



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

DATE: APRIL 8, 2020

FROM: ENVIRONMENTAL MANAGEMENT

SUBJECT: RESOLUTION NO. _____ - APPROVAL OF A FUNDING AGREEMENT BETWEEN THE CITY OF LOS ANGELES HARBOR DEPARTMENT, THE PORT OF LONG BEACH AND THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT TO FUND AN OCEAN GOING VESSEL TECHNOLOGY ADVANCEMENT PROGRAM PROJECT

SUMMARY:

Staff requests approval of a Funding Agreement between the City of Los Angeles Harbor Department (Harbor Department), the Port of Long Beach (POLB) and the South Coast Air Quality Management District (SCAQMD) to fund a Clean Air Action Plan (CAAP) Technology Advancement Program (TAP) project to demonstrate a water-in-fuel (WiF) emulsification technology on an ocean going vessel (OGV). MAN Energy Solutions USA Inc. (MAN) will demonstrate the WiF retrofit technology on a Mediterranean Shipping Company (MSC) vessel. The technology is expected to achieve 40% lower oxides of nitrogen (NOx) emissions while transiting. The total project cost is \$3,200,000. The total requested TAP funding amount is \$1,000,000 to be split equally between the Ports of Los Angeles and Long Beach (Ports). The SCAQMD is the project manager and administrator of the project. The Harbor Department is financially responsible for \$500,000 under this Funding Agreement.

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 and categorically exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) and Article III Class 6(2) of the Los Angeles City CEQA Guidelines;
2. Approve a Funding Agreement between the City of Los Angeles Harbor Department, the Port of Long Beach and the South Coast Air Quality Management District in the amount of \$500,000 and for a term of three years;

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3. Authorize the Executive Director to execute and the Board Secretary to attest to said Agreement for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Project Background/Context – On November 20, 2006, during a joint meeting between the Ports' Boards of Harbor Commissioners, the 2006 San Pedro Bay Ports CAAP was adopted. A significant initiative of the CAAP is the TAP, which is the catalyst for identifying, evaluating, and demonstrating new and emerging emissions reduction technologies applicable to the port industry that could be utilized in future updates to the CAAP as new control measures, alternatives to existing measures, or as additional mitigation options for new projects. Additionally, the 2017 CAAP Update included a commitment to offer incentives to ships with emission-reduction technologies, alternative fuels, and engines that perform better than Tier 2 levels.

The CAAP TAP Advisory Committee comprised of representatives from the U.S. Environmental Protection Agency (EPA), California Air Resources Board (CARB), SCAQMD, and the California Energy Commission, along with the Ports, meets regularly and has reviewed and recommended this project for funding.

Proposed Project – This project was brought to the TAP for consideration by SCAQMD and MAN. SCAQMD will manage and administer the project, and MAN, who is recognized as a leading supplier for large diesel engines used in OGVs, has developed the WiF technology that will be demonstrated in this project. The demonstration will occur on a MSC container vessel equipped with MAN's two-stroke S90 engine. The technology is expected to reduce 40% of NOx transit emissions because the technology uses water during the combustion process to reduce engine temperature, thereby reducing the level of NOx that is produced. This technology has been successfully demonstrated in a laboratory setting to reduce NOx emissions from two-stroke engines.

A detailed project scope with deliverables is attached to the proposed Agreement (Transmittal 1). The total project cost is expected to be \$3,200,000. The total requested TAP funding amount is \$1,000,000 to be split equally by the Ports, of which \$500,000 will be paid by the Harbor Department.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a Funding Agreement between the Harbor Department, POLB, and the SCAQMD to fund a CAAP TAP project to demonstrate a WiF

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emulsification technology on an OGV, which is an administrative activity and basic data collection, field testing, research, experimental management, and resource activities which do not result in a serious or major disturbance to an environmental resource. Therefore, the Director of Environmental Management has determined that the proposed action is administratively and categorically exempt from the requirements of CEQA in accordance with Article II Section 2(f) and Article III Class 6(2) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of this Board item supports the demonstration of an emissions reduction project for OGVs from the Technology Advancement Program fund. The table below summarizes the total project cost and funding commitments by all participants:

| Funding Source | Amount |
|--------------------|---------------------|
| SCAQMD | \$ 2,000,000 |
| Port of Long Beach | \$ 500,000 |
| Harbor Department | \$ 500,000 |
| MAN (in-kind) | \$ 200,000 |
| TOTAL | \$ 3,200,000 |

Harbor Department funds will be expended as follows:

| | |
|--------------|-------------------|
| FY 2020/21 | \$ 200,000 |
| FY 2021/22 | \$ 300,000 |
| TOTAL | \$ 500,000 |

Funds in Fiscal Year 20/21 were requested through the annual Harbor Department budgeting process in Account 59965 (Customer Environmental Subsidies & Incentives), Center 0330 (Environmental Management Division), Program 000 (Base Budget). Future fiscal year funds will be requested through the budgeting process. As this is a demonstration project, there are no ongoing operating and maintenance costs subsequent to project completion.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approves the proposed Agreement as to form and legality.

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TRANSMITTAL:

1. Funding Agreement with the Port of Long Beach and South Coast Air Quality Management District

FIS Approval: *mb*
CA Approval: *MB*



CHRISTOPHER CANNON
Director of Environmental Management



MICHAEL DiBERNARDO
Deputy Executive Director

APPROVED:


FOR

EUGENE D. SEROKA
Executive Director

CC/YO
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