



Diesel Technology Forum Funding Diesel Emission Reduction Projects

Transportation Research Board

January 22, 2006

Vision & Objective

▶ Vision

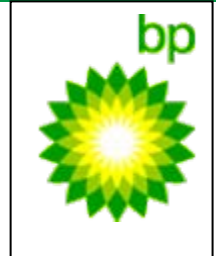
Build a sustainable organization to maintain and enhance the market for diesel power.

▶ Objective

Promote the value of clean diesel technology and the progress being made to continuously improve the technology by becoming the primary voice of the industry in discussions and debates about power and energy

Diesel Technology Forum

Leaders in Promoting Clean Diesel Technology



Strategies

- ▶ ASSEMBLE persuasive facts, perspectives, contributions, improvements, challenges, and industry commitment
- ▶ CONVEY this information to people and organizations who can and will shape the future of the clean diesel industry
- ▶ LEVERAGE the information gathering and dissemination through allies and partnerships
- ▶ CHALLENGE inaccuracies and inconclusive science about diesel

Methods

Educational Materials

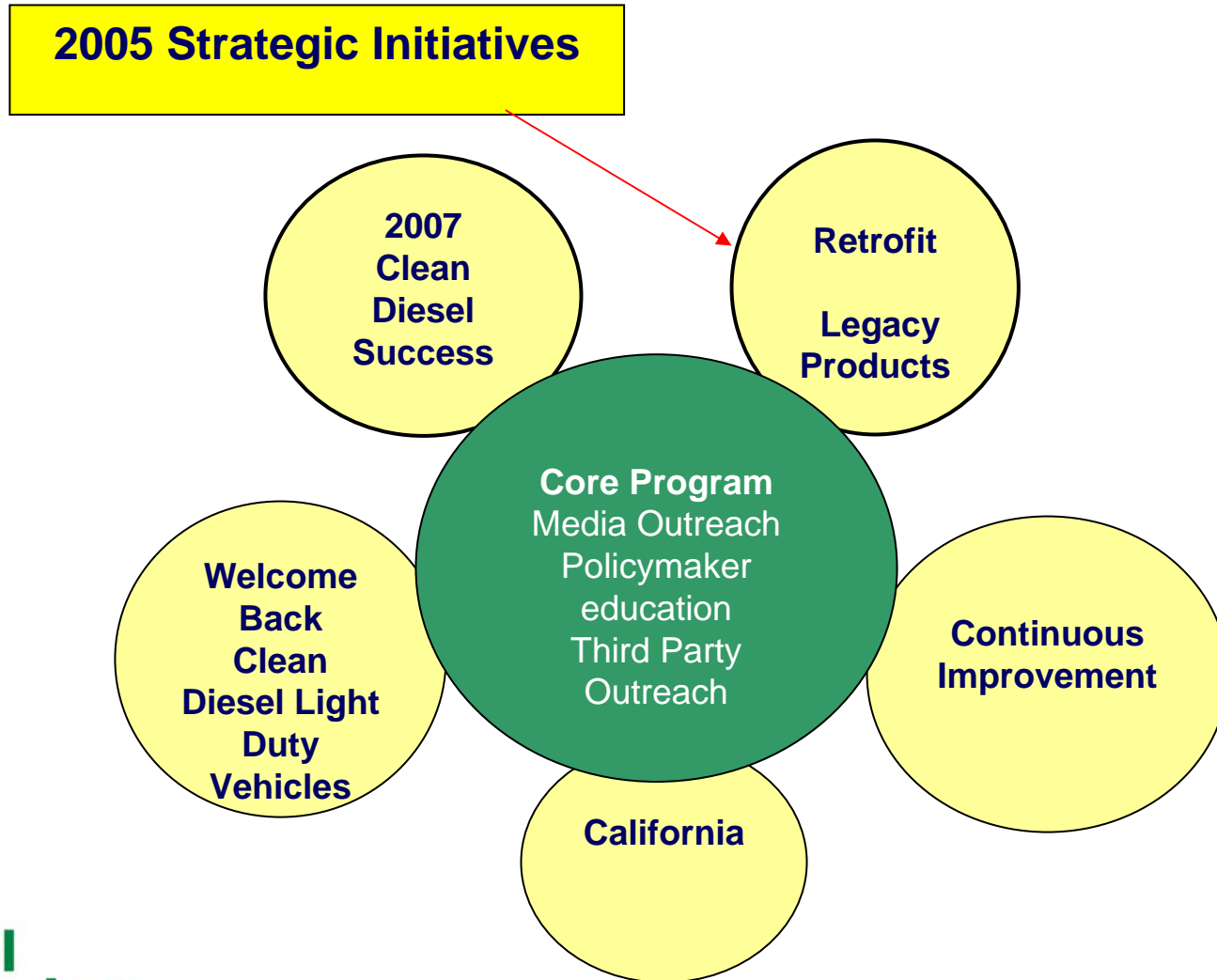
- ▶ Fact Sheets
- ▶ Advocacy Ads
- ▶ Reports
- ▶ Website/Retrofit Toolkit

Outreach Events

- ▶ 3rd Party Exhibits/Presentations
- ▶ Educational Fora
- ▶ Technology Demonstrations
- ▶ Ride & Drives

DTF 2005

Core Program & Strategic Initiatives



Key DTF Activities on Retrofit

- ▶ Introducing policymakers and the media to concept of retrofit
 - www.dieselforum.org
 - Modernizing and Upgrading Diesel Engines (DTF Retrofit whitepaper)
 - Congressional Staff Briefings (DERA)
 - Build recognition for general clean diesel messages

- ▶ Outreach Events to key audiences
 - Build relationship with key NGOs: Association of Metropolitan Planning Organizations (AMPO); National Association of Regional Councils (NARC); National Association of State Legislators (NCSL)
 - Regional Diesel Collaboratives
 - DTF sponsored regional retrofit events

Diesel Emissions Reduction Act (DERA)

- Sen. Voinovich (R-OH), Sen. Carper (D-DE)
- Creates dedicated diesel retrofit funding program
- **Authorizes \$200 Million/yr -- 5 yrs**
 - 70/30 overall funding split – National – State
- **Criteria: 50 % of funding must go to public fleets'**
 - Fleet = “one or more diesel vehicles or mobile or stationary diesel engines. “
 - All Sectors, applications, vehicles & equipment
 - Priorities to Non-attainment areas
 - Not more than 10 % of funds to non-verified emerging technologies
 - States must award only certified technology projects

Transportation Bill -- CMAQ Funding

▶ SAFETEA-LU

- \$1.6 to \$1.8 Billion/year overall program – 2005-2009

▶ **What's eligible?**: “replacement, re-powering, rebuilding, after treatment or other technology, as determined by the Administrator”

▶ **Who decides?**

- **States and MPOs** are directed to give priority to “(1) diesel retrofits, particularly where necessary to facilitate **contract** compliance, and other cost-effective emission reduction activities, taking into consideration air quality and health effects; and (2) cost-effective congestion mitigation activities that provide air quality benefits.”

CMAQ Retrofit Eligibility Considerations

- ▶ “(1) diesel retrofits, particularly where necessary to facilitate contract compliance, and other cost-effective emission reduction activities, taking into consideration air quality and health effects; and
- ▶ (2) cost-effective congestion mitigation activities that provide air quality benefits.”

EPA DERA Appropriations: Pros and Cons

▶ PROS:

- Finally, a dedicated retrofit program with all our requested language
- Established by consensus process -- industry and environmental groups – easy path forward for implementation
- High degree of support 92-1 passed Senate

▶ CONS:

- Nice program but NO money guaranteed yet
- New program seeking NEW MONEY
 - New Money is hard to find in Washington – war, hurricanes, conservatives
- Competing constituencies – school buses vs. others

CMAQ Funding

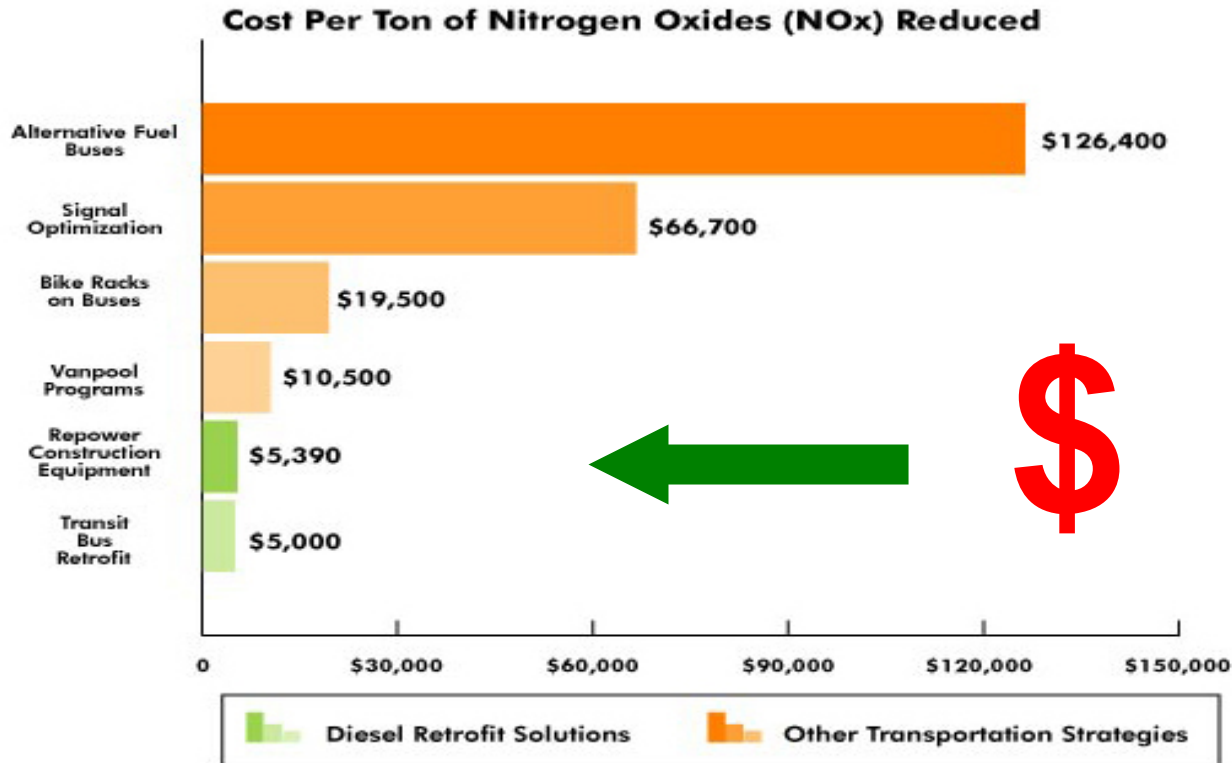
▶ PROS:

- Significant magnitude of funding \$1.6 Billion
- Diesel retrofit priorities made evident
- Broad opportunity for replacement, re-power, retrofit,
- Covers contracting requirements– *important for contractors.*

▶ CONS:

- Diesel retrofit is “new kid on the block”
- Competes with well-entrenched constituencies – road builders, environmental groups, rails to trails, mass transit etc.
- Expected higher degree of bureaucracy, project submission
- Diesel industry “weak” in generating support for projects compared to local environmental groups that have years of CMAQ funding experience

Clean Diesel Retrofits are Cost-Effective



This chart represents a sample of CMAQ-eligible strategies, including specific project examples. For a more complete list of CMAQ-eligible strategies, the cost-effectiveness of these project examples and full sourcing information, visit www.dieselforum.org/retrofit.

Assessment of Funding Options

- ▶ Most funding available: CMAQ
\$1.6 Billion/yr /'05-'09
- ▶ Most dedicated program: DERA
- ▶ Widest eligibility: DERA
- ▶ Most uncertain funding: DERA
Max \$200 million/yr for 5 yrs= \$1 Billion
- ▶ Most difficult application process CMAQ
- ▶ Most Competitive Source: CMAQ

California – Carl Moyer Program

- ▶ Established in 1998.
- ▶ Funds incremental cost of cleaner than required engines
- ▶ \$141 million/per year until 2015.
- ▶ Implemented in partnership between ARB and local air districts. Local air districts provide grants to public & private entities.
- ▶ Targeted pollutants expanded from NO_x to include ROG and PM₁₀.
- ▶ Program covers on-road, off-road, marine, locomotive, stationary agricultural pump engines, airport ground support, and auxiliary power units.
- ▶ In 2004 – agriculture definition expanded to include new purchases, retrofit, repower, or add-on equipment for previously unregulated sources of air pollution.

Texas Emission Reduction Program (TERP)

- ▶ **Established in 2001**
- ▶ **Available for on & off-road HD equipment**
- ▶ **Limited to NOx reductions**
- ▶ **Must be primarily in a non-attainment county**
- ▶ **Most recent application closed Dec. 2005**
- ▶ **Small Business Grant Program**

New Jersey Diesel Risk Reduction

- Enacted in 2005
- Funds from State Corporate Business Tax (\$10million/yr)
- No cost to owners – costs will be reimbursed.
- Retrofits with tailpipe pollution controls required on:
 - Garbage trucks – used in public contracts
 - NJ Transit Buses
 - Privately owned transit buses
 - Publicly owned HD on-road and non-road vehicles

North Carolina

- Enacted in 1993
- Funds from gasoline tax (1/64 of a cent per gallon)
- Approx \$600,000 - \$800,000 annually
- Available for new on or off road mobile source emissions
- Annual focus – diesel engines in 2006
- Available for VOCs, NOx and PM

Other Funds/Incentives

▶ Oregon

- Diesel retrofit tax credit
- 35% credit against state taxes
- Full credit requires in-state use

▶ Ohio

- New school bus retrofit program
- First round of grant applications in March 2006
- Funded from civil noncompliance penalties
- Up to \$1 million available in 2006-2007
- Hope to extend to other engines in future

Conclusions

- ▶ Modernizing and upgrading diesel engines is respected and given new priority
- ▶ Funds availability still an issue– but there is more opportunity now than ever
- ▶ Key Challenges for Industry
 - Getting appropriations
 - Advocate for the funding of projects based on cost-effectiveness
 - Learning the ins and outs of applications and how to get the funds in the hands of eligible fleet customers
 - Managing expectations of fleet customers

For More Information

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