

July 1, 2021

New “Warehouse Indirect Source Rule” Requires Action Now

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The Warehouse Indirect Source Rule requires some warehouse operators to begin collecting compliance information starting July 1, 2021.

The “Warehouse Indirect Source Rule,” adopted by the South Coast Air Quality Management District on May 7, 2021, requires some warehouse operators to begin collecting compliance information starting July 1, 2021. Formally designated [Rule 2305](#), it is intended to reduce heavy-duty vehicle emissions in the vicinity of warehouses in much of Southern California. The Rule applies to owners and operators of warehouses with at least 100,000 square feet of warehousing floor space within a single building.

The centerpiece of the Rule is the Warehouse Actions and Investments to Reduce Emissions (WAIRE) Program. The WAIRE Program creates a points system that provides financial incentives

KEY DATES				
Warehouse Size (Sq. Ft.)	Warehouse Operations Notifications	Initial Site Information Report	Annual WAIRE Report	Initial Compliance Period
≥ 250,000	September 1, 2021	July 1, 2022	January 31, 2023	January 1, 2022 to December 31, 2022
≥ 150,000- <250,000	September 1, 2021	July 1, 2023	January 31, 2024	January 1, 2023 to December 31, 2023
≥ 100,000- <150,000	September 1, 2021	July 1, 2024	January 31, 2024	January 1, 2024 to December 31, 2024

to reduce emissions from trucks entering and exiting a warehouse’s grounds. Facilities that do not earn sufficient points in a calendar year must pay a “mitigation fee.” The Air District estimates the Rule could generate as much as \$1 Billion in mitigation-fee revenue.

WEIGHTED ANNUAL TRUCK TRIPS

Starting July 1, 2021 the operator of a warehouse larger than 250,000 sq. ft. must record the number and type of trucks that enter and exit the warehouse gates. Those numbers establish the Weighted Annual Truck Trips (WATTs) for the warehouse facility, which is used to calculate the number of “WAIRE Points” the warehouse operator must “earn” for that calendar year. Although the Rule contains a default WATT calculation based on warehouse type and square footage, the warehouse operator may use this formula only if its records are lost due to a force majeure event such as earthquake or fire destroys its records.

EARNING WAIRE POINTS

Warehouse operators earn WAIRE Points by implementing measures from a menu of options. Options include purchasing or operating Zero Emission or Near Zero Emission trucks, installing solar panels, electric or hydrogen fueling systems, and paying to install particulate filters at local schools, hospitals, community centers, daycares, and residences. Each of these activities

SOME ACRONYMS USED IN RULE 2305 AND GUIDANCE

AQMD: [South Coast] Air Quality Management District

AWR: Annual WAIRE Report

CARB: California Air Resources Board

DPM: Diesel Particulate Matter

ETS: Electronic Telematics System

EVSE: Electric Vehicle Supply Equipment

GVWR: Gross Vehicle Weight Rating

ISIR: Initial Site Information Report

ISR: [Warehouse] Indirect Source Rule

LDfS: Low Carbon Fuel Standard

MERV: Minimum Efficiency Reporting Value

NOx: Nitrogen Oxides

POP: [WAIRE] Program Online Portal

RNG: renewable natural gas

VIN: Vehicle Identification Number

WAIRE: Warehouse Actions and Investments to Reduce Emissions

WATTs: Weighted Annual Truck Trips

WON: Warehouse Owner Notification [Report]

WPCO: WAIRE Point Compliance Obligation

WTTR: Weighted Truck Trip Rate

ZE/NZE: Zero Emission/Near Zero Emission

generates WAIRE Points, which apply towards the warehouse operator's WAIRE Points Compliance Obligation (WPCO). Warehouse operators may also propose a Custom WAIRE plan.

The annual obligation to "earn" WAIRE points begins on January 1, 2022 for warehouses larger than 250,000 sq. ft. and phases in for smaller warehouses. A warehouse operator that does not earn enough WAIRE Points in a year to meet its WPCO must pay a "mitigation fee." The mitigation fee is also phased in and ultimately rises to \$5.00 per truck visit for straight trucks and \$12.50 per visit for tractors.

REPORTING AND RECORDKEEPING

Owners' Obligations

Warehouse owners are required to submit a Warehouse Operation Notification (WON), which details the size of the warehouse, identifies any tenant(s), and discloses the length of existing lease(s). This notification is due September 1, 2021.

Warehouse Operators' Obligations

Beginning July 1 of the warehouse operator's first compliance year, warehouse operators are required to submit an Initial Site Information Report. This report must include the number of truck trips, by category, in the preceding 12 months. For warehouses 250,000 sq. ft. and larger, this means the operator must begin recording the number and type of trucks entering and exiting the facility on July 1, 2021.

The Initial Site Information Report must also include: the space available for warehousing within the operator's control; the number of truck trips estimated for the following 12 months; the number of trucks and tractors in any company-owned or leased fleet; total vehicle miles traveled and fuel type for company-owned or leased trucks; and typical dwell time at the warehouse by vehicle type. The Initial Site Information Report must also include information about alternative fueling stations and alternative energy generation equipment at the warehouse, and about yard trucks operated by the warehouse operator. Finally, the Initial Site Information Report must include information about whether the warehouse operator intends to earn WAIRE Points, and how, or intends to pay the mitigation fee.

A warehouse operator's Annual WAIRE Report is due by January 31 following each compliance year. The Annual WAIRE Report must contain information about the number and type of truck trips to the facility and information on how any WAIRE Points were earned, transferred or rolled-over in the preceding 12 months.

The Rule has generated considerable controversy and litigation challenging the Rule is expected to be filed. However, unless a court actually stays implementation of the Rule, warehouse owners and operators must be prepared to comply. For some, that means beginning to collect compliance information now.

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