

# SmartWay Clean Diesel Finance Program

American Recovery and Reinvestment Act (ARRA) of 2009  
Diesel Emission Reduction Act (DERA) Funding  
March 31, 2009



**National Clean Diesel Campaign**

# SmartWay Clean Diesel Finance Program Webinar

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# Diesel Emissions Reduction Program

\$300 Million under ARRA of 2009 DERA

## National Program

By statute  
70% of funding - \$206M

## State Program

By statute  
30% of funding -- \$88M



National Clean Diesel  
Funding Assistance Program  
Regional Grant Competitions  
\$156M

SmartWay Clean Diesel Finance  
Program - \$30M

Clean Diesel Emerging Technologies  
Program  
By statute  $\leq$ 10% of funding - \$20M

Note: EPA may use  
up to 2% (\$6M) for  
administrative costs

# SmartWay Clean Diesel Finance Program: Overview

- Grants are used to establish innovative finance program(s) for eligible vehicle or equipment owners
  - Provide specific financial incentive (i.e., better than regular market rates or conditions) for the purchase or lease of retrofitted vehicles or equipment
  - Financial incentives can include lower interest rate, greater loan approval rates, longer payment periods, etc.

[www.epa.gov/otaq/eparecovery/progfinance.htm](http://www.epa.gov/otaq/eparecovery/progfinance.htm)

# SmartWay Clean Diesel Finance Program: Eligible Entities (RFA p.19)

- Regional, state, local, tribal or port agency with jurisdiction over transportation or air quality; and
- Nonprofit organization or institution which
  - Represents or provides pollution reduction or educational services to persons or organizations that operate diesel fleets; or
  - Has, as its principle purpose, the promotion of transportation or air quality

# SmartWay Clean Diesel Finance Program: Eligible Fleets and Equipment (RFA p.8-9)

- Buses
- Medium or heavy duty trucks
- Marine engines
- Locomotives



- Nonroad engine, stationary engine or vehicle used for:
  - Construction
  - Handling of cargo (including at a port or airport)
  - Agriculture
  - Mining
  - Energy production

# SmartWay Clean Diesel Finance Program: Programmatic Priorities (RFA p.13)

Project proposals that align with these priorities, along with job creation/retention, will receive higher scores in the evaluation process:

- Maximize public health benefits
- Are the most cost-effective
- Are in areas with high population, air quality issues, and air toxic concerns
- Are in areas that receive a disproportionate quantity of air pollution (i.e. truck stops, ports)
- Maximize the useful life of the engine
- Conserve diesel fuel and utilize ULSD (early introduction of ULSD for nonroad projects)

# SmartWay Clean Diesel Finance Program: Use of Funds (RFA p.8-13)

- Projects must include one or more of the following verified/certified diesel emissions reduction solutions:
  - Verified retrofit technologies
    - Exhaust controls
    - Engine upgrades
    - Cleaner fuels
  - Verified idle reduction technologies
  - Verified aerodynamic technologies
  - Verified low rolling resistance tires
  - Certified engine repowers
  - Certified vehicle and equipment replacements



# SmartWay Clean Diesel Finance Program: Use of Funds (RFA p.13-14)

- Financial programs that offer a specific financial incentive for buying clean vehicles or equipment when compared to similar vehicles or equipment without the clean technology
- Any program income generated must be used to further the project's clean diesel goals (e.g., more loans for cleaner vehicles) (RFA p. 18)
- Grant funds can be used to finance 100% of:
  - Pre-2007 used vehicles or equipment retrofitted with an EPA or CARB verified emission control technology
  - Purchase of new (MY2007 or newer) vehicles or equipment with EPA or CARB verified emission control technologies installed
    - Replacement and scrappage conditions apply
  - Installation of EPA verified retrofit technology (exhaust controls, engine repowers, and engine upgrades)
  - Installation of EPA verified idle reduction technology
  - Installation of EPA approved SmartWay upgrade kits, which include emission control retrofit technologies, idle reduction technologies, advanced aerodynamics, and/or low rolling resistance tires

# SmartWay Clean Diesel Finance Program: Use of Funds

- Ineligible Use of Funds

- Cannot fund the cost of emissions reductions mandated under Federal, State or Local law
- Cannot fund emissions testing
- Cannot fund fueling infrastructure costs, such as the acquisition cost of tanks, the construction or acquisition costs of fuel depots, or the construction or acquisition costs of biodiesel manufacturing facilities

# SmartWay Clean Diesel Finance Program: Types of Financial Programs (RFA p.5-6)

- Types of financial programs:
  - Direct Loan or Lease
  - Refinance
  - Loan guarantee
  - Tax-exempt or taxable bonds
  - Equity Investment
  - Revolving loan fund
- Examples of innovative financial projects:
  - Loan funds to diesel fleet owners to install idle controls (at lower interest rate or 0%). Repaid loan funds are then loaned again to more fleet owners.
  - States or non-profits partner with lending institutions:
    - Partnership receives grant and leverages this money by borrowing additional funds at lower interest rate (equity investment). Low-cost loans are made for clean diesel retrofits or replacements.

# SmartWay Clean Diesel Finance Program: Priority Projects (RFA p.7-8)

- **Financing for Cleaner Vehicles or Equipment**
  - Financing the purchase of the entire vehicle with diesel exhaust after treatment (e.g., DOCs, DPFs)
  - Provide incentive for loan applicant to purchase the vehicle/equipment with more environmental controls
    - More environmental controls = Better financing rates and/or terms
    - Make trucks and equipment with after-treatment less expensive than those without
  - Improves monthly cash flow
    - For many small to medium size companies: Cash flow is the key to staying alive in business
  - Example: A truck with PM filter costs \$100-200 per month less than same truck with out a filter

# Clean Truck and Bulldozer Example

Trucks	2002 MY Truck on the Used Market	
	Standard Truck	Same Truck with PM Filter Extend loan by 12 months and lower interest rate to 6%
Purchase Price:	\$55,000	\$60,500
60 Month Interest Rate:	12%	6%
Monthly Payment:	\$1,101	\$902 (\$199 less)
<b>Total Cost:</b>	<b>\$66,060</b>	<b>\$64,944</b>

Construction	New Bulldozer	
	Standard Bulldozer	Same Bulldozer with PM Filter Lower interest rate to 8%
Purchase Price:	\$250,000	\$265,000
60 Month Interest Rate:	12%	8%
Monthly Payment:	\$5,005	\$4,836 (\$169 less)
<b>Total Cost:</b>	<b>\$300,300</b>	<b>\$290,160</b>

# SmartWay Clean Diesel Finance Program: Priority Projects (RFA p.8)

- **Financing for SmartWay Upgrade Kits**
  - SmartWay Upgrade Kits consist of the following verified technologies:
    - Emission control technologies (e.g., DOC, DPF);
    - Idle reduction technologies;
    - Aerodynamic technologies; and/or
    - Low rolling resistance tires
  - Applicants are encouraged to:
    - Package fuel saving technologies together with a diesel exhaust filter, or
    - Leverage funds to make sure the projects are cost-effective

## \$3.4 Million SmartWay Clean Diesel Finance Program (2008)

- In 2008, EPA awarded \$3.4 million to support three loans programs to help small trucking companies reduce fuel costs and emissions
- Eligible equipment includes purchase of idle and emission reduction devices, and used trucks equipped with these devices
- Loans are available from:
  - Community Development Transportation Lending Services, Inc.
  - Cascade Sierra Solutions
  - Owner-Operator Independent Drivers Association Foundation
- For more info, see [www.epa.gov/smartway/transport/what-smartway/financing-clean-diesel-info.htm](http://www.epa.gov/smartway/transport/what-smartway/financing-clean-diesel-info.htm)

# SmartWay Clean Diesel Finance Program: ARRA of 2009 Timeline

<b>Activity</b>	<b>Date</b>
Information and preparation of applications	February/March
Application submissions	March – <b>April 28 (deadline)</b>
EPA evaluations	May
Project review and award	May/June
Project implementation	June 2009 – Sept. 30, 2011

Any funding not utilized by this program will revert to  
the National Funding Assistance Program



# Request for Applications

- **Funding levels:**
  - Eligible funding range: \$3,000,000 and \$30,000,000
  - EPA anticipates awarding 1-10 assistance agreements from this announcement
  - EPA reserves the right to partially fund applications by funding discrete portions or phases of proposed projects

# Sub-Contracts (RFA p. 27-29)

- For assistance in the management and processing of loans, applicant must hold a competition to contract these services with a bank or financial institution.
  - Review the applicable contract competition regulations before selecting a specific bank or financial institution.
  - The issuance of a contract can be done before or after an application is submitted, but in either case applicants must compete the contracts for those services and conduct cost and price analyses to the extent required by the procurement provisions of C.F.R. 40 Part 30 or 31.
  - EPA guidelines on "Purchasing Supplies, Equipment and Services under EPA Grants" at [www.epa.gov/ogd/recipient/procurement.htm](http://www.epa.gov/ogd/recipient/procurement.htm)

# Application Submission

- Grant application forms can be downloaded at:
  - [www.epa.gov/ogd/grants/how\\_to\\_apply.htm](http://www.epa.gov/ogd/grants/how_to_apply.htm)
- Submit application by Tuesday, April 28, 2009, 4:00pm EDT via:
  - Hard copy (express mail only) or
  - Email
    - Type “Recovery Act SmartWay Finance Application – [name of applicant]” in subject of email
  - No grants.gov option

# Things To Do Now

- Prepare to implement a clean diesel project quickly and efficiently
- Communicate with potential partners
- Organize fleet information
- Develop budget
- Begin workplan and other grant forms

# Thank You

- Submit additional questions to [cleandiesel@epa.gov](mailto:cleandiesel@epa.gov)
  - Questions and answers document will be posted at [www.epa.gov/otaq/eparecovery/progfinance.htm](http://www.epa.gov/otaq/eparecovery/progfinance.htm)
- A recording of this webinar will be available in a couple of days at:
  - [www.epa.gov/otaq/eparecovery/progfinance.htm](http://www.epa.gov/otaq/eparecovery/progfinance.htm)
- Recovery Act Funding for clean diesel activities
  - [www.epa.gov/otaq/eparecovery/index.htm](http://www.epa.gov/otaq/eparecovery/index.htm)