and sponsored tours, were determined as part of the proposal in alignment with similar projects in the past. The commitment for the required data collection and analysis was derived from a quote provided by a currently under contract consulting firm through the Air Quality As-Needed Consulting Services contracts that has provided similar services for past demonstration projects, with specific expertise in marine emissions. Costs for the Next Generation Harbor Craft Technology Assessment was estimated in alignment with comparable efforts managed by the Harbor Department for analysis work across the San Pedro Bay Port Complex. The cost estimate for the sponsored tours is based on the existing contract between the Harbor Department and HBC for harbor tour services. A Memorandum of Understanding (MOU) with the City of Long Beach will be presented under a separate Board action at a future date.

In addition to staff resources to manage and implement the Project, the Harbor Department will be financially responsible for \$650,000 in matching funds and in-kind services.

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RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Accept and approve the Grant Agreement between the City of Los Angeles Harbor Department and the California Air Resources Board under the Fiscal Year 2021/22 and 2022/23 Advanced Technology Demonstration and Pilot Projects;
3. Authorize the Executive Director to execute and the Board Secretary to attest to said Grant Agreement with the California Air Resources Board for and on behalf of the Board;
4. Authorize the City of Los Angeles Harbor Department to proceed with the Los Angeles Marine Emission Reduction Demonstration Project approved for funding by the California Air Resources Board; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – On November 19, 2021, CARB approved \$40 million for the Advanced Technology Demonstration and Pilot program allocated under the FY 2021/22 Funding Plan for Clean Transportation Incentives (Funding Plan). On November 17, 2022, CARB approved an additional \$135 million allocated under the FY 2022/23 Funding Plan. These two funding allocations, in addition to \$50 million in funding from the California Energy Commission to support infrastructure, were combined under one grant solicitation. In October 2023, the Harbor Department applied for the grant on behalf of CCE and HBC for the LA MER Project described in detail in Exhibits C and D of the proposed Grant Agreement (Transmittal 1). This grant solicitation closed in October 2023 resulting in 31 applications requesting total funding of \$225 million. Twelve projects, including the Harbor Department’s proposed Project, were selected for funding.

On March 7, 2024, CARB notified the Harbor Department that the proposed Project was selected and had received a preliminary grant award offer in the amount of \$30,980,376 contingent upon Board approval of the proposed Grant Agreement.

Proposed LA MER Project – The Harbor Department, with Project partners CCE, HBC and the City of Long Beach, is undertaking the LA MER project to reduce emissions for disadvantaged communities while advancing the understanding of cutting-edge harbor-

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craft technologies for the future. This multi-faceted project will demonstrate two different emission-reduction technologies in different vessel types across many duty cycles. Additionally, the Harbor Department will work with harbor craft operators, regulators, engine manufacturers, technology developers, and the United States Coast Guard (USCG) to evaluate next-generation technologies that could be feasible for tugboats, ferries, and pilot vessels operating in San Pedro Bay.

Project Summary – The proposed Project will encompass the following three distinct components:

- Passenger Ferry with Tier 4 Engines and DPF – CCE will design, construct, launch, and demonstrate a high-capacity passenger ferry with Tier 4 propulsion engines and a DPF, assuming a DPF has been verified by CARB and approved by USCG at the time of engine installation. The new ferry, operated by CCE, will operate on renewable-diesel and replace three smaller ferries with Tier 2 and Tier 3 engines, enhancing the efficiency of regional ferry service and thus increasing the emissions benefits.
- Zero-Emission Capable Excursion Boats – HBC will design, construct, launch, and demonstrate two ZE capable hybrid excursion boats in partnership with HBC. The vessels are expected to exceed the definition of Zero Emission and Advanced Technology vessels under the CARB Harbor Craft Regulation. Each boat will have renewable-diesel powered Tier 4 propulsion engines for safety, resiliency, and added range, but will be able to operate a minimum of 30% of the time in ZE mode with some trips operating as much as 100% of the time in ZE mode depending on duty cycle and route length. Although not part of the Project, HBC also will install shore power at a public wharf to serve the ZE capable excursion boats.
- Next Generation Harbor Craft Technology Evaluation – The Harbor Department will develop a report to evaluate the commercial status of emission-reduction technologies, assess the feasibility of marinizing DPFs, request information from engine manufacturers on future low-carbon fuels and technologies, identify infrastructure gaps for ZE harbor craft, and understand workforce development needs specific to tugs, ferries, and pilot boats operating in San Pedro Bay.

The proposed demonstration period will run from February 2026 through February 2027, with each vessel having a minimum of 12 months of operational data collected and analyzed.

The LA MER Project also includes a robust workforce plan, training harbor-craft workers in new engine technologies and advanced battery-electric solutions while supporting recruitment programs that draw from the local, underserved community. The LA MER Project balances the need to reduce near term air-quality and health-risk impacts on adjacent disadvantaged communities with the long-term goal of carbon-neutral, zero-

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emission harbor vessels. Emission benefits include an estimated 1,503 metric tons reduction of carbon-dioxide equivalent (CO_{2e}) emissions and 113 weighted tons of criteria and toxic emissions per year.

Grant Agreement – This proposed Grant Agreement will require two Subrecipient Agreements, with CCE and HBC, to execute the proposed Project. The subrecipients will be responsible for coordinating and subcontracting to design and construct the vessels as specified in the proposed Project, and to operate the vessels for the demonstration phase. Although not part of the Project, HBC will install shore power at a public wharf to serve the ZE capable excursion boats, as mentioned under the CARB Grant Agreement. These Subrecipient Agreements will incorporate and require compliance with the CARB Grant Agreement. The Project team will work collaboratively to ensure that all conditions and schedules are satisfied in accordance with the CARB Grant Agreement. The Subrecipient Agreements will be presented under a separate Board Action.

The City of Long Beach provided a Letter of Commitment for \$340,000 in matching funds as part of the application to this project. An MOU with the City of Long Beach to define their role and cover their contribution to support the proposed Project will also be presented under a separate Board action at a future date.

ENVIRONMENTAL ASSESSMENT:

The proposed action is to accept and approve a grant agreement with CARB, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed Grant Agreement will enable the Harbor Department to receive a \$30,980,376 grant award from CARB for the LA MER Project. The total cost of the LA MER Project is \$62,451,868 of which \$31,471,492 will be funded by matching funds and in-kind services. Spending is expected to span over a three-year period ending April 2027.

Grant distribution and matching funds provided by CCE, HBC, the City of Long Beach, and the Harbor Department are summarized in the table below.

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PROJECT PARTICIPANT	CARB GRANT FUNDS	MATCH FUNDING	TOTAL PROJECT COST
CCE	\$ 14,919,128	\$ 15,370,554	\$ 30,289,682
HBC	\$ 15,801,248	\$ 15,110,938	\$ 30,912,186
Harbor Department	\$ 260,000	\$ 650,000	\$ 910,000
The City of Long Beach *	\$ 0	\$ 340,000	\$ 340,000
TOTAL:	\$ 30,980,376	\$ 31,471,492	\$ 62,451,868

* To be presented under a separate Board action at a future date.

Grant funds will be expended as follows:

FY2024/25	\$ 9,325,915
FY2025/26	\$16,918,086
FY2026/27	\$ 4,736,375
TOTAL	\$30,980,376

The Harbor Department will pay invoices received from CCE and HBC only after grant funds are received from CARB. The Harbor Department will contribute \$560,000 in matching funds expensed out of Account 541100 (Environment Assessment Services), Division 42010 (Environmental Management), and \$90,000 in in-kind services through harbor tours for a total match share contribution of \$650,000. Funding for the Harbor Department's match share will be requested through the annual budget process.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the grant agreement as to form and legality.

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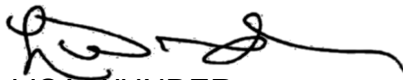
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TRANSMITTALS:

1. Grant Agreement with the California Air Resources Board

FIS Approval: JS (initials)

CA Approval: SO (initials)



LISA WUNDER
Acting Director of Environmental Management

Michael DiBernardo

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Deputy Executive Director

APPROVED:

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