November 20, 2017

The Honorable Mary Nichols
Chair, California Air Resources Board
Post Office Box 2815
Sacramento, CA 95812

RE: FISCAL YEAR 2017-18 FUNDING PLAN FOR CLEAN TRANSPORTATION INCENTIVES

Dear Chair Nichols:

On behalf of the organizations listed, please accept for consideration the following comments concerning the Fiscal Year 2017-18 Funding Plan for Clean Transportation Incentives from the Greenhouse Gas Reduction Fund (GGRF).

During the 2017 GGRF process, there was overwhelming feedback from legislative leadership and legislators that they intended for a significant portion of these funds be used to remove class 7 and 8 diesel vehicles from the road and replace them with advanced clean trucks that are immediately deployable.

Unfortunately, none of the comments we submitted in writing or expressed at the public workshop concerning needed changes to the initial draft Funding Plan were accepted. We would have hoped that industry feedback – those who are closest to our customers – would not be disregarded. Now we fear that the Plan could repeat last year's failure and not effectively incentivize low NOx product or meet the legislature's intent to mitigate diesel exposure from heavy-duty trucks. Last year's low NOx applications in the Funding Plan were extremely low and we feel this was largely due to a program design that failed to offer meaningful incentives to interested customers.

We therefore believe the following recommended priority amendments to the Funding Plan should be made:

1. **Disadvantaged Community (DAC) Bonus: $10K per every application would make a significant difference.**

The low NOx engine has been certified at the optional .02 emission standard, providing greater than 90% reduction in NOx emissions. Based on research by UC Riverside CE-CERT, The ISL G natural gas engine emitted lower NOx emissions than its EPA certification standard, as low as a 99% reduction at .002g NOx.

Additionally, emissions decreased as the duty cycles decreased (i.e., slower speeds, idling, stop-and-go traffic) unlike diesel that increased 5-9 times above the 2010 certification. Furthermore, when you pair this technology with the biofuel, renewable natural gas, you also achieve substantial GHG emissions as well.

These kinds of reductions can give immediate air quality relief to disadvantage communities (DACs), now. Many public and private fleets are purchasing these new engines and deploying them all over our state. In order to ensure the success of HVIP and realize the environmental returns on the investments made by ARB, CEC and others, it is imperative that we remove any barriers to wider adoption of this clean technology. Allowing purchasers the ability to receive the $10,000 bonus for deployment in DACs would send the signal to fleets and California communities that this technology is ready to play a critical role in meeting our goals. To not make this change sends a very different message and will ultimately prevent our regions from reaching attainment.

2. **Adjusting the RNG fuel requirement to 50% for the life of the project from the proposed 100% for 3 years.**

The 100% RNG requirement creates a psychological barrier for new applicants and it also reduces the actual benefits of RNG use in ARB's emissions models when it is likely that a customer, once familiar with RNG, will want to use the fuel for the entire life of the vehicle due to cost savings over fossil gas under the Low Carbon Fuel Standard. Even if an applicant chooses not to increase his or her usage of RNG above 50%, a 50% requirement would add greater GHG benefits to low NOx applications than a 100% three-year requirement. In fact, a 50% RNG requirement would be on par with an electric heavy-duty vehicle proposal based on ARB staff's calculation in the appendix. Further, failing to modify this requirement dispositions low NOx applications because a three year RNG requirement significantly underestimates and distorts the potential of GHG benefits that will be achieved by low NOx applications.

3. **ARB should change the incremental cost calculation for the Low NOx 8.9L engine as they have done for the low NOx 11.9L engine.**

The current incremental cost calculation for an 8.9L low NOx engine continues to use a 2010 compliant natural gas engine as its baseline instead of using a more traditional diesel engine as the baseline. Since the baseline was changed for the larger engine, it makes the lack of change for the 8.9L more glaring. Companies outside of refuse and transit are making large investments in this technology. Catalina Pacific, a CalPortland company, recently commissioned 118 low NOx powered concrete mixers, to be deployed by the end of 2017. Companies willing to make this kind of investment should be rewarded and incentivized to make this change to help the South Coast and San Joaquin Valley reach attainment.

As stated earlier, the baseline for the 11.9L low NOx engine is appropriately made a diesel; albeit the current calculation is too low. Applicants looking to purchase big rigs that run on RNG powered low NOx engines will have far greater costs than $40k and port drivers who make maybe $28,500 a year will need much more help if we hope to have a successful Clean Air Action Plan at the San Pedro Bay Port Complex. The incremental needs to be increased in order to spur the faster transition to this cleaner technology.

To date, we are the only emerging advanced clean vehicle technology that is held to such a standard and we are seeing evidence of this arbitrary policy decision blocking our industry's ability to expand the use of low NOx engines beyond transit and refuse sectors. Further, some transit agencies and refuse

companies still use only diesels in their fleets, so there should not be a “one size fits all” mentality to our incentive programs. Instead, we should do everything we can to get the cleanest technology on the road as fast as we can.

Who We Are

The California Natural Gas Vehicle Coalition represents the state’s natural gas vehicle industry and includes major automobile manufacturers, utilities, heavy-duty engine manufacturers, fueling station providers, equipment manufacturers, and fleet users of natural gas vehicles. We are working together to advance natural gas as an alternative transportation fuel.

Clean Energy is North America’s largest provider of renewable natural gas transportation fuel with over twenty years of leading industry experience. The company’s portfolio includes over 533 stations in 43 states, including a substantial presence of 165 stations in California.

Sincerely,

Thomas Lawson
President
California Natural Gas Vehicle Coalition

Todd Campbell
Vice President, Public Policy & Regulatory Affairs
Clean Energy