ORANGE COUNTY
BUSINESS COUNCIL
2 Park Plaza, Suite 100 | Irvine, CA 92614| P 949.476.2242 | F 949.476.0443 | www.ocbc.org

May 4, 2021

Dr. William A. Burke
Chairman
South Coast Air Quality Management District
21865 Copley Drive
Diamond Bar, CA 91765

RE: Rule 2305 – OPPOSE

Dear Chair Burke,

Orange County Business Council (OCBC), the leading voice of business in Orange County, **respectfully opposes South Coast Air Quality Management District's (AQMD) proposed indirect source rule (ISR), Rule 2305**.

Warehouses are a crucial component of the Southern California logistics industry. AQMD's proposed ISR is a misguided policy that targets a sector driving economic development and creating jobs throughout Southern California. The ISR's regulatory scheme would require warehouse operators to accumulate "Warehouse Actions and Investments to Reduce Emissions Points" (WAIRE Points) by reducing emissions through using zero-emission trucks or other specified means. Operators who fail to accrue sufficient WAIRE Points would be forced to pay $1,000 per each unearned WAIRE Point. This penalty could reach up to millions of dollars, passed on to consumers, employees and other businesses.

The ISR punishes warehouse operators for what trucks enter and leave their facilities, which is oftentimes beyond their control. Furthermore, Rule 2035 does not quantify an expected reduction in emissions as a result of its regulations; it is therefore unclear what impact it will have on air quality. AQMD has yet to outline the quantifiable air quality benefits of the ISR, but the mitigation "fee" makes the ISR's onerous financial burden on warehouse operators abundantly clear.

While the ISR has been characterized as a "fee", it is by nature a tax. The fee does not bring a benefit to warehouse operators, but merely penalizes them. This cost increase does not only impact operators. The broad range of jobs provided by warehouses would be jeopardized while ISR's financial penalties are passed down to consumers.

This proposed rule negatively impacts critical players in Orange County, and California's economy, even as goods movement companies are leading the way in terms of fleet electrification. AQMD should not regulate jobs out of California, but rather work with the industry to address key concerns related to energy reliability, electric and alternative fuel infrastructure needs, and technology considerations prior to imposing such a drastic rule.

Ultimately, Rule 2035 would harm Southern California's economic competitiveness without adequately delivering on air quality improvements. **For these reasons, OCBC asks the Board to reject Rule 2035.**

Sincerely,

Jennifer Ward
Senior Vice President of Advocacy and Government Affairs