

ARB's Heavy-Duty Vehicle Air Quality Loan Program

Public Workshop
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CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
 Air Resources Board



Overview

- Funding Source
- Proposed Regulatory Summary
- Need for Program and Objectives
- Draft Applicant Profile
- Potential Financing Mechanism and Program Structure
- Loan Product Packages
- Program Timeline
- Contact Information



Funding Source

- AB 118: Provides \$50 million per year to ARB for Air Quality Improvement Program (AQIP)
 - One-time allocation for loan program (~\$48 MM, FY 08-09)
- AB 109: Expands AQIP to include revolving loans, loan guarantees, or other appropriate funding measures
- AB 1388: Prescribes basic criteria for ARB's loan program
 - Financial assistance to truck owners for early compliance with two regulatory proposals



Summary of Proposed In-use Truck and Bus Rule

- Phase-in requirements start in 2011
 - Requirements for small fleets delayed until 2013
- Phase-in 2010 model year engine equivalent
- Any of 3 compliance options for PM or NO_x
 - Best available control technology (BACT), or
 - BACT percentage limits, or
 - Fleet average
- Special provisions



Summary of Proposed HDV Greenhouse Gas Reduction Measure

- **Tractors:** Tractors pulling 53-foot+ box-type trailers
 - 2011 MY+ new sleeper cab HD tractors SmartWay certified by January 1, 2010
 - 2011 MY+ HD tractors use low-rolling resistance (LRR) tires by January 1, 2010
 - All HD tractors use LRR tires by January 1, 2012
- **Trailers:** 53-foot+ box-type pulled by HD tractors
 - 2011 MY+ box-type trailers: SmartWay certified *OR* retrofitted with SmartWay approved technologies by January 1, 2010
 - 2010 MY and older box-type trailers must comply by
 - January 1, 2013; or
 - Other Compliance Schedules (e.g., optional, refrigerated fleets...)



Need for Loan Program

- Significant costs associated with staff's regulatory proposals
- Insufficient grant funding
- Access to traditional incentive grant funds limited by criteria for surplus emission reductions
- Current tight credit market



Loan Program's Objectives

- Assist fleets affected by regulatory proposals
- Foster early action on regulatory compliance
- Provide competitive-rate loans to fleets that fall just outside conventional loan underwriting standards
- Longer-term goal: Sustainable program



Draft Applicant Profile

- Program's priority:
 - Small fleets: < 3 heavy-duty vehicles
 - Fleets with financial hardship
 - Short-haul trucks
- Possible additional target fleets:
 - Fleets with <10 vehicles may qualify for the "financial hardship" clause
- Priority applicant is "nearly-bankable"
- Program does not target high-risk applicants



Potential Loan Program Mechanisms

- Loan guarantee only
- Loan guarantee with add-on options
 - Combination grants/loans
 - Longer repayment periods
 - Interest rate buy-downs
- Pilot Off-Road Loan Incentives (POLI)
Program to demonstrate loan guarantee model



Why Loan Guarantees?

- Maximize State funds:
 - Leveraging power of at least 7:1
 - \$48M in loan guarantees = \$340M in loans
 - More fleets assisted through loan guarantee
- Financing infrastructure in place now with CPCFA



CalCAP Background

- Existing CPCFA loan guarantee program:
 - California Capital Access Program (CalCAP), est. 1994
 - Targets small businesses that are “near bankable”
 - Total loans enrolled: 7,200 loans, \$1.3 billion
 - Jan. 08 – Sept. 08: 381 loans, \$ 47.4 million
 - Leveraging ratio of ~7:1
 - Program default history: < 4 percent
- Modify CalCAP for HDV loan program
 - Additional flexibility for Independent Contributors
 - Expand definition of “financial institutions”

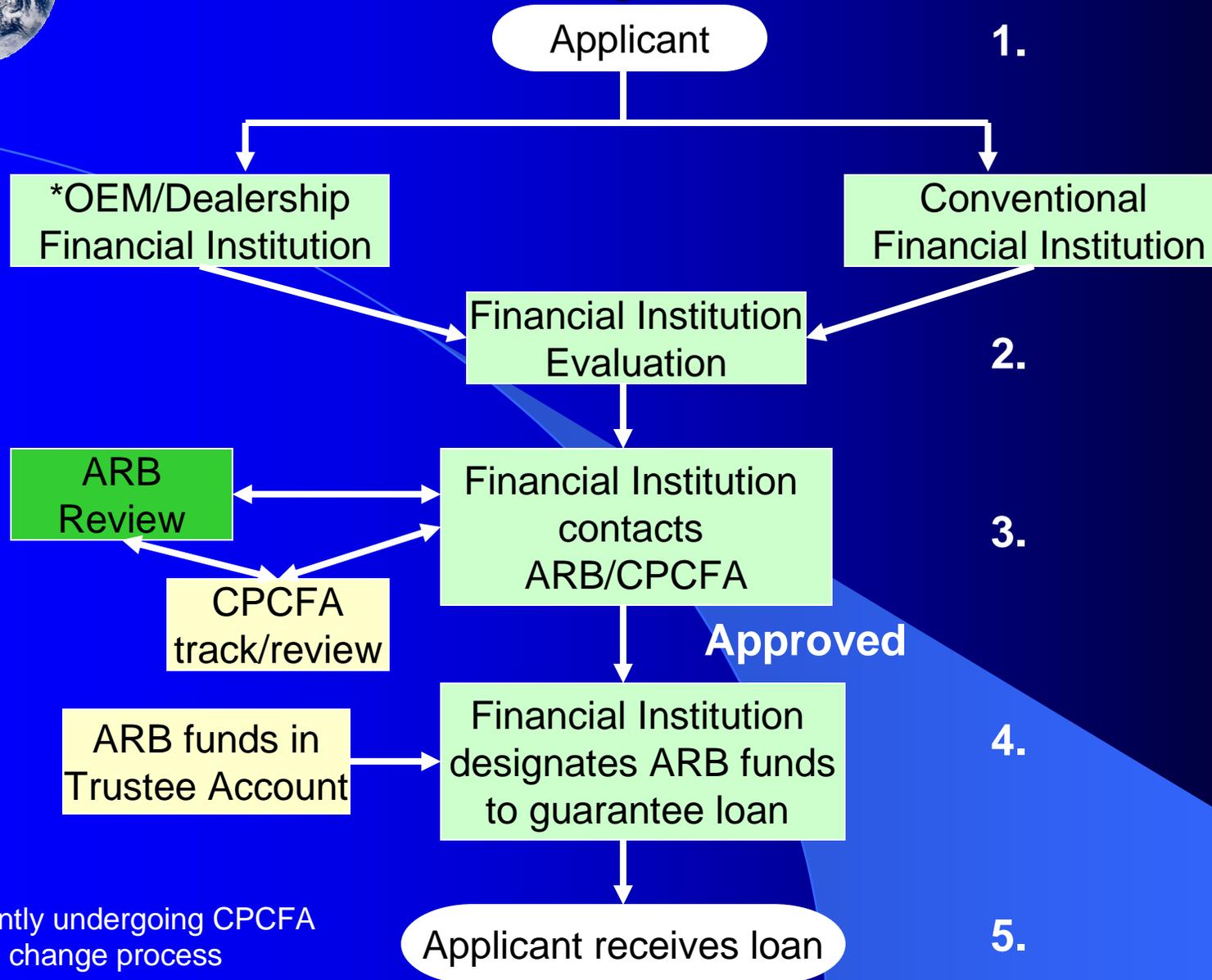


Potential Program Structure

- ARB to develop program requirements, e.g.,
 - Products eligible for financing
 - Fleet size and region of operation
 - Financial hardship criteria
- ARB working with financing authorities (CPCFA) within the State Treasurer's Office
- Lending institutions evaluate/approve loans
- ARB working with other financial institutions
 - Diversifying loan program's portfolio
 - Increase program's effectiveness and utilization



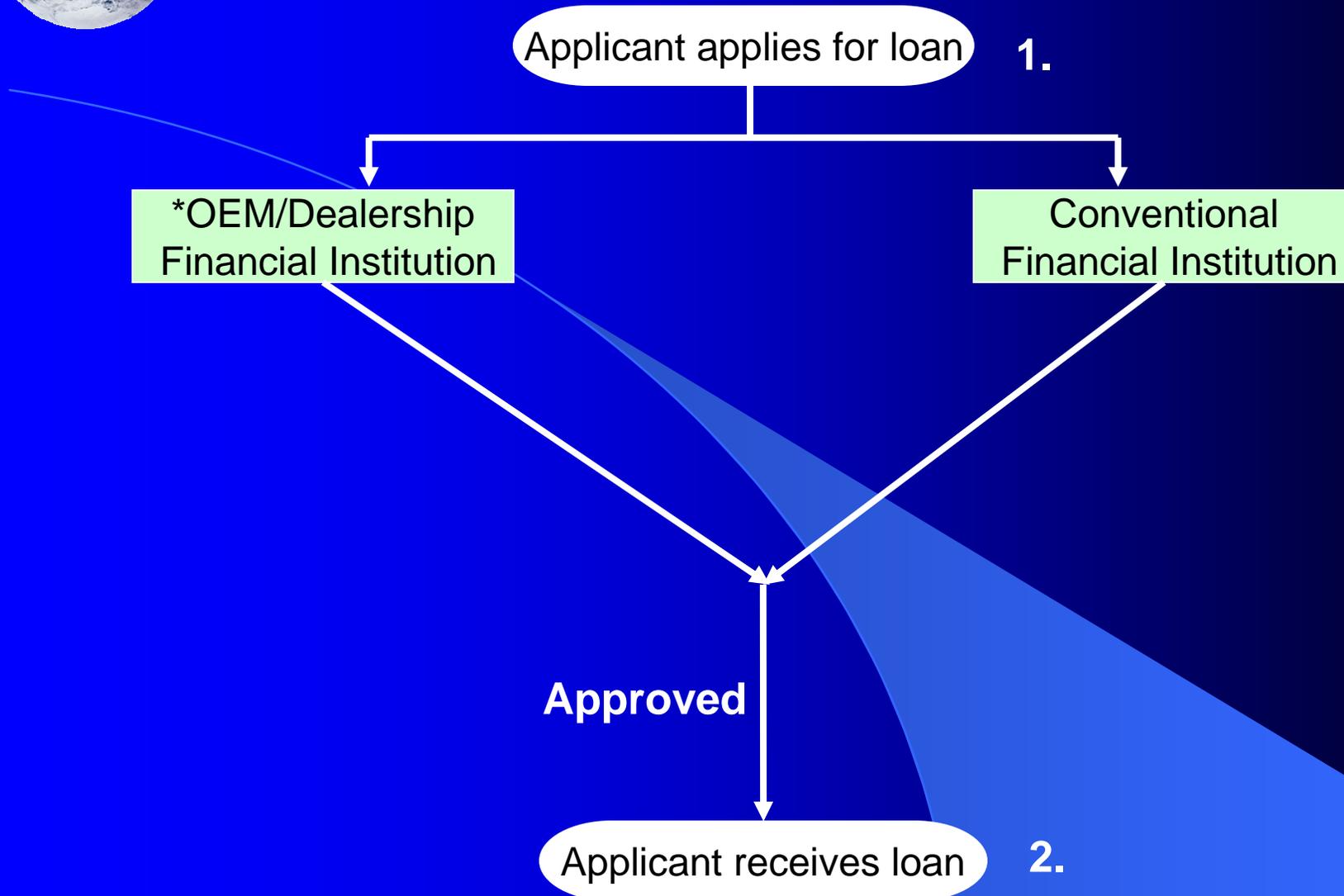
Potential Program Structure



*Currently undergoing CPCFA statute change process



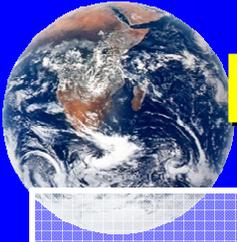
Potential Program Structure





Loan Product Packages

- Financing for vehicle upgrades to comply with regulatory requirements:
 - ARB-verified PM and/or NOx exhaust retrofits
 - Used, lower-emitting trucks
 - SmartWay-approved energy efficiency retrofits (low-rolling resistance tires, aerodynamic skirting and fairings)
 - New trucks (with SmartWay technologies)



Examples of Loan Product Packages

Examples of Products Eligible for Financing	Estimated Purchase Amount
PM exhaust retrofit on in-use truck; low-rolling resistance tires	\$17,000
Used truck (2007); low-rolling resistance tires; SmartWay energy-efficiency retrofit for trailer	\$90,000
New truck and trailer (2010) with SmartWay energy-efficiency technologies	\$160,000



Timeline for Loan Program Development

For 2008-2009 FY AQIP Funds:

Now-Dec. 2008	Develop program structure, administrative requirements, technical criteria
Dec. 2008	Report to Board on program
Dec. '08-Spring '09	Finalize program with CPCFA and other financial institutions; conduct program outreach
Starting Spring 2009	Loans available for fleets
Starting July 2009	Periodic program assessments



Prop 1B Concepts for Loan Guarantee

- Proposed update to the Proposition 1B Good Movement Program Guidelines (January 2009)
 - Concept paper week of Nov. 3, 2008
 - Workshops scheduled for the week of Nov. 17, 2008
- Grant or grant/loan guarantee for trucks
 - Local agencies administer competitive process and grants
 - Lenders' administer loan element
- Eligibility for grant/loan guarantee
 - Funding for truck replacement with new model
 - Small fleets (3 or less) transporting goods for sale
 - Operate 50% in trade corridors
- Contact: Ms. Barbara Van Gee (916) 323-1523
 - Website: www.arb.ca.gov/gmbond



For More Information

- ARB's Heavy-Duty Vehicle Air Quality Loan Program
 - <http://www.arb.ca.gov/ba/loan/on-road/on-road.htm>
- ARB's Pilot Off-Road Loan Incentives Program
 - <http://www.arb.ca.gov/ba/loan/off-road/off-road.htm>
- ARB's AB 118 website
 - <http://www.arb.ca.gov/msprog/aqip/aqip.htm>
- Sign-up for automatic e-mail notifications
 - <http://www.arb.ca.gov/listserv/loan.htm>



ARB Contacts for Heavy-Duty Vehicle Loan Program

John Kato – Manager, Innovative Strategies Section

(916) 322-2891, jkato@arb.ca.gov

Bob Nguyen – HDV Loan Program Co-lead

(916) 327-2939, rnguyen@arb.ca.gov

Krista Fregoso – HDV Loan Program Co-lead

(916) 445-5035, kfregoso@arb.ca.gov

Jessica Dean – Pilot Off-Road Loan Incentive

(916) 322-8748, jdean@arb.ca.gov

Comments and Discussion