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STATEMENT REGARDING CALIFORNIA AIR RESOURCES BOARD PROPOSED IN-USE OFF-ROAD DIESEL RULE

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This statement responds to inquiries John Deere has received about whether it will be able to supply product to California's contractors necessary to meet the requirements of the California Air Resource Board's (ARB) proposed In-Use Off-Road Diesel rule.

John Deere is the world's leading provider of advanced products and services for agriculture and forestry and a major provider of advanced products and services for construction, lawn and turf care, landscaping and irrigation. John Deere also provides financial services worldwide and manufactures and markets engines used in heavy equipment. Since it was founded in 1837, the company has extended its heritage of integrity, quality, commitment and innovation around the globe.

Background

Over the past year the ARB has proposed its In-Use Off-Road Diesel rule requiring the mandatory reduction of construction fleet diesel emissions to help address the state's air quality challenges. The rule specifies a constantly-decreasing emissions cap that the fleet must meet year-by-year. The cap can be met by the use of verified retrofit devices on existing engines, the 'repowering' of the original machine with a new, lower emitting, engine, or the purchase of a new machine with a new engine. The ARB estimates that about 180,000 machines currently being used would be subject to the proposed regulation. Examples of machine and equipment types impacted by the rule include backhoes, dozers, loaders, trenchers, and scrapers. It is also estimated that the average age of affected machines and equipment is about 10 years old, with many of them powered by pre-Tier 1 certified diesel engines.

The ARB has conducted several workshops to gather input from stakeholders concerning its proposed rule. Deere has attended these workshops and offered input to help reduce its impact on end-users while addressing the state's air quality challenges. During this process questions have arisen whether manufacturers will be able to supply all of the products and engineered solutions required as part of this new off-road regulation.

Challenges and Uncertainties

In responding to product availability inquiries in California it is important to distinguish between new products offered as part of the implementation of the Interim Tier 4 and Final Tier 4 nonroad regulations versus 'retrofit' or 'repower' solutions developed to reduce emissions from existing machines. It is also necessary to understand the potential impact of the Tier 4 'flexibility' provisions on the availability of a full line of latest-Tier product.

John Deere expects to have new product available in sufficient quantity to meet both normal demand associated with customer needs during implementation of the Interim and Final Tier 4 nonroad regulations and increased demand arising from 'extra' fleet

turnover stimulated by California's In-Use Off-Road Diesel Vehicle rule. The challenges associated with meeting the Tier 4 regulations can not, however, be minimized. Unprecedented effort and resources are being devoted to developing entirely new engine and equipment platforms to meet Tier 4, with many technical and infrastructure issues currently unresolved.

During the formulation of the Tier 2, 3 and Tier 4 nonroad rules the ARB and US EPA determined that both engine and equipment flexibility provisions were necessary. These flexibility provisions allow manufacturers to manage the frequent changes from one Tier to the next. Flexibility provides relief for difficult and costly applications, while achieving the very low standards for the majority of nonroad engines. Ultimately, these and other similar provisions within the nonroad rules were employed to help reduce the overall cost of clean diesel technology to the end-user, thereby encouraging its more rapid deployment in the marketplace, resulting in cleaner air. The flexibility provisions set forth in the Tier 4 regulations could result in Deere and other manufacturers not having a full Tier 4 compliant product line available at the initial Interim and Final Tier 4 implementation dates.

With respect to legacy equipment, Deere is concerned with the availability of engineered solutions necessary to bring thousands of fleets containing hundreds of different models of machines into compliance during the time frame allotted under the proposed in-use rule. It is simply unknown at this point if sufficient engineering resources can be devoted into integrating Tier 4 technology solutions into the hundreds of pre-Tier 3 machine models during the timeframe set forth in the proposed rule.

Conclusion

During the implementation of the Interim and Final Tier 4 nonroad regulations Deere expects to have new product available to meet both normal demand associated with its customers' needs and increased demand arising from the extra fleet turnover stimulated by the proposed rule. However, the flexibility provisions of these regulations could result in Deere and other manufacturers not having a full Tier 4-compliant product line available at the initial Interim and Final Tier 4 implementation dates. Deere is also concerned with the availability of engineered solutions necessary to bring thousands of fleets containing hundreds of different models of machines into compliance during the time frame allotted under the proposed in-use rule.

Regulations properly balancing emission reductions, cost, and technical feasibility will help California contractors meet the state's vital infrastructure needs while promoting improved air quality. John Deere understands the significant challenges faced by contractors throughout the state and is committed to offering them advanced, environmentally responsible equipment and solutions designed to increase their productivity and competitiveness.