

Good afternoon Chair and Members of the Board:

Clean Energy would like to thank Board and staff for helping to make clean vehicle incentives possible. As you know, our company supported the extension of the Cap and Trade program and worked very hard on the budget trailer bill at the end of this year's legislative session. We are grateful to the legislature for making this program a priority, so thank you Senator Lara and Assembly Member Garcia.

In that spirit, we ask that you make three changes to the low NOx program under HVIP to ensure that we are successful in getting low NOx trucks powered by renewable fuels onto California's roads.

First, we ask that you to re-establish the use of diesel as the baseline for cost for the 9 liter low NOx engine applications for natural gas. All other clean vehicle technologies – including the 12 liter low NOx natural gas engine – are allowed to use the cost of a diesel to determine the incremental cost of a cleaner technology. Instead, staff proposes that applicants use a 2010 natural gas engine to establish the cost differential for a 9 liter low NOx natural gas engine. This action reduces the grant amount in half, causing an undersubscription of the low NOx engine program as observed last year.

Staff has justified the use of the 2010 natural gas engine cost baseline by stating that this engine is largely used to replace transit or refuse engines, but this policy decision not only penalizes transit and refuse operators who chose to clean up their fleets early, it also discourages other fleets outside of the transit and refuse industry who do not have natural gas engines in their fleet. Furthermore, ARB staff's discussion draft for the Innovative Clean Transit rule released yesterday states that "Incentives...provide a strong market signal for zero emission technology deployment, utilization of low NOx engines where zero emission technologies are unavailable, the use of renewable fuels, and encouraging innovative transit solutions." We agree, but we do not believe a \$10,000 grant for a low NOx transit bus of any size is enough of an incentive to drive market adoption. Comparatively, zero emission buses will be provided \$80,000 to \$300,000 grants (incentives 8 to 30 times greater than low NOx incentives) depending on the size and technology of the bus. We therefore ask the board to re-establish the diesel baseline for the 9 liter natural gas applications to determine the full incremental cost a low NOx engine if we want to make this program work.

Second, please extend the Disadvantaged Community Credit to all low NOx engine applications, particularly for heavy-duty truck applications where there are no zero emission options commercially available to date. As you know, the Ports of Los Angeles and Long Beach are working hard to reduce their emissions through their Clean Air Action Plan and the added \$10,000 credit will help low income drivers at the Ports and Goods Movement system in our inland valleys get into a cleaner truck.

Third, we would ask that you modify the renewable fuel requirement for low NOx trucks to a 50% requirement for the entire use of the vehicle. A 3 year 100% requirement can deter an

applicant who may be unfamiliar with renewable fuels whereas a 50% requirement will signal flexibility to the applicant and deliver deeper greenhouse gas emissions throughout the life of the truck as a greater amount of renewable fuel will be used. Further, we believe that once an operator determines that there is no difference between the use of a renewable low carbon fuel vs. a fossil-based fuel, realize the cost savings and how readily available these fuels are, they will voluntarily go to 100%.

In conclusion, we believe these three changes will help improve the overall program and certainly help accelerate the adoption of low NOx trucks and buses on California's roads.

Thank you for your time and consideration.

Todd R. Campbell

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