

# Port of Los Angeles

## Zero-Emission Truck Incentive Program

### **CLEAN TRUCK FUND RATE FY 2025-2027 REVENUE SPENDING PLAN**

This three-year Clean Truck Fund (CTF) Rate Revenue Spending Plan (Spending Plan) is intended to guide the Port of Los Angeles' (Port or POLA) allocation of revenues from the CTF Rate to support the Zero-Emission (ZE) Truck Incentives Program. This document establishes the near-term objectives of the CTF investments for 2025-2028, describes priority targets for spending over the three-year span, and defines the pathways and programs that will be used to disseminate the funds, understanding that more detailed guidelines for each pathway are forthcoming.

#### **Introduction**

As part of the 2017 Clean Air Action Plan Update (CAAP) with the Port of Long Beach, POLA set a goal to transition 100 percent of the drayage truck fleet to ZE by 2035. A technology transition of this magnitude requires significant investments in trucks, infrastructure, technology advancement, and workforce development with active engagement from a cross-section of public and private stakeholders. The 100% ZE drayage fleet by 2035 goal was set in anticipation of the California Air Resources Board (CARB) Advance Clean Fleets (ACF) Regulation receiving US EPA Clean Air Act Waiver and requiring 100% ZE drayage fleet by 2035 a statewide enforced in-use regulation. However, in January 2025, CARB withdrew their ACF waiver request, so ACF will not be enforced on the drayage fleet. With no compulsory ZE drayage regulation, voluntary efforts with assistance from incentive funding may be the only action towards the goal.

The Ports have adopted several strategies to support the ZE transition, chief among them a CTF Rate of \$10 per twenty-foot equivalent unit (\$20 for containers > twenty feet). The CTF Rate is intended to incentivize the turnover to ZE drayage trucks and to assist operators financially in purchasing the more expensive technologies and infrastructure. The Port of Los Angeles will collect the CTF Rate from April 1, 2022 through December 31, 2034. The CTF Rate on average collects roughly \$40 million annually, although amounts will fluctuate with cargo volumes and decrease over time as the population of rate-exempt ZE trucks grows.

POLA CTF Rate has collected the following amounts from April 1, 2022 to March 31, 2025.

	<b>Total Amount Collected</b>	<b>Administrative Costs</b>	<b>CTF Revenue</b>
04/01/2022 to 12/31/2022	\$31,771,610	\$1,007,497	\$30,764,113
01/01/2023 to 12/31/2023	\$39,235,350	\$1,329,879	\$37,905,471
1/01/2024 to 12/31/2024	\$45,258,610	\$1,554,158	\$43,704,452
01/01/2025 to 03/31/2025	\$10,802,790	\$389,821	\$10,412,970
<b>Total (04/01/2022 to 03/31/2025)</b>	<b>\$127,068,360</b>	<b>\$4,281,354</b>	<b>\$122,787,006</b>

With additional potential revenues of approximately \$120 million over the next three years, the ZE Truck Incentives Program has become one of the largest and most stable funding sources dedicated to ZE drayage trucks serving San Pedro Bay. While the State has committed record levels of funding to ZE transportation, these incentives are dispersed across multiple sectors, including transit, rail, passenger cars, and off-road equipment, and across the state, forcing Port fleets to compete for these funds with no guarantee of success. The ZE Truck Incentives Program laid out in this Spending Plan are reserved for Port drayage operators, can be stacked/matched with other grant programs (subject to restrictions imposed by those grant programs), and are designed to accelerate the number of ZE drayage trucks beyond what the existing State and regional grant programs could achieve.

This Spending Plan provides clarity and transparency on the distribution of CTF revenues and the funding priorities over the next three years.

Guiding Principles:

- Funds will be used exclusively to assist in the purchase and operation of clean trucks including fueling infrastructure. The funds will only be spent to support trucks that provide drayage services at the Ports and/or infrastructure that directly supports the operation of such trucks.
- All program(s) resulting from the CTF will exclusively fund the advancement deployment of Zero-Emission (ZE) trucks and supporting infrastructure.

Port staff developed the first three-year allocation spending plan for POLA ZE Truck Incentive Program funding of CTF Rate monies which was approved by the Board in March 2022. This POLA Long-Term CTF Investment Strategy established the near-term objectives of the CTF Investments, described priority targets for spending over the three-year span, and detailed the pathways and programs that were used to disseminate the funds. Below is the CTF Rate revenue allocations in FY 2022-2025.

Projects	CTF Amount Allocation	CTF Amount Allocation Pending Board Approval
ZE Truck Voucher Program	\$40 million	
Joint Electric Truck Scaling Initiative (JETSII)	\$1.5 million	
ZE25 RFP Projects (2 projects)	\$6 million	
MSRC Public Charging Projects	\$12.5 million	
Environmental Protection Agency Clean Ports Grant Cost Share		\$25 million
Wilmington Charger RFP Project		\$3 million
CEC Charging & Fueling Infrastructure Projects		\$6 million
Total	\$60 million	\$34 million

Staff would like to continue this strategy for allocating CTF Rate spending for another three years. Following approval of the second Spending Plan, Port staff will present to the Board a summary of the previous year’s actions and inform commissioners of the exact spending details on an

annual basis. The presentation will include a review of total number of trucks funded under CTF programs, a summary of any targeted RFPs or technology advancement projects initiated or in progress, and the total funds collected over the previous year from the CTF Rate. Staff will then describe the intended funding totals and projects as established in the three-year Spending Plan.

Proposed Pathways/Programs and recommended funding amounts:

A. **Port of Los Angeles Voucher Program** (CALSTART Match, up to 50% of collected funds annually)

This program is designed to complement California Air Resources Board's (CARB) successful Clean Truck and Bus Voucher Incentive Project (HVIP, formerly Hybrid Truck & Bus Voucher Incentive Project). Managed by CALSTART, the competitively awarded distributor and manager of the HVIP, this program provides point-of-sale voucher incentives for registered Licensed Motor Carriers (LMCs) in the PDTR that purchase a ZE truck. A \$40 million contract was initially awarded to CALSTART for the POLA Zero-Emission Truck Voucher Incentive Program (Voucher Program). As of March 12, 2025, 247 truck vouchers have been requested for the amount of \$20,100,000 and delivery of 100 ZE trucks using \$8,625,000 of voucher funding. Staff would like to continue the Voucher Program for another three more years with additional funding that will go to the Board for approval at a later date.

Instead of developing a specific small fleet incentive program as discussed in the original Spending Plan brought to the Board in 2021, CARB's HVIP program in 2025 reduced their funding eligibility to fleets of 49 trucks or less. This will effectively cause the Voucher Program to become a small fleet only program because the Voucher Program currently follows HVIP eligibility. A small fleet incentive program specifically address issues small fleets and independent owner-operators face with receiving incentive funds.

In addition, staff is developing an additional element to the Voucher Program. Instead of just stacking on HVIP vouchers, the future update to the Voucher Program will provide incentive funding to fleets that are currently ineligible for HVIP vouchers due to the size of their fleet (50 or more trucks). This future update to the Voucher Program incentive funding will help to motivate fleets that had been ineligible for HVIP funding to purchase ZE trucks. The expansion of the Voucher Program would also be managed by CALSTART, and will provide per-truck incentives designed to support the purchase of the truck as described above.

B. **Infrastructure Match Program** (up to 50% of collected funds annually)

The Mobile Source Air Pollution Reduction Review Committee (MSRC) is comprised of South Coast Air Basin transportation agencies, South Coast Air Quality Management District (SCAQMD), and CARB. As part of the MSRC Work Program development process, the MSRC is committed to funding up to \$50 million to develop ZE vehicle refueling infrastructure for use by the goods movement industry. The MSRC initiated a Request for Information (RFI) solicitation process on September 2022 whereby the MSRC sought submission of projects to construct zero-emission refueling infrastructure within the geographical jurisdiction of SCAQMD. In an effort to support the CAAP goal to transition Port drayage trucks to zero

emissions by 2035, POLA entered into a Memorandum of Understanding (MOU) with SCAQMD, on behalf of the MSRC, to provide funding of \$12,520,661 for eight infrastructure projects around the San Pedro Bay Ports and along known drayage truck routes using collected CTF Rate monies.

Staff recommends continuing the partnership with MSRC to fund infrastructure projects that will support charging and refueling of ZE drayage trucks. MSRC has already conducted a Request for Information process on behalf of Los Angeles Metro in September 2024. Staff is currently reviewing the proposals. Any promising ZE truck infrastructure projects will be brought to the Board for consideration as another MOU with SCAQMD, on behalf of MSRC, to fund the projects using CTF Rate monies.

**C. Targeted Request for Proposals (RFPs)/New Incentive Programs/Technology Advancement Program – (up to 75% of collected funds annually)**

This option would preserve the ability for POLA to pursue a particular promising technology or funding idea, allowing funds to be allocated to specific projects through targeted RFPs. POLA has been awarded an unprecedented \$412 million grant from the U.S. Environmental Protection Agency (EPA)'s Clean Ports Program to support the ZE transition at container terminals at the nation's busiest trade gateway. POLA and its private sector partners will match the EPA grant with an additional \$236 million, bringing the total new investment in ZE programs at POLA to \$644 million. The Board approved the EPA Clean Ports grant agreement on January 16, 2025. Of the ~\$412 million grant, \$50 million of grant funding will be used for an RFP for large scale purchases of battery electric drayage trucks. The RFP will also include a cost share contribution from POLA of \$25 million of CTF Rate funding for a total RFP of \$75 million. RFP is scheduled for release in late spring/early summer of 2025. Other targeted RFPs may include fuel neutral large scale ZE drayage truck purchases or large scale truck and fueling equipment combination. Promising proposals from any RFP will be brought to the Board for consideration.

Incentive programs by the Ports and other funding agencies have mainly focused on the purchase of trucks and fueling equipment. From meeting with various stakeholders, staff has received feedback that one of the barriers for purchasing a ZE truck are higher insurance costs, lower revenue because of higher vehicle weights that limit the amount of cargo that a ZE truck can haul, and higher taxes. To defray these costs, staff will look into new incentive programs to encourage the purchase of ZE drayage trucks, but also to encourage more ZE truck calls to POLA. An example could be an incentive awarded per a completed ZE truck trip to POLA. Staff will work with stakeholders and then bring to Board a finalized incentive program for consideration.

Any existing and/or proposed projects approved through the CAAP Technology Advancement Program (TAP) that involve trucks would also use CTF Rate revenue. Examples could include advanced charging infrastructure installations, pursuing demonstration of a "trucking-as-a-service" model, and advanced efficiency projects. Trucking-as-a-service model is similar to a full-service leasing program where the customer pays a set monthly fee and the service provides a ZE truck, fueling/charging, parking location, and sometimes insurance for the truck. Staff will request funding allocations for specific projects either selected through a competitive process, such as a RFP or Notice of Funding Availability, or proposed directly to

POLA.

**D. Unsolicited Proposals** – (up to 30% of collected funds annually)

Entities that have a proposal for funding under the CTF program would be eligible to apply directly to POLA under this pathway. Entities could include other government agencies, current tenants, or licensed motor carriers registered in the Port of Los Angeles Port Drayage Truck Registry. This will provide POLA management with the ability to bring highly promising projects directly to the Board for approval even if the specific project does not fit into a previously described program. An example of this could be a grant project for trucking infrastructure along port drayage corridors administered by another government agency.

**Anticipated Three-Year Funding Priorities for ZE Truck Incentives**

	FY 2025-2026	FY 2026-2027	FY 2027-2028
A. Truck Vouchers	Up to 50%	Up to 50%	Up to 50%
B. Infrastructure Match	Up to 50%	Up to 50%	Up to 50%
C. Targeted RFP/New Incentive Programs/TAP	Up to 75%	Up to 75%	Up to 75%
D. Unsolicited Proposals	Up to 30%	Up to 30%	Up to 30%

*Note: This table is for relative prioritization only. Percentages do not add up to 100%. Actual amount collected by the CTF Rate is subject to cargo throughput and will decrease over time as ZE truck population increases. Actual allocation amounts will be determined when projects are brought before the Board for approval.*