

regulations), forms incorporated by reference, the Initial Statement of Reasons, and any information upon which the proposed rulemaking is based. The Notice, the express terms, program forms, the Initial Statement of Reasons, and any information upon which the proposed rulemaking is based are available at <https://oag.doj.ca.gov/charities/reg>. Please refer to the contact information listed above to obtain copies of these documents.

**AVAILABILITY OF CHANGED OR MODIFIED TEXT**

After the Department analyzes all timely and relevant comments received during the 45-day public comment period, the Department will either adopt these regulations substantially as described in this Notice or make modifications based on the comments. If the Department makes modifications which are sufficiently related to the originally-proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before the Department adopts the regulations as revised. Please send requests for copies of any modified regulations to the attention of the name and address indicated above. The Department will accept written comments on the modified regulations for 15 days after the date on which they are made available.

**AVAILABILITY OF THE FINAL STATEMENT OF REASONS**

Upon its completion, a copy of the Final Statement of Reasons will be available on the Department's website at <https://oag.doj.ca.gov/charities/reg>. Please refer to the contact information listed above to obtain a written copy of the Final Statement of Reasons.

**AVAILABILITY OF DOCUMENTS ON THE INTERNET**

Copies of this Notice, the express terms, program forms, the Initial Statement of Reasons, and any information upon which the proposed rulemaking is based are available on the Department's website at <https://oag.doj.ca.gov/charities/reg>.

**TITLE 13. AIR RESOURCES BOARD**

**NOTICE OF PUBLIC HEARING TO CONSIDER PROPOSED CLEAN MILES STANDARD**

The California Air Resources Board (CARB or Board) will conduct a public hearing at the date and

time noted below to consider approving for adoption the proposed Clean Miles Standard.

Date: May 20, 2021  
Time: 11:00 a.m.

Please see the public agenda which will be posted ten days before the May 20, 2021, Board Meeting for any appropriate direction regarding a possible remote-only Board Meeting. If the meeting is to be held in person, it will be held at the California Air Resources Board, Byron Sher Auditorium, 1001 I Street, Sacramento, California 95814.

This item will be considered at a meeting of the Board, which will commence at 11:00 a.m., May 20, 2021, and may continue at 8:30 a.m., on May 21, 2021. Please consult the agenda for the hearing, which will be available at least ten days before May 20, 2021, to determine the day on which this item will be considered.

**WRITTEN COMMENT PERIOD AND SUBMITTAL OF COMMENTS**

In accordance with the Administrative Procedure Act, interested members of the public may present comments orally or in writing during the hearing and may provide comments by postal mail or by electronic submittal before the hearing. The public comment period for this regulatory action will begin on April 2, 2021. Written comments not submitted during the hearing must be submitted on or after April 2, 2021, and received **no later than** May 17, 2021. Comments submitted outside that comment period are considered untimely. CARB may, but is not required to, respond to untimely comments, including those raising significant environmental issues. CARB requests that when possible, written and email statements be filed at least ten days before the hearing to give CARB staff and Board members additional time to consider each comment. The Board also encourages members of the public to bring to the attention of staff in advance of the hearing any suggestions for modification of the proposed regulatory action. Comments submitted in advance of the hearing must be addressed to one of the following:

Postal mail:  
Clerks' Office, California Air Resources Board  
1001 I Street, Sacramento, California 95814

Electronic submittal:  
<https://www.arb.ca.gov/lispub/comm/bclist.php>

Please note that under the California Public Records Act (Gov. Code, §6250 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone, email, etc.)

become part of the public record and can be released to the public upon request.

Additionally, the Board requests but does not require that persons who submit written comments to the Board reference the title of the proposal in their comments to facilitate review.

#### AUTHORITY AND REFERENCE

This regulatory action is proposed under the authority granted in Health and Safety Code sections 39600, 39601, 38530, 39600, 39601, 39607, and 43000.5; and Public Utilities Code section 5450. This action is proposed to implement, interpret, and make specific these sections, including Public Utilities Code section 5450. This regulatory action also references Government Code sections 65301 and 65080; Health and Safety Code section 44274.4; Public Utilities Code sections 5360 and 5431; Streets and Highways Code sections 890.4 and 891.2; Vehicle Code sections 27908 and 38750; and California Code of Regulations, title 13, sections 1961, 1961.3, 1962, and 1962.2.

#### INFORMATIVE DIGEST OF PROPOSED ACTION AND POLICY STATEMENT OVERVIEW (Gov. Code, § 11346.5, subdivision (a)(3))

**Sections Affected:** Proposed adoption to California Code of Regulations, title 13, section(s) 2490, 2490.1, 2490.2, 2490.3, 2490.4, and 2490.5.

#### BACKGROUND AND EFFECT OF THE PROPOSED REGULATORY ACTION

Although California has made progress with reducing emissions, there is still a long road ahead. With transportation emissions continuing to rise despite increases in fuel efficiency and decreases in the carbon content of fuel, California will not achieve the necessary greenhouse gas (GHG) emission reductions to meet mandates for 2030 and beyond without further action, including the regulation proposed in this notice. Specifically, CARB’s 2030 Scoping Plan Update identifies that reductions in single-occupancy vehicle travel are necessary to achieve the statewide emissions target of 40 percent below 1990 levels by 2030. Transitioning the transportation sector to zero-emission vehicles (ZEVs) and reducing vehicle miles traveled (VMT) are critical to achieving California’s health protection goals, minimizing air pollution exposure, and mitigating climate change impacts, particularly to achieve the 2045 carbon neutrality goal.

To promote these purposes, Senate Bill 1014 (Skinner, Stats. 2018, ch. 369) — the Clean Miles Standard and Incentive Program of 2018 — directs

CARB to adopt and the California Public Utilities Commission (CPUC) to implement the Clean Miles Standard (CMS) program to place environmental requirements on transportation network companies (TNCs) in California. The proposed CMS regulation is a first-of-its-kind, in-use light-duty fleet rule for reducing emissions in the TNC sector. Electrification targets are set using the metric of percent electric vehicle miles traveled (eVMT) and GHG emission targets are set using the metric of grams of CO<sub>2</sub> per passenger-mile-traveled (g CO<sub>2</sub>/PMT). The required targets direct TNCs to increase miles driven by cleaner vehicles, including zero emission vehicles (ZEVs). The GHG emission target also encourages a reduction of VMT relative to passenger miles traveled (PMT) through strategies such as increasing pooled (or shared) rides and decreasing deadhead miles, which are excess miles associated with TNC vehicles driving without passengers. Furthermore, the proposed regulation will support active transport and public transit by providing regulatory compliance credits for use with the GHG emission target when TNCs facilitate those modes of travel.

#### *Background*

Innovations are emerging in the transportation sector to meet the needs of Californians. TNCs provide on-demand rides through a technology-based platform by connecting passengers with drivers using their personal or rental vehicles. They are well-positioned to help state and local agencies meet air quality and climate goals through electrification. In fact, the two largest TNCs in California, Uber and Lyft, have already been at the forefront of experimenting with electrification through various pilot programs in the U.S. and globally.

ZEV technology is a good fit for the ride-hailing platform. ZEVs are uniquely suited for frequent stop-start driving of ride-hail operations, given the lack of engine start and idling emissions, and the technology’s smooth acceleration enhances the driver and rider experience. Not only does more use of ZEVs benefit the environment; it also benefits drivers and the communities those drivers serve. Zero-emission technology in a TNC fleet provides environmental benefits, while drivers could benefit economically by switching to a ZEV. Even with the current higher purchase cost of ZEVs, lower fuel and maintenance costs lead to net savings over the lifetime of the vehicle.

Additionally, VMT reduction through pooling, reducing deadhead miles and mode shifting to active transportation and transit will ensure that TNCs become a more sustainable transportation option, reducing overall emissions.

#### *Summary of the Proposal*

The proposed regulation is the first in-use, light-duty fleet regulation developed by the CARB, and the

first to address environmental requirements for ride-hailing services specifically. The specific requirements proposed in this regulation are two targets, including an electrification target in the metric of percent eVMT and a GHG emission target in the metric of grams of CO<sub>2</sub> per passenger-mile-traveled (g CO<sub>2</sub>/PMT).

The electrification and GHG targets start in 2023 at 2 percent eVMT and 252 g CO<sub>2</sub>/PMT, respectively, and slowly increase in stringency to 90 percent eVMT and 0 g CO<sub>2</sub>/PMT in 2030. The electrification targets can only be met with electric miles driven with passengers in the car using a battery electric vehicle (BEV) or a fuel-cell electric vehicle (FCEV). TNCs have a menu of options for reducing their company-wide GHG emissions to comply with the annual targets. These include improving fleet-wide fuel efficiency, reducing VMT by increasing shared rides, reducing VMT by reducing deadhead miles, and earning CO<sub>2</sub> credits by investing in active transportation infrastructure, or by providing integrated fare services to connect riders to mass transit. The proposed regulation also includes requirements for annual data submittals, annual compliance reports, and biennial compliance plans.

Small TNCs whose operations result in five million annual VMT or less statewide will be exempt from meeting electrification and GHG targets. Small TNCs are not exempt, however, from continued annual data submittals as part of the TNC permit requirement. Small TNCs are also exempt from the requirement to submit two-year (biennial) plans and annual compliance reports. If a small TNC grows to exceed five million VMT in a given calendar year, they will be subject to the requirements beginning the following calendar year.

CARB may also consider other changes to the sections affected, as listed on page two of this notice, during the course of this rulemaking process.

#### OBJECTIVES AND BENEFITS OF THE PROPOSED REGULATORY ACTION

The proposed regulation will decrease GHG emissions, criteria pollutant emissions, such as NO<sub>x</sub> and PM<sub>2.5</sub>, which in turn, will help California meet its climate and air quality goals. Given the way that the targets are structured, the proposed regulation may also decrease VMT and may support transportation alternatives. In addition to emission reductions, the proposed regulation may also increase awareness of ZEVs with more Californians experiencing the technology through ride-hailing trips.

To comply with this regulation, TNCs may need to work with platform drivers to enable ZEV adoption, and may require future automated vehicle operators providing ride-hailing service to electrify their fleet. While staff do not know which strategies TNCs

will use to comply with the regulation, or how the TNC business model may evolve in the future, staff have taken a conservative approach by assuming that drivers, particularly low-income individuals, would acquire ZEVs for themselves. This approach is conservative, as it is entirely possible that TNCs will decide to make fleet purchases, rent vehicles, or otherwise provide vehicles or cost supports to drivers. However, some drivers may buy vehicles and although ZEVs have many advantages, they also have costs. To reduce the risk of adverse impacts on the drivers, staff developed a cost model to derive electrification targets that have a zero net cost to the driver amortized over a year at most, a timeframe in which staff believe makes purchasing a ZEV feasible by the majority of drivers. In general, staff expect higher-mileage TNC drivers to switch to ZEVs earlier because they are more likely to see cost benefits from switching sooner than other lower-mileage drivers. Note that under the proposed targets — and depending on how TNCs choose to comply with the proposed regulation — a large portion of TNC drivers may not need to switch to ZEVs by 2030.

Staff developed cost assumptions as model inputs and the resulting output is the percent of vehicles that would switch to a ZEV with net cost savings after a year to the driver. This model methodology leads to the drivers with the highest annual service miles and the lowest vehicle fuel efficiency switching to a ZEV. Applying the model for every year of the regulation, staff derived the electrification target of 90 percent eVMT in 2030. Given a number of the TNC vehicles are high mileage, the electrification target alone would require less than half of the TNC vehicles to switch to ZEVs in 2030. However, for the GHG target, TNCs could comply by fully electrifying the TNC fleet, projected to be over 750,000 vehicles in California by 2030.

Staff also proposes allowing TNCs to use optional GHG credits for actions that support transit and active transportation. This will encourage VMT reduction strategies through TNC and mobility provider partnerships rather than eroding transit market share, a trend currently occurring in urban areas. It will also help to support transportation alternatives, which is important for lower-income residents that do not have access to TNC services or cannot afford their own vehicle.

#### *Cost and Emission Impacts*

To assess cost and emission impacts, CARB staff modeled compliance with the GHG target given it is the more stringent of the two requirements. The GHG target in 2030 is equivalent to 100 percent eVMT in TNC fleets, and was used to estimate reductions in GHG emissions, criteria emissions, including NO<sub>x</sub> and PM<sub>2.5</sub>, and health costs for California residents.



Cumulative statewide emission reductions from the proposed regulation from 2023–2031 are estimated to be 93.21 tons PM<sub>2.5</sub>, 298.03 tons NO<sub>x</sub> and 1.81 million metric tons (MMT) CO<sub>2</sub>.

In addition, the proposed regulation is estimated to result in a reduction of 0.36 MMT of CO<sub>2</sub> in the year 2030, which represents a 0.39 percent reduction in the light-duty fleet for that year. Emission reductions are estimated based on an assumption of 100 percent eVMT and do not include emission reductions that could come from implementing VMT reduction strategies for compliance with the GHG targets (e.g., pooling and deadhead mile reduction).

#### COMPARABLE FEDERAL REGULATIONS

No current federal regulations address the same issue as CARB’s proposed greenhouse gas reduction and electrification targets for TNCs.

#### AN EVALUATION OF INCONSISTENCY OR INCOMPATIBILITY WITH EXISTING STATE REGULATIONS

(Gov. Code, § 11346.5, subdivision (a)(3)(D))

During the process of developing the proposed regulatory action, CARB conducted a search of any similar regulations on this topic and concluded these regulations are neither inconsistent nor incompatible with existing state regulations.

#### DISCLOSURES REGARDING THE PROPOSED REGULATION

#### **Fiscal Impact/Local Mandate Determination Regarding the Proposed Action (Gov. Code, § 11346.5, subdivisions (a)(5)&(6)):**

The determinations of the Board’s Executive Officer concerning the costs or savings incurred by public agencies and private persons and businesses in reasonable compliance with the proposed regulatory action are presented below.

Under Government Code sections 11346.5, subdivision (a)(5) and 11346.5, subdivision (a)(6), the Executive Officer has determined that the proposed regulatory action would create costs or savings to any State agency, would not create costs or savings in federal funding to the State, and would not impose any mandate to any local agency or school district, whether or not reimbursable by the State under Government Code, title 2, division 4, part 7 (commencing with section 17500), or other nondiscretionary cost or savings to State or local agencies. The proposed regulation could affect State and local governments finance through changes in taxes and fees collected from change in fuel expenditures and other fees.

Because the regulation does not impose unique new requirements on local agencies, the regulation is not a reimbursable mandate for this reason as well (County of Los Angeles v. State of California, 42 Cal. 3d 46 (1987)).

#### **Cost to any Local Agency or School District Requiring Reimbursement under sections 17500 et seq.:**

The proposed regulation is a general law that does not specifically regulate any local community. The proposed regulation imposes no mandate to local agencies or school districts, but could affect State and local governments finance indirectly through changes in taxes and fees collected from change in fuel expenditures and other fees. Therefore, the regulation does not constitute a “Program” imposing any unique requirements on local agencies as set forth in section 17514 of the California Government Code. Furthermore, costs are not reimbursable when they may be fully financed by local agencies raising their own fees. (See, e.g., Clovis Unified School Dist. v. Chiang (2010) 188 Cal App. 4th 794, 812; Connell v. Superior Court (1997) 59 Cal. App. 4th 382, 397–403; County of Fresno v. State of California (1991) 53 Cal. 3d 482, 487–88; Cal. Gov. Code section 17556(d)).

#### *Cost or Savings for State Agencies:*

The Proposed Regulation would require one additional CPUC Research Data Specialist III position, responsible for implementing the rule. This position would be needed starting in 2021 at a cost of \$161,568 per year.

Fuel taxes on gasoline are used to fund transportation improvements at the state, county, and local levels. Displacing gasoline fuel with electricity will decrease the amount of gasoline dispensed in the state. This will result in a reduction in revenue collected by the state for use in multiple levels of government. There is a \$0.505 per gallon state excise tax on gasoline. Gasoline is exempt from the portion of sales tax that goes towards the state’s general fund.

The Energy Resources Fee is a \$0.0003/kWh surcharge levied on consumers of electricity purchased from electrical utilities. The revenue collected is deposited into the Energy Resources Programs Account of the General Fund which is used for ongoing electricity programs and projects deemed appropriate by the Legislature, including but not limited to, activities of the California Energy Commission (CEC). Increased use of ZEVs will result in increases in electricity use and increased revenue from the Energy Resources Fee.

From 2021 to 2031, the net impact of the Proposed Regulation is a cost of \$98.7 million. The net impact in Fiscal Year 2021–2022 is \$162 thousand, the net impact in Fiscal Year 2022–2023 is \$588 thousand,

and the net impact in Fiscal Year 2023–2024 is \$1.4 million.

**Housing Costs (Gov. Code, §11346.5, subdivision (a)(12)):**

The Executive Officer has also made the initial determination that the proposed regulatory action will not have a significant effect on housing costs. The proposed regulation does not create or substantially expand an industry such that any particular housing market would be impacted.

**Significant Statewide Adverse Economic Impact Directly Affecting Business, Including Ability to Compete (Gov. Code, §§ 11346.3, subdivision (a), 11346.5, subdivision (a)(7), 11346.5, subdivision (a)(8)):**

The Executive Officer has made an initial determination that the proposed regulatory action would not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states, or on representative private persons.

RESULTS OF THE ECONOMIC IMPACT  
ANALYSIS/ASSESSMENT  
(Gov. Code, § 11346.5, subdivision (a)(10))

**Major Regulation: Statement of the Results of the Standardized Regulatory Impact Analysis (SRIA) (Gov. Code, §11346.3, subdivision (c)):**

In August 2020, CARB submitted a Standardized Regulatory Impact Analysis (SRIA) to the Department of Finance (DOF) for its review. CARB has updated the proposed Clean Miles Standard regulation since the original SRIA submittal, and to address DOF comments. The revisions are discussed in the Initial Statement of Reasons (ISOR), Chapter IX.

*The creation or elimination of jobs within the state*

The proposed regulation is estimated to result in a slight negative job impact in all years of the assessment. Industries that are estimated to have net costs, decreases in demand, or revenue loss such as petroleum production, transit and ground passenger transportation services, automotive repair, and state and local government are estimated to see decreases in employment growth. These changes in employment represent less than 0.01 percent of BAU California employment. Based on the major sector breakdown of job impacts in 2031, the proposed regulation is estimated to result in 1,454 job gains and 4,738 job losses for a net impact of approximately 3,285 job losses.

*The creation of new businesses or the elimination of existing businesses within the state*

The proposed regulation is not anticipated to directly result in new business creation or elimination. Neither of the two companies that are directly impacted are anticipated to be eliminated as a result of the proposed regulation. While changes in jobs for the California economy cannot directly estimate the broader impacts on business creation and elimination, they can be used to understand some of the potential impacts to businesses. The overall job impacts of the proposed regulation are very small relative to the total California economy, representing changes of less than 0.01 percent.

*The competitive advantages or disadvantages for businesses currently doing business within the state*

At this time, the competitive advantages or disadvantages created by the proposed regulation between Uber and Lyft do not appear to be material. Both companies' drivers exhibit similar vehicle types, average passenger miles per trip, and exist in similar markets. The economics of one of these companies meeting GHG and electrification targets appear to be very much the same as the other.

The proposed regulation may provide a competitive advantage to TNC drivers that already have ZEVs or more fuel-efficient vehicles. All else being equal, TNCs could potentially favor more efficient vehicles when matching passengers to drivers, as miles traveled in these vehicles could increase eVMT and have lower GHG emissions per passenger mile.

*The increase or decrease of investment in the state*

Private domestic investment consists of purchases of residential and nonresidential structures and of equipment and software by private businesses and nonprofit institutions. It can be used as a proxy for impacts on investment in California because it provides an indicator of the future productive capacity of the economy. An increase of private investment of \$173 million is expected by 2031, amounting to approximately 0.04 percent of baseline investments. Increases in private investment are largely driven by the impact of net savings of the proposed regulation, whereby cost savings to TNC drivers increases discretionary spending in the broader economy.

*The incentives for innovation in products, materials, or processes*

As part of the proposed regulation, TNC and supporting rental companies have several opportunities to innovate. Over the past several years, there were a small number of rental companies that supplied BEVs or FCEVs for TNC drivers to rent. Typically, these companies offer vehicles on a weekly basis and charging is included. Most drivers who rent vehicles drive more to earn enough income driving

for TNCs in order to cover the rental fees. We expect these rental programs to re-emerge and grow as the price of ZEVs goes down and the proposed regulation will further support these businesses. This part of the market has not yet been developed, presumably due to low demand for such services and the expense of transaction logistics. Were these types of new hourly rental services to develop, as a result of the proposed regulation, this would assist low- to moderate-income drivers in accessing ZEVs for TNC services with no capital required. Since the vast majority of TNC drivers are part-time, this innovation would provide ZEV access to a much larger segment of TNC drivers.

For TNC companies themselves, the GHG targets are designed for innovation in myriad ways, such as reducing deadhead miles, increasing pooling or occupancy, developing partnerships with transit, and investing in active transportation and other forms of increased system efficiency.

The benefits of the regulation include, but are not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency.

The proposed regulation will benefit individual California residents mainly by reducing adverse health impacts caused by criteria emissions, including NO<sub>x</sub> and PM<sub>2.5</sub>. The reduction of GHG emissions helps combat climate change and its destructive environmental effects felt by California residents. The proposed regulation is expected to achieve a cumulative reduction of 298.03 tons of NO<sub>x</sub> and 93.21 tons of PM<sub>2.5</sub> by 2031, aiding in the achievement of state and federal health standards, and protecting communities exposed to roadway pollution. The proposed regulation is also expected to cumulatively reduce well-to-wheel GHG emissions by 1.8 MMT CO<sub>2</sub> by 2031. If TNCs comply with the GHG targets in part through VMT reduction, this could also benefit California individuals by reducing congestion on California roads.

Table 1 shows the estimated avoided incidence of mortality and morbidity because of the proposed regulation from 2023 through 2031 by California air basin. Values in parentheses represent the 95% confidence intervals of the central estimate. The largest estimated health benefits correspond to regions in California with the greatest TNC activity: San Diego County, San Francisco Bay, and South Coast air basins.

Table 1. Regional and statewide avoided premature deaths, hospital admissions, and emergency room visits from 2023 to 2031 under the proposed regulation from PM<sub>2.5</sub> and NO<sub>x</sub> emission reductions

**Air Basin:** San Diego County.  
**Cardiopulmonary Mortality:** 1 (1-1)  
**Hospitalizations for cardiovascular illness:** 0 (0-0)  
**Hospitalizations for respiratory illness:** 0 (0-0)  
**Emergency room visits:** 0 (0-0)

**Air Basin:** San Francisco Bay.  
**Cardiopulmonary Mortality:** 4 (3-5)  
**Hospitalizations for cardiovascular illness:** 1 (0-1)  
**Hospitalizations for respiratory illness:** 1 (0-1)  
**Emergency room visits:** 2 (1-3)

**Air Basin:** South Coast.  
**Cardiopulmonary Mortality:** 13 (10-15)  
**Hospitalizations for cardiovascular illness:** 2 (0-4)  
**Hospitalizations for respiratory illness:** 2 (1-4)  
**Emergency room visits:** 7 (4-9)

**Air Basin:** Statewide.  
**Cardiopulmonary Mortality:** 18 (14-22)  
**Hospitalizations for cardiovascular illness:** 3 (0-5)  
**Hospitalizations for respiratory illness:** 3 (1-6)  
**Emergency room visits:** 9 (6-13)

*Department of Finance Comments and Responses*

**DOF Comment:** In general, Finance concurs with the methodology used to estimate impacts of proposed regulations. However, they asked that the benefits and costs be reported separately for each year without netting for transparency and disclosure of impacts. The annual valuation of health benefits of the proposed regulation was also not reported in the SRIA.

**Response:** The analysis in the ISOR has been updated to display annual valuation of health benefits of the proposed regulation. Tables presenting the numeric values of the total costs and total benefits to the TNC in each calendar year and the year-by-year value of monetized health benefits for the proposed regulation is provided in Appendix C of the ISOR.

**DOF Comment:** The baseline must reflect current laws as well as economic assumptions consistent with the current recession and its aftermaths. Currently, the baseline does not estimate changes due to Assembly Bill (AB) 5 and assumes that the regulated market will continue to grow at pre-pandemic rates. CARB should formulate assumptions to evaluate impacts based on the proper baseline. The SRIA may then include a sensitivity analysis to address uncertainties and to assess impacts under scenarios that deviate from the baseline.

**Response:** The baseline used by CARB assumes compliance with AB 5. CARB estimates that, on



balance, the effects of AB 5 may be neutral with regard to TNC growth and TNC labor supply. CARB is not aware of any data that points to the medium- and long-run impacts of AB 5 that contradicts its estimate.

In the baseline, CARB considers the effects of the current pandemic and economic recession. The SRIA baseline assumes a much lower average annual growth rate from 2020 to 2023 than the historical average for the industry. However, there is no data available that points to the broader medium- and long-run impacts of these two events on the ride hailing sector. Due to the uncertainty surrounding these events, the SRIA included a sensitivity analysis of the proposed regulation (Appendix H of the SRIA) to explore the potential range of economic impacts that could result. In addition, staff have incorporated additional flexibilities and crediting structures into the proposed regulation, such as the banking of over-compliance credits noted above, which could serve as a compliance buffer for a TNC if a future year market condition is challenging.

**COST IMPACTS ON REPRESENTATIVE PRIVATE PERSONS OR BUSINESSES**  
(Gov. Code, § 11346.5, subdivision (a)(9))

In developing this regulatory proposal, CARB staff evaluated the potential economic impacts on representative private persons or businesses. CARB is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

**EFFECT ON SMALL BUSINESS**  
(Cal. Code Regs., title 1, § 4, subdivisions (a) and (b))

The Executive Officer has also determined under California Code of Regulations, title 1, section 4, that the proposed regulatory action would not directly affect small businesses because small TNC companies would not need to meet the annual electrification and GHG targets, along with the reporting requirements.

**CONSIDERATION OF ALTERNATIVES**  
(Gov. Code, § 11346.5, subdivision (a)(13))

Before taking final action on the proposed regulatory action, the Board must determine that no reasonable alternative considered by the Board, or that has otherwise been identified and brought to the attention of the Board, would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally

effective in implementing the statutory policy or other provisions of law.

**ENVIRONMENTAL ANALYSIS**

CARB, as the lead agency for the proposed regulation, has concluded that this action is exempt from CEQA, as described in CEQA Guidelines § 15061, because the action is both an Action Taken by Regulatory Agencies for Protection of the Environment (as described in CEQA Guidelines § 15308 for “class 8” exemptions); and it is also exempt as described in CEQA Guidelines § 15061(b)(3) (“common sense” exemption) because it can be seen with certainty that there is no possibility that the proposed action may result in a significant adverse impact on the environment. A brief explanation of the basis for reaching this conclusion is included in Chapter VII of the ISOR.

**SPECIAL ACCOMMODATION REQUEST**

Consistent with California Government Code section 7296.2, special accommodation or language needs may be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format or another language; and
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerks’ Office at [cotb@arb.ca.gov](mailto:cotb@arb.ca.gov) or (916) 322-5594 as soon as possible, but no later than ten business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Consecuente con la sección 7296.2 del Código de Gobierno de California, una acomodación especial o necesidades lingüísticas pueden ser suministradas para cualquiera de los siguientes:

- Un intérprete que esté disponible en la audiencia;
- Documentos disponibles en un formato alterno u otro idioma; y
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al [cotb@arb.ca.gov](mailto:cotb@arb.ca.gov) o (916) 322-5594 lo más pronto posible, pero no menos de 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

AGENCY CONTACT PERSONS

Inquiries concerning the substance of the proposed regulatory action may be directed to the agency representative Gloria Pak, Air Resources Engineer, Low Emission Vehicle Regulations Section, at (951) 550-0631, or (designated back-up contact) Shobna Sahni, Air Resources Supervisor I, Low Emission Vehicle Regulations Section, at (626) 450-6104.

AVAILABILITY OF DOCUMENTS

CARB staff has prepared a Staff Report: Initial Statement of Reasons (ISOR) for the proposed regulatory action, which includes a summary of the economic and environmental impacts of the proposal. The report is entitled: “Proposed Clean Miles Standard Regulation.”

Copies of the ISOR and the full text of the proposed regulatory language, may be accessed on CARB’s website listed below, on March 30, 2020. Please contact Chris Hopkins, Regulations Coordinator, at [Chris.Hopkins@arb.ca.gov](mailto:Chris.Hopkins@arb.ca.gov) or (916) 445-9564 if you need physical copies of the documents. Because of current travel, facility, and staffing restrictions, the California Air Resources Board’s offices have limited public access. Pursuant to Government Code section 11346.5, subdivision (b), upon request to the aforementioned Regulations Coordinator, physical copies would be obtained from the Public Information Office, California Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, First Floor, Sacramento, California, 95814.

Further, the agency representative to whom non-substantive inquiries concerning the proposed administrative action may be directed is Chris Hopkins, Regulations Coordinator, [Chris.Hopkins@arb.ca.gov](mailto:Chris.Hopkins@arb.ca.gov). The Board staff has compiled a record for this rulemaking action, which includes all the information upon which the proposal is based. This material is available for inspection upon request to the contact persons.

HEARING PROCEDURES

The public hearing will be conducted in accordance with the California Administrative Procedure Act, Government Code, title 2, division 3, part 1, chapter 3.5 (commencing with section 11340).

Following the public hearing, the Board may take action to approve for adoption the regulatory language as originally proposed, or with non-substantial or grammatical modifications. The Board may also approve for adoption the proposed regulatory language with other modifications if the text as modified is sufficiently related to the originally proposed text

that the public was adequately placed on notice and that the regulatory language as modified could result from the proposed regulatory action. If this occurs, the full regulatory text, with the modifications clearly indicated, will be made available to the public, for written comment, at least 15 days before final adoption.

FINAL STATEMENT OF REASONS AVAILABILITY

Upon its completion, the Final Statement of Reasons (FSOR) will be available and copies may be requested from the agency contact persons in this notice, or may be accessed on CARB’s website listed below.

INTERNET ACCESS

This notice, the ISOR and all subsequent regulatory documents, including the FSOR, when completed, are available on CARB’s website for this rulemaking at <https://ww2.arb.ca.gov/rulemaking/2021/cleanmilesstandard>.

**TITLE 16. PHYSICIAN ASSISTANT BOARD**

The Physician Assistant Board (Board) proposes to adopt the proposed regulation described below after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING

The Board has not scheduled a public hearing on this proposed action. However, the Board will hold a hearing if it receives a written request for a public hearing from any interested person, or his or her authorized representative, no later than 15 days prior to the close of the written comment period. A hearing may be requested by making such request in writing addressed to the individuals listed under “Contact Persons” in this Notice.

WRITTEN COMMENT PERIOD

Any interested person, or his/her authorized representative, may submit written comments relevant to the proposed regulatory action to the Board. Comments may also be submitted by facsimile (FAX) at (916) 263-2671 or by e-mail to [jasmine.dhillon@dca.ca.gov](mailto:jasmine.dhillon@dca.ca.gov). The written comment period closes at 5:00 p.m. on Tuesday, May 18, 2021. The Board will consider only comments received at the Board’s office by that time. Submit comments to the persons listed under “Contact Persons” below.



# Title 13. California Air Resources Board

## Notice of Public Hearing to Consider Proposed Clean Miles Standard

The California Air Resources Board (CARB or Board) will conduct a public hearing at the date and time noted below to consider approving for adoption of the proposed Clean Miles Standard.

Date: May 20, 2021

Time: 11:00 A.M.

Please see the public agenda which will be posted ten days before the May 20, 2021, Board Meeting for any appropriate direction regarding a possible remote-only Board Meeting. If the meeting is to be held in person, it will be held at the California Air Resources Board, Byron Sher Auditorium, 1001 I Street, Sacramento, California 95814.

This item will be considered at a meeting of the Board, which will commence at 11:00 a.m., May 20, 2021, and may continue at 8:30 a.m., on May 21, 2021. Please consult the agenda for the hearing, which will be available at least ten days before May 20, 2021, to determine the day on which this item will be considered.

### Written Comment Period and Submittal of Comments

In accordance with the Administrative Procedure Act, interested members of the public may present comments orally or in writing during the hearing and may provide comments by postal mail or by electronic submittal before the hearing. The public comment period for this regulatory action will begin on April 2, 2021. Written comments not submitted during the hearing must be submitted on or after April 2, 2021, and received **no later than** May 17, 2021. Comments submitted outside that comment period are considered untimely. CARB may, but is not required to, respond to untimely comments, including those raising significant environmental issues. CARB requests that when possible, written and email statements be filed at least ten days before the hearing to give CARB staff and Board members additional time to consider each comment. The Board also encourages members of the public to bring to the attention of staff in advance of the hearing any suggestions for modification of the proposed regulatory action. Comments submitted in advance of the hearing must be addressed to one of the following:

Postal mail: Clerks' Office, California Air Resources Board  
1001 I Street, Sacramento, California 95814

Electronic submittal: <https://www.arb.ca.gov/lispub/comm/bclist.php>

Please note that under the California Public Records Act (Gov. Code, § 6250 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

Additionally, the Board requests but does not require that persons who submit written comments to the Board reference the title of the proposal in their comments to facilitate review.

## **Authority and Reference**

This regulatory action is proposed under the authority granted in Health and Safety Code, sections 39600, 39601, 38530, 39600, 39601, 39607, and 43000.5; and Public Utilities Code section 5450. This action is proposed to implement, interpret, and make specific these sections, including Public Utilities Code section 5450. This regulatory action also references Government Code sections 65301 and 65080; Health and Safety Code section 44274.4; Public Utilities Code sections 5360 and 5431; Streets and Highways Code sections 890.4 and 891.2; Vehicle Code sections 27908 and 38750; and California Code of Regulations, title 13, sections 1961, 1961.3, 1962, and 1962.2.

## **Informative Digest of Proposed Action and Policy Statement Overview (Gov. Code, § 11346.5, subd. (a)(3))**

**Sections Affected:** Proposed adoption to California Code of Regulations, title 13, section(s) 2490, 2490.1, 2490.2, 2490.3, 2490.4, and 2490.5.

### **Background and Effect of the Proposed Regulatory Action:**

Although California has made progress with reducing emissions, there is still a long road ahead. With transportation emissions continuing to rise despite increases in fuel efficiency and decreases in the carbon content of fuel, California will not achieve the necessary greenhouse gas (GHG) emission reductions to meet mandates for 2030 and beyond without further action, including the regulation proposed in this notice. Specifically, CARB's 2030 Scoping Plan Update identifies that reductions in single-occupancy vehicle travel are necessary to achieve the statewide emissions target of 40 percent below 1990 levels by 2030. Transitioning the transportation sector to zero-emission vehicles (ZEVs) and reducing vehicle miles traveled (VMT) are critical to achieving California's health protection goals, minimizing air pollution exposure, and mitigating climate change impacts, particularly to achieve the 2045 carbon neutrality goal.

To promote these purposes, Senate Bill 1014 (Skinner, Stats. 2018, ch. 369)—the Clean Miles Standard and Incentive Program of 2018—directs CARB to adopt and the California Public Utilities Commission (CPUC) to implement the Clean Miles Standard (CMS) program to place environmental requirements on transportation network companies (TNCs) in California. The proposed CMS regulation is a first-of-its-kind, in-

use light-duty fleet rule for reducing emissions in the TNC sector. Electrification targets are set using the metric of percent electric vehicle miles traveled (eVMT) and GHG emission targets are set using the metric of grams of CO<sub>2</sub> per passenger-mile-traveled (g CO<sub>2</sub>/PMT). The required targets direct TNCs to increase miles driven by cleaner vehicles, including zero emission vehicles (ZEVs). The GHG emission target also encourages a reduction of VMT relative to passenger miles traveled (PMT) through strategies such as increasing pooled (or shared) rides and decreasing deadhead miles, which are excess miles associated with TNC vehicles driving without passengers. Furthermore, the proposed regulation will support active transport and public transit by providing regulatory compliance credits for use with the GHG emission target when TNCs facilitate those modes of travel.

### Background

Innovations are emerging in the transportation sector to meet the needs of Californians. TNCs provide on-demand rides through a technology-based platform by connecting passengers with drivers using their personal or rental vehicles. They are well-positioned to help state and local agencies meet air quality and climate goals through electrification. In fact, the two largest TNCs in California, Uber and Lyft, have already been at the forefront of experimenting with electrification through various pilot programs in the U.S. and globally.

ZEV technology is a good fit for the ride-hailing platform. ZEVs are uniquely suited for frequent stop-start driving of ride-hail operations, given the lack of engine start and idling emissions, and the technology's smooth acceleration enhances the driver and rider experience. Not only does more use of ZEVs benefit the environment; it also benefits drivers and the communities those drivers serve. Zero-emission technology in a TNC fleet provides environmental benefits, while drivers could benefit economically by switching to a ZEV. Even with the current higher purchase cost of ZEVs, lower fuel and maintenance costs lead to net savings over the lifetime of the vehicle.

Additionally, VMT reduction through pooling, reducing deadhead miles and mode shifting to active transportation and transit will ensure that TNCs become a more sustainable transportation option, reducing overall emissions.

### Summary of the Proposal

The proposed regulation is the first in-use, light-duty fleet regulation developed by the CARB, and the first to address environmental requirements for ride-hailing services specifically. The specific requirements proposed in this regulation are two targets, including an electrification target in the metric of percent eVMT and a GHG emission target in the metric of grams of CO<sub>2</sub> per passenger-mile-traveled (g CO<sub>2</sub>/PMT).

The electrification and GHG targets start in 2023 at 2 percent eVMT and 252 g CO<sub>2</sub>/PMT, respectively, and slowly increase in stringency to 90 percent eVMT and 0 g CO<sub>2</sub>/PMT in 2030. The electrification targets can only be met with electric miles driven



with passengers in the car using a battery electric vehicle (BEV) or a fuel-cell electric vehicle (FCEV). TNCs have a menu of options for reducing their company-wide GHG emissions to comply with the annual targets. These include improving fleet-wide fuel efficiency, reducing VMT by increasing shared rides, reducing VMT by reducing deadhead miles, and earning *CO<sub>2</sub> credits* by investing in active transportation infrastructure, or by providing integrated fare services to connect riders to mass transit. The proposed regulation also includes requirements for annual data submittals, annual compliance reports, and biennial compliance plans.

Small TNCs whose operations result in five million annual VMT or less statewide will be exempt from meeting electrification and GHG targets. Small TNCs are not exempt, however, from continued annual data submittals as part of the TNC permit requirement. Small TNCs are also exempt from the requirement to submit two-year (biennial) plans and annual compliance reports. If a small TNC grows to exceed five million VMT in a given calendar year, they will be subject to the requirements beginning the following calendar year.

CARB may also consider other changes to the sections affected, as listed on page two of this notice, during the course of this rulemaking process.

### **Objectives and Benefits of the Proposed Regulatory Action:**

The proposed regulation will decrease GHG emissions, criteria pollutant emissions, such as NO<sub>x</sub> and PM<sub>2.5</sub>, which in turn, will help California meet its climate and air quality goals. Given the way that the targets are structured, the proposed regulation may also decrease VMT and may support transportation alternatives. In addition to emission reductions, the proposed regulation may also increase awareness of ZEVs with more Californians experiencing the technology through ride-hailing trips.

To comply with this regulation, TNCs may need to work with platform drivers to enable ZEV adoption, and may require future automated vehicle operators providing ride-hailing service to electrify their fleet. While staff do not know which strategies TNCs will use to comply with the regulation, or how the TNC business model may evolve in the future, staff have taken a conservative approach by assuming that drivers, particularly low-income individuals, would acquire ZEVs for themselves. This approach is conservative, as it is entirely possible that TNCs will decide to make fleet purchases, rent vehicles, or otherwise provide vehicles or cost supports to drivers. However, some drivers may buy vehicles and although ZEVs have many advantages, they also have costs. To reduce the risk of adverse impacts on the drivers, staff developed a cost model to derive electrification targets that have a zero net cost to the driver amortized over a year at most, a timeframe in which staff believe makes purchasing a ZEV feasible by the majority of drivers. In general, staff expect higher-mileage TNC drivers to switch to ZEVs earlier because they are more likely to see cost benefits from switching sooner than other lower-mileage drivers. Note that under the proposed targets—and depending on how TNCs choose to comply with the proposed regulation—a large portion of TNC drivers may not need to switch to ZEVs by 2030.

Staff developed cost assumptions as model inputs and the resulting output is the percent of vehicles that would switch to a ZEV with net cost savings after a year to the driver. This model methodology leads to the drivers with the highest annual service miles and the lowest vehicle fuel efficiency switching to a ZEV. Applying the model for every year of the regulation, staff derived the electrification target of 90 percent eVMT in 2030. Given that a number of TNC vehicles are high mileage, the electrification target alone would require less than half of the TNC vehicles to switch to ZEVs in 2030. However, for the GHG target, TNCs could comply by fully electrifying the TNC fleet, projected to be over 750,000 vehicles in California by 2030.

Staff also proposes allowing TNCs to use optional GHG credits for actions that support transit and active transportation. This will encourage VMT reduction strategies through TNC and mobility provider partnerships rather than eroding transit market share, a trend currently occurring in urban areas. It will also help to support transportation alternatives, which is important for lower-income residents that do not have access to TNC services or cannot afford their own vehicle.

### Cost and Emission Impacts

To assess cost and emission impacts, CARB staff modeled compliance with the GHG target given that it is the more stringent of the two requirements. The GHG target in 2030 is equivalent to 100 percent eVMT in TNC fleets. This target was used to estimate reductions in GHG emissions, criteria emissions including NO<sub>x</sub> and PM<sub>2.5</sub>, and health costs for California residents. Cumulative statewide emission reductions from the proposed regulation from 2023–2031 are estimated to be 93.21 tons PM<sub>2.5</sub>, 298.03 tons NO<sub>x</sub> and 1.81 million metric tons (MMT) CO<sub>2</sub>.

In addition, the proposed regulation is estimated to result in a reduction of 0.36 MMT of CO<sub>2</sub> in the year 2030, which represents a 0.39 percent reduction in the light-duty fleet for that year. Emission reductions are estimated based on an assumption of 100 percent eVMT and do not include emission reductions that could come from implementing VMT reduction strategies for compliance with the GHG targets (e.g., pooling and deadhead mile reduction).

### **Comparable Federal Regulations:**

No current federal regulations address the same issue as CARB's proposed greenhouse gas reduction and electrification targets for TNCs.

**An Evaluation of Inconsistency or Incompatibility with Existing State Regulations (Gov. Code, § 11346.5, subd. (a)(3)(D)):**

During the process of developing the proposed regulatory action, CARB conducted a search of any similar regulations on this topic and concluded these regulations are neither inconsistent nor incompatible with existing state regulations.

**Disclosure Regarding the Proposed Regulation**

**Fiscal Impact/Local Mandate Determination Regarding the Proposed Action (Gov. Code, § 11346.5, subs. (a)(5)&(6)):**

The determinations of the Board's Executive Officer concerning the costs or savings incurred by public agencies and private persons and businesses in reasonable compliance with the proposed regulatory action are presented below.

Under Government Code sections 11346.5, subdivision (a)(5) and 11346.5, subdivision (a)(6), the Executive Officer has determined that the proposed regulatory action would create costs or savings to any State agency, would not create costs or savings in federal funding to the State, and would not impose any mandate to any local agency or school district, whether or not reimbursable by the State under Government Code, title 2, division 4, part 7 (commencing with section 17500), or other nondiscretionary cost or savings to State or local agencies. The proposed regulation could affect State and local governments finance through changes in taxes and fees collected from change in fuel expenditures and other fees. Because the regulation does not impose unique new requirements on local agencies, the regulation is not a reimbursable mandate for this reason as well (*County of Los Angeles v. State of California*, 42 Cal. 3d 46 (1987)).

Cost to any Local Agency or School District Requiring Reimbursement under section 17500 et seq.:

The proposed regulation is a general law that does not specifically regulate any local community. The proposed regulation imposes no mandate to local agencies or school districts, but could affect State and local governments finance indirectly through changes in taxes and fees collected from change in fuel expenditures and other fees. Therefore, the regulation does not constitute a "Program" imposing any unique requirements on local agencies as set forth in section 17514 of the California Government Code. Furthermore, costs are not reimbursable when they may be fully financed by local agencies raising their own fees. (See, e.g., *Clovis Unified School Dist. v. Chiang* (2010) 188 Cal App. 4th 794, 812; *Connell v. Superior Court* (1997) 59 Cal. App. 4th 382, 397-403; *County of Fresno v. State of California* (1991) 53 Cal. 3d 482, 487-88; Cal. Gov. Code section 17556(d)).



Cost or Savings for State Agencies:

The proposed regulation would require one additional CPUC Research Data Specialist III position, responsible for implementing the rule. This position would be needed starting in 2021 at a cost of \$161,568 per year.

Fuel taxes on gasoline are used to fund transportation improvements at the state, county, and local levels. Displacing gasoline fuel with electricity will decrease the amount of gasoline dispensed in the state. This will result in a reduction in revenue collected by the state for use in multiple levels of government. There is a \$0.505 per gallon state excise tax on gasoline. Gasoline is exempt from the portion of sales tax that goes towards the state's general fund.

The Energy Resources Fee is a \$0.0003/kWh surcharge levied on consumers of electricity purchased from electrical utilities. The revenue collected is deposited into the Energy Resources Programs Account of the General Fund which is used for ongoing electricity programs and projects deemed appropriate by the Legislature, including but not limited to, activities of the California Energy Commission (CEC). Increased use of ZEVs will result in increases in electricity use and increased revenue from the Energy Resources Fee.

From 2021 to 2031, the net impact of the proposed regulation is a cost of \$98.7 million. The net impact in Fiscal Year 2021-2022 is \$162 thousand, the net impact in Fiscal Year 2022-2023 is \$588 thousand, and the net impact in Fiscal Year 2023-2024 is \$1.4 million.

**Housing Costs (Gov. Code, § 11346.5, subd. (a)(12)):**

The Executive Officer has also made the initial determination that the proposed regulatory action will not have a significant effect on housing costs. The proposed regulation does not create or substantially expand an industry such that any particular housing market would be impacted.

**Significant Statewide Adverse Economic Impact Directly Affecting Business, Including Ability to Compete (Gov. Code, §§ 11346.3, subd. (a), 11346.5, subd. (a)(7), 11346.5, subd. (a)(8)):**

The Executive Officer has made an initial determination that the proposed regulatory action would not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states, or on representative private persons.

## **Results of the Economic Impact Analysis/Assessment (Gov. Code, § 11346.5, subd. (a)(10)):**

### **Major Regulation: Statement of the Results of the Standardized Regulatory Impact Analysis (SRIA) (Gov. Code, § 11346.3, subd. (c)):**

In August 2020, CARB submitted a Standardized Regulatory Impact Analysis (SRIA) to the Department of Finance (DOF) for its review. CARB has updated the proposed Clean Miles Standard regulation since the original SRIA submittal, and to address DOF comments. The revisions are discussed in the Initial Statement of Reasons (ISOR), Chapter IX.

#### *The creation or elimination of jobs within the state*

The proposed regulation is estimated to result in a slight negative job impact in all years of the assessment. Industries that are estimated to have net costs, decreases in demand, or revenue loss such as petroleum production, transit and ground passenger transportation services, automotive repair, and state and local government are estimated to see decreases in employment growth. These changes in employment represent less than 0.01 percent of BAU California employment. Based on the major sector breakdown of job impacts in 2031, the proposed regulation is estimated to result in 1,454 job gains and 4,738 job losses for a net impact of approximately 3,285 job losses.

#### *The creation of new businesses or the elimination of existing businesses within the state*

The proposed regulation is not anticipated to directly result in new business creation or elimination. Neither of the two companies that are directly impacted are anticipated to be eliminated as a result of the proposed regulation. While changes in jobs for the California economy cannot directly estimate the broader impacts on business creation and elimination, they can be used to understand some of the potential impacts to businesses. The overall job impacts of the proposed regulation are very small relative to the total California economy, representing changes of less than 0.01 percent.

#### *The competitive advantages or disadvantages for businesses currently doing business within the state*

At this time, the competitive advantages or disadvantages created by the proposed regulation between Uber and Lyft do not appear to be material. Both companies' drivers exhibit similar vehicle types, average passenger miles per trip, and exist in the same markets. The economics for one company meeting the GHG and electrification targets appear to be very much the same as for the other.

The proposed regulation may provide a competitive advantage to TNC drivers that already have ZEVs or more fuel-efficient vehicles. All else being equal, TNCs could

potentially favor more efficient vehicles when matching passengers to drivers, as miles traveled in these vehicles could increase eVMT and have lower GHG emissions per passenger mile.

#### *The increase or decrease of investment in the state*

Private domestic investment consists of purchases of residential and nonresidential structures and of equipment and software by private businesses and nonprofit institutions. It can be used as a proxy for impacts on investment in California because it provides an indicator of the future productive capacity of the economy. An increase of private investment of \$173 million is expected by 2031, amounting to approximately 0.04 percent of baseline investments. Increases in private investment are largely driven by the impact of net savings of the proposed regulation, whereby cost savings to TNC drivers increases discretionary spending in the broader economy.

#### *The incentives for innovation in products, materials, or processes*

As part of the proposed regulation, TNC and supporting rental companies have several opportunities to innovate. Over the past several years, there were a small number of rental companies that supplied BEVs or FCEVs for TNC drivers to rent. Typically, these companies offer vehicles on a weekly basis and charging is included. Most drivers who rent vehicles drive more to earn enough income driving for TNCs in order to cover the rental fees. We expect these rental programs to re-emerge and grow as the price of ZEVs goes down and the proposed regulation will further support these businesses. This part of the market has not yet been developed, presumably due to low demand for such services and the expense of transaction logistics. Were these types of new hourly rental services to develop, as a result of the proposed regulation, this would assist low- to moderate-income drivers in accessing ZEVs for TNC services with no capital required. Since the vast majority of TNC drivers are part-time, this innovation would provide ZEV access to a much larger segment of TNC drivers.

For TNC companies themselves, the GHG targets are designed for innovation in myriad ways, such as reducing deadhead miles, increasing pooling or occupancy, developing partnerships with transit, and investing in active transportation and other forms of increased system efficiency.

The benefits of the regulation include, but are not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency.

The proposed regulation will benefit individual California residents mainly by reducing adverse health impacts caused by criteria emissions, including NO<sub>x</sub> and PM<sub>2.5</sub>. The reduction of GHG emissions helps combat climate change and its destructive environmental effects felt by California residents. The proposed regulation is expected to achieve a cumulative reduction of 298.03 tons of NO<sub>x</sub> and 93.21 tons of PM<sub>2.5</sub> by 2031, aiding in the achievement of state and federal health standards, and protecting



communities exposed to roadway pollution. The proposed regulation is also expected to cumulatively reduce well-to-wheel GHG emissions by 1.8 MMT CO<sub>2</sub> by 2031. If TNCs comply with the GHG targets in part through VMT reduction, this could also benefit California individuals by reducing congestion on California roads.

Table 1 shows the estimated avoided incidence of mortality and morbidity because of the proposed regulation from 2023 through 2031 by California air basin. Values in parentheses represent the 95% confidence intervals of the central estimate. The largest estimated health benefits correspond to regions in California with the greatest TNC activity: San Diego County, San Francisco Bay, and South Coast air basins.

Table 1. Regional and statewide avoided premature deaths, hospital admissions, and emergency room visits from 2023 to 2031 under the proposed regulation from PM<sub>2.5</sub> and NO<sub>x</sub> emission reductions

Air Basin	Cardiopulmonary mortality	Hospitalizations for cardiovascular illness	Hospitalizations for respiratory illness	Emergency room visits
San Diego County	1 (1 - 1)	0 (0 - 0)	0 (0 - 0)	0 (0 - 0)
San Francisco Bay	4 (3 - 5)	1 (0 - 1)	1 (0 - 1)	2 (1 - 3)
South Coast	13 (10 - 15)	2 (0 - 4)	2 (1 - 4)	7 (4 - 9)
Statewide	18 (14 - 22)	3 (0 - 5)	3 (1 - 6)	9 (6 - 13)

Department of Finance Comments and Responses

**DOF Comment:** In general, Finance concurs with the methodology used to estimate impacts of proposed regulations. However, they asked that the benefits and costs be reported separately for each year without netting for transparency and disclosure of impacts. The annual valuation of health benefits of the proposed regulation was also not reported in the SRIA.

**Response:** The analysis in the ISOR has been updated to display annual valuation of health benefits of the proposed regulation. Tables presenting the numeric values of the total costs and total benefits to the TNC in each calendar year and the year-by-year value of monetized health benefits for the proposed regulation is provided in Appendix C of the ISOR.

**DOF Comment:** The baseline must reflect current laws as well as economic assumptions consistent with the current recession and its aftermaths. Currently, the baseline does not estimate changes due to Assembly Bill (AB) 5 and assumes that the regulated market will continue to grow at pre-pandemic rates. CARB should formulate assumptions to evaluate impacts based on the proper baseline. The SRIA may then include a sensitivity analysis to address uncertainties and to assess impacts under scenarios that deviate from the baseline.

**Response:** The baseline used by CARB assumes compliance with AB 5. CARB estimates that, on balance, the effects of AB 5 may be neutral with regard to TNC growth and TNC labor supply. CARB is not aware of any data that points to the medium- and long-run impacts of AB 5 that contradicts its estimate.

In the baseline, CARB considers the effects of the current pandemic and economic recession. The SRIA baseline assumes a much lower average annual growth rate from 2020 to 2023 than the historical average for the industry. However, there is no data available that points to the broader medium- and long-run impacts of these two events on the ride hailing sector. Due to the uncertainty surrounding these events, the SRIA included a sensitivity analysis of the proposed regulation (Appendix H of the SRIA) to explore the potential range of economic impacts that could result. In addition, staff have incorporated additional flexibilities and crediting structures into the proposed regulation, such as the banking of over-compliance credits noted above, which could serve as a compliance buffer for a TNC if a future year market condition is challenging.

**Cost Impacts on Representative Private Persons or Businesses (Gov. Code, § 11346.5, subd. (a)(9)):**

In developing this regulatory proposal, CARB staff evaluated the potential economic impacts on representative private persons or businesses. CARB is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

**Effect on Small Business (Cal. Code Regs., tit. 1, § 4, subds. (a) and (b)):**

The Executive Officer has also determined under California Code of Regulations, title 1, section 4, that the proposed regulatory action would not directly affect small businesses because small TNC companies would not need to meet the annual electrification and GHG targets, along with the reporting requirements.

**Consideration of Alternatives (Gov. Code, § 11346.5, subd. (a)(13)):**

Before taking final action on the proposed regulatory action, the Board must determine that no reasonable alternative considered by the Board, or that has otherwise been identified and brought to the attention of the Board, would be more effective in carrying out the purpose for which the action is proposed, would be as effective and less

burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law.

## **Environmental Analysis**

CARB, as the lead agency for the proposed regulation, has concluded that this action is exempt from CEQA, as described in CEQA Guidelines § 15061, because the action is both an Action Taken by Regulatory Agencies for Protection of the Environment (as described in CEQA Guidelines § 15308 for “class 8” exemptions); and it is also exempt as described in CEQA Guidelines § 15061(b)(3) (“common sense” exemption) because it can be seen with certainty that there is no possibility that the proposed action may result in a significant adverse impact on the environment. A brief explanation of the basis for reaching this conclusion is included in Chapter VII of the ISOR.

## **Special Accommodation Request**

Consistent with California Government Code section 7296.2, special accommodation or language needs may be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format or another language; and
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerks’ Office at [cotb@arb.ca.gov](mailto:cotb@arb.ca.gov) or (916) 322-5594 as soon as possible, but no later than ten business days before the scheduled Board hearing. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Consecuente con la sección 7296.2 del Código de Gobierno de California, una acomodación especial o necesidades lingüísticas pueden ser suministradas para cualquiera de los siguientes:

- Un intérprete que esté disponible en la audiencia;
- Documentos disponibles en un formato alternativo u otro idioma; y
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al [cotb@arb.ca.gov](mailto:cotb@arb.ca.gov) o (916) 322-5594 lo más pronto posible, pero no menos de 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.



## **Agency Contact Persons**

Inquiries concerning the substance of the proposed regulatory action may be directed to the agency representative Gloria Pak, Air Resources Engineer, Low Emission Vehicle Regulations Section, at (951) 550-0631, or (designated back-up contact) Shobna Sahni, Air Resources Supervisor I, Low Emission Vehicle Regulations Section, at (626) 450-6104.

## **Availability of Documents**

CARB staff has prepared a Staff Report: Initial Statement of Reasons (ISOR) for the proposed regulatory action, which includes a summary of the economic and environmental impacts of the proposal. The report is entitled: "Proposed Clean Miles Standard Regulation."

Copies of the ISOR and the full text of the proposed regulatory language, may be accessed on CARB's website listed below, on March 30, 2020. Please contact Chris Hopkins, Regulations Coordinator, at [Chris.Hopkins@arb.ca.gov](mailto:Chris.Hopkins@arb.ca.gov) or (916) 445-9564 if you need physical copies of the documents. Because of current travel, facility, and staffing restrictions, the California Air Resources Board's offices have limited public access. Pursuant to Government Code section 11346.5, subdivision (b), upon request to the aforementioned Regulations Coordinator, physical copies would be obtained from the Public Information Office, California Air Resources Board, 1001 I Street, Visitors and Environmental Services Center, First Floor, Sacramento, California, 95814.

Further, the agency representative to whom non-substantive inquiries concerning the proposed administrative action may be directed is Chris Hopkins, Regulations Coordinator, [Chris.Hopkins@arb.ca.gov](mailto:Chris.Hopkins@arb.ca.gov). The Board staff has compiled a record for this rulemaking action, which includes all the information upon which the proposal is based. This material is available for inspection upon request to the contact persons.

## **Hearing Procedures**

The public hearing will be conducted in accordance with the California Administrative Procedure Act, Government Code, title 2, division 3, part 1, chapter 3.5 (commencing with section 11340).

Following the public hearing, the Board may take action to approve for adoption the regulatory language as originally proposed, or with non-substantial or grammatical modifications. The Board may also approve for adoption the proposed regulatory language with other modifications if the text as modified is sufficiently related to the originally proposed text that the public was adequately placed on notice and that the regulatory language as modified could result from the proposed regulatory action. If this occurs, the full regulatory text, with the modifications clearly indicated, will be made available to the public, for written comment, at least 15-days before final adoption.

## Final Statement of Reasons Availability

Upon its completion, the Final Statement of Reasons (FSOR) will be available and copies may be requested from the agency contact persons in this notice, or may be accessed on CARB's website listed below.

### Internet Access

This notice, the ISOR and all subsequent regulatory documents, including the FSOR, when completed, are available on CARB's website for this rulemaking at <https://ww2.arb.ca.gov/rulemaking/2021/cleanmilesstandard>

California Air Resources Board



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Richard W. Corey  
Executive Officer

Date: March 16, 2021

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see [CARB's website](http://www.ARB.ca.gov) (www.ARB.ca.gov).*