

INDIRECT SOURCE RULES: ARE THEY EFFECTIVE? RESEARCH SAYS NO.



Research conducted by Ramboll and commissioned by the Supply Chain Federation confirms that ISRs are costly and ineffective.

WHAT IS AN INDIRECT SOURCE RULE (ISR)?

Traditionally, air quality agencies regulate "direct sources" like factory smokestacks or tailpipes. An Indirect Source Rule (ISR) instead targets facilities—like shopping centers, large residential projects, warehouses, ports and roads—that attract mobile sources (trucks). By regulating the facility, agencies attempt to force changes in the vehicles that visit them.

THE MODEL: SOUTH COAST AQMD RULE 2305 (WAIRE PROGRAM)

The South Coast Air Quality Management District (SCAQMD) implemented Rule 2305, an Indirect Source Rule on Warehouses known as the WAIRE Program. It applies to warehouses over 100,000 square feet, requiring them to earn "points" through actions like using zero-emission (ZE) trucks or paying a mitigation fee.

WHY THIS MATTERS?

States, cities and air districts across the country are currently looking to Rule 2305 as a blueprint for their own regulations, including CA through AB 1777 (Garcia) – which seeks to give the CA Air Resources Board untethered authority to create their own ISR statewide.

HOWEVER, A COMPREHENSIVE STUDY BY RAMBOLL REVEALS THAT THIS MODEL IS FUNDAMENTALLY FLAWED.

KEY TAKEAWAY

While the intent of improving air quality is vital, the Warehouse ISR model fails to deliver real-world results. Rather than creating a complex administrative burden that shifts emissions elsewhere, the study suggests that direct statewide vehicle and fuel standards remain the most effective way to reduce transportation pollution.

INDIRECT SOURCE RULES: ARE THEY EFFECTIVE? RESEARCH SAYS NO.

KEY FINDINGS

1 IT DOES NOT ACTUALLY REDUCE EMISSIONS

The primary goal of Rule 2305 is to reduce air pollution, but the study found that the reported "reductions" are not caused by the rule itself.

- **Credit for Existing Laws:** Most emission decreases are actually the result of pre-existing statewide vehicle and fuel standards, such as CARB's Truck and Bus Regulation and Low Carbon Fuel Standard.
- **Federal Skepticism:** The U.S. EPA, under the Biden Administration, stated it "did not find a sufficient basis to credit Rule 2305" with achieving specific emission reductions and did not award the rule with emission reduction credits.

2 HIGH ECONOMIC BURDEN WITH "EMISSIONS LEAKAGE"

Because the rule is expensive and difficult to follow, it may actually hurt the environment in the long run.

- **Costs 3x-9x Higher:** Actual compliance costs for warehouses are three to nine times higher than the agency's initial estimates.
- **Emissions Leakage:** High costs have forced warehouses to move outside the regulated region. This results in longer truck trips to reach the same markets, leading to a net increase in regional emissions.
- **Acts as a Tax:** Since most warehouse operators do not own or control the trucks that visit their facility, they have no way to comply other than paying the "mitigation fee," making the rule a de facto tax on the supply chain.

3 SIGNIFICANT OVERESTIMATION OF BENEFITS

The agency's claims of success rely on flawed data and assumptions.

- **Yard Equipment:** SCAQMD claimed emission benefits from yard hostlers that were three to seven times higher than the total actual emissions those machines produced.
- **Solar Panels:** The program credits on-site solar panels, but these do not reduce localized truck emissions in the surrounding community as claimed.
- **Bad Accounting:** SCAQMD included emissions reductions from vehicles that its own incentive qualification standards actually excluded.