



National Clean Diesel Campaign

Opportunities for Funding, Incentives and DERA

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National Clean Diesel Campaign

Office of Transportation and Air Quality

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Presentation Overview

- Federal Funding/DERA Overview
- State Programs
- CMAQ Overview
- Innovative Financing
- SEPs
- Other incentives

National Clean Diesel Campaign Highlights

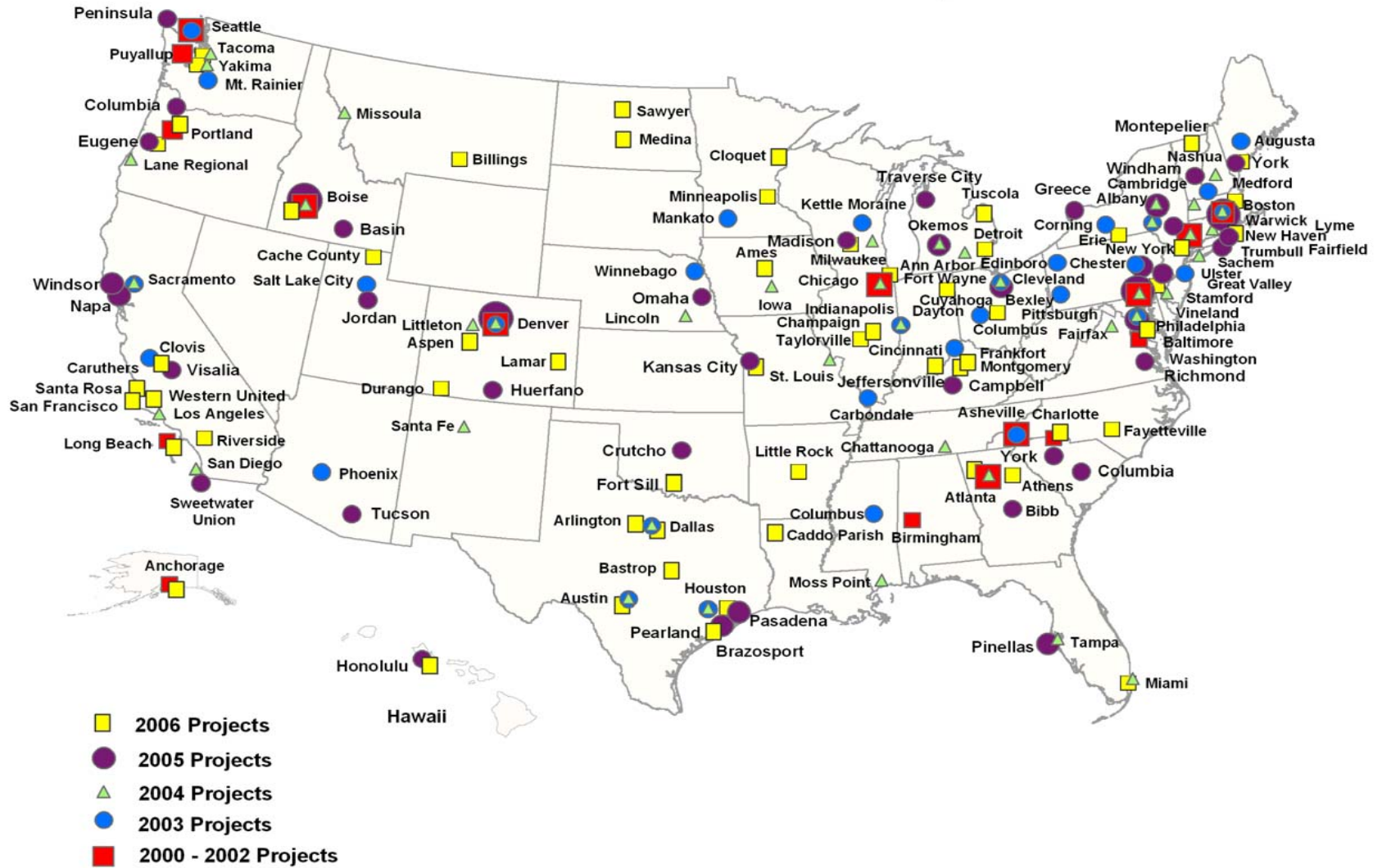
- Current clean diesel activity will result in
 - Emission reductions: ~20,000 tons PM
~100,000 tons NOx
 - Approx \$5 billion in health benefits over the life of these programs
- Technical Support
 - New nonroad verifications, 29 technologies now on EPA's verified list
 - In-use testing results: technologies effective in the field
 - Diesel Emissions Quantifier (web-based calculator released)
 - Support to states developing clean diesel programs³

Federal Funding

National Clean Diesel Campaign

- FY 2003-2007
 - Approx \$40 million for Clean Diesel Activity
- FY 2008 budget
 - President requested \$35 million to support clean diesel
 - House and Senate marks: \$50 million

EPA Funded Retrofit Projects (as of 12/11/2007)



Federal Legislation Supporting Clean Diesel Activity

- **Authorization:**
 - Energy Policy Act 2005, Sub-Title G
 - Diesel Emissions Reduction Program (sometimes called **DERA**)
 - \$200M per year for five years
 - Separate authorization, not CAA 103 or 105
 - Allows for “implementation” rather than “demonstration”
- **Program divided into Federal and State components**
 - 70% for federal grant/loan programs
 - 50% to public fleets
 - Funds will be distributed through RFPs by EPA Regions
 - Up to 10% for “emerging technologies”
 - 30% for State program
- **All fleets eligible for assistance from both Federal and State components**

FY08 Planning

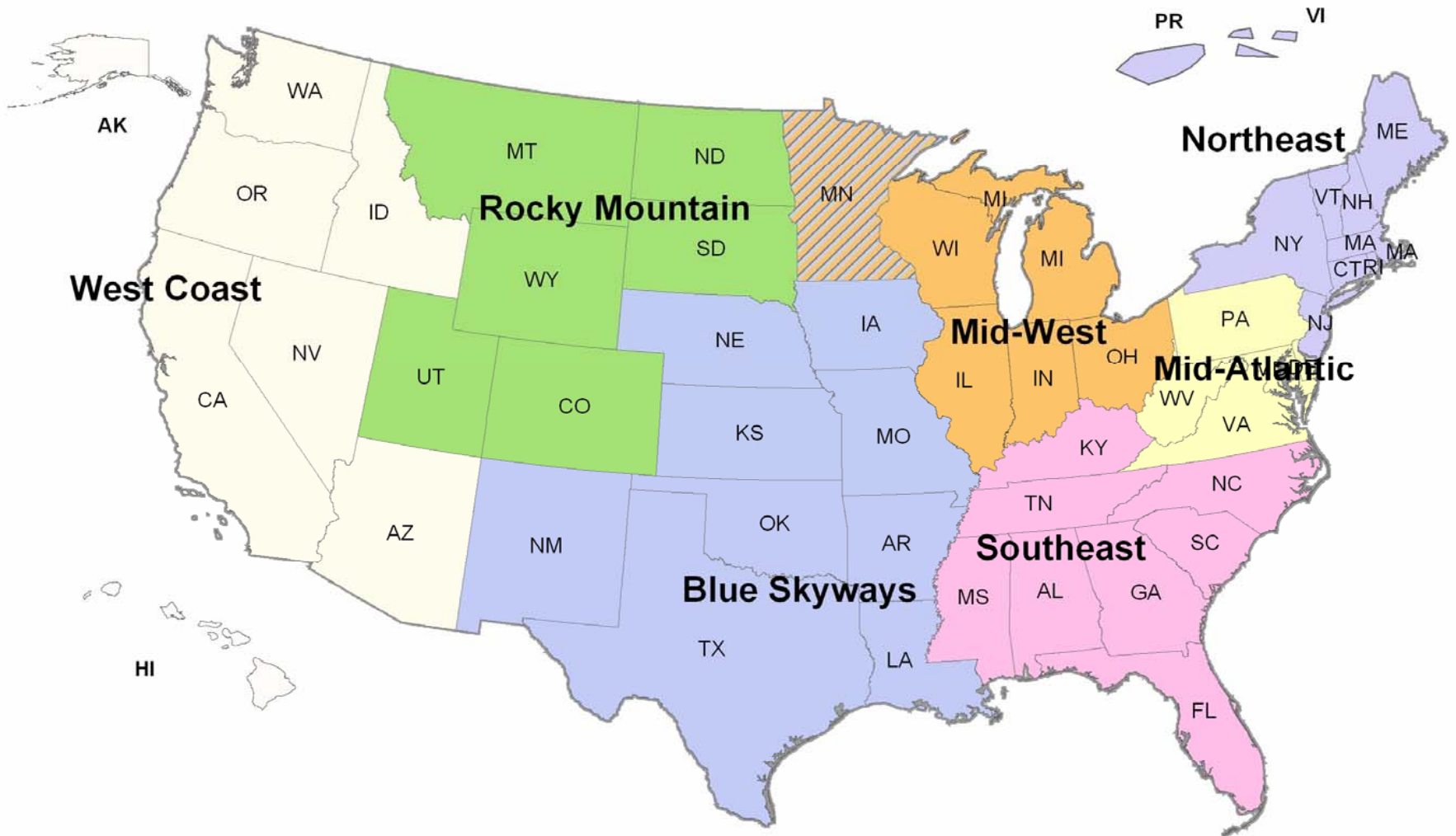
- Two National RFAs
 1. Emerging Technologies
 2. Innovative Financing
- Seven Regional Collaborative RFAs
 1. Northeast
 2. Mid-Atlantic
 3. Southeast
 4. Mid-West
 5. Blue Skyways
 6. Rocky Mountain
 7. West Coast

FY08 RFA Timeline

Based on receiving our appropriation in Feb/March, 2008

- Regional Collaborative Grant Competitions open for ~60 days: June – Aug 2008
- Evaluation of Proposals: Sept/Oct 2008
- Award of Grants: Oct/Nov 2008
- Possible announcements of grants: Nov/Dec 2008
- Project implementation: November 2008 – 2010

Regional Clean Diesel Collaboratives



State Programs- examples

- New Jersey Diesel Risk Reduction Program- \$14M/yr
- Tennessee Department of Transportation- \$1.6M/yr
- Minnesota Pollution Control Agency- \$1.2M/yr
- The Sonoma County Farm Bureau and the Northern Sonoma County Air Pollution Control District- \$1M/yr
- North Carolina Mobile Source Emissions Reduction Grant Program- \$700k/yr
- Massachusetts Diesel Retrofit Initiative
- Indiana Diesel Wise
- Maine's School Bus program
- Arizona, Connecticut, Maryland, Minnesota, New York, Ohio, Pennsylvania, Rhode Island, Washington, Wisconsin

- California's Carl Moyer Program - \$140M
- Texas Emission Reduction Program (TERP)- \$180M

Congestion Mitigation and Air Quality (CMAQ) funds for clean diesel

Since the 2005 SAFETEA-LU reauthorization, roughly \$250M in CMAQ funds for clean diesel projects. (Not all currently funded)

Notable examples:

- New York Metropolitan Transportation Council has identified \$140M for clean diesel projects
- Massachusetts is using \$18M in CMAQ funds to retrofit school and transit buses
- Connecticut DOT has allocated 10-15% of CMAQ funds annually for clean diesel projects
- Ohio will set aside almost \$20M for clean diesel over the next two years
- Puget Sound Regional Council (an attainment area) has earmarked \$4.6M for clean diesel projects
- Georgia CMAQ Funds- \$5M

CMAQ Progress

- First nonroad projects
 - TN DOT (construction equipment and locomotives)
 - WA DOT and Nevada next for construction
 - \$4.4M for locomotive switchers in NY
- Port projects
 - NY Harbor Ferries
 - Philadelphia Regional Port Authority
 - Port of Seattle

Innovative Financing



Goal: Create lower interest loans for trucks with verified emission control technologies

- **SmartWay Loans for Retrofitted Trucks**
 - EPA loan program that offers lower interest rates and better terms for the purchase of a retrofitted truck
 - Goal of making the purchase of a retrofitted truck an economic decision (lower interest rate and better terms than truck w/o retrofit) instead of an environmental one.
- **SmartWay Finance Pilots**
 - State issues bond for “Clean Trucks” (pilot projects in Ohio and NY/NJ)
 - State issues bond at 4%-5% which, when purchased, is loaned through local banks to truck buyers at 6%-7% if they purchase a truck with a verified retrofit device
 - Note: to make this concept work, in terms of paying less per month and at the end of the loan, the optimal price for the retrofit technology is \$5,000 or less.

Innovative Financing – cont'd

The Environmental Financial Advisory Board (EFAB) provides advice to the Environmental Protection Agency's Administrator and Program Offices on "how to pay" for environmental protection.

EFAB's recommendation: the Agency should undertake a major effort to encourage states to create Air Quality Finance Authorities

- States already have a lot of experience issuing tax-exempt bonds (via their Economic Development Agencies)
- Small fees could be added to the AQFA loans to pay for administrative costs
- AQFAs could provide volume discounts on devices and/or fuel for state and local fleets

Supplemental Environmental Projects (SEP)

- Retrofits, replacements, rebuilds, idle control programs, ULSD, etc. across the country for highway and nonroad vehicles
- Retrofit Technology must be verified by EPA/CARB to participate in a SEP
- 41 projects = \$45M (FY 2001-07)
- Interest is growing among state and federal governments to establish SEPs
- Legislation supporting Clean Diesel SEPs

Other avenues of incentives:

- Contractual language
 - Calls for state contracts to give incentives to bidders that use clean diesel technologies and fuels.
 - States using contractual language for retrofits: Connecticut, Illinois, Maryland, Massachusetts, Michigan, Minnesota, New York, Oregon and Texas
- Tax Credits
 - Oregon's Clean Diesel Retrofit Tax Credit

Summary

- Reducing emissions from diesel engines is one of the most important air quality challenges facing the country
- It's a shared responsibility – federal, state, private, local organizations, manufacturers all have to do their part
- Innovative financing programs will help us meet our goal of reducing emissions from the existing fleet



For More Information

Visit EPA's National Clean Diesel Campaign Website:

www.epa.gov/cleandiesel

