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November 20, 2013

Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments Regarding Proposed Greenhouse Gas (GHG) Regulations

Dear Honorable Board Members,

Nabors Completion & Production Services Co (NCPS) appreciates the opportunity to participate in the development of the Greenhouse Gas Regulations which will be presented in a public hearing at the Board Meeting on December 12, 2013. NCPS has demonstrated its commitment to the development of regulations over the past 20 years. With this experience, NCPS has reviewed the staff report and is submitting its comments and suggested modifications to the proposed regulations. NCPS is requesting the Board Members take these suggestions and comments under advisement during the adoption process.

Staff is proposing an Optional Low NOx Emission Standards for new heavy-duty vehicle engines that are more stringent than the current 2010 standard of 0.2 g/bhp-hr to encourage the development of cleaner engines. In the staff report, staff stated the NOx standards for heavy-duty on-road engines have dramatically decreased from the 6.0 g/bhp-hr in 1990 to 0.2 g/bhp-hr in the 2010 MY standard which is a 96.67% decrease in NOx emissions. The staff report states the proposed regulation would certify engines to standards more stringent than the 2010 MY standards by establishing the next generation of NOx emission standards to 0.1 g/bhp-hr, 0.05 g/bhp-hr and 0.02 g/bhp-hr. The staff report goes on to state this is 50%, 75% and 90% lower than the current primary 2010 MY standard which is a true statement. NCPS' suggestion is for the Board to recognize the optional low NOx emission standard as only an additional 3% reduction from the 1990 standard, and after the final standard is achieved the total reduction will be 99.67%. The cost-benefit analysis and the cost-effectiveness analysis should note the cost is for an additional 3% reduction or 0.18 g/bhp-hr.

Throughout the staff report it is easy to see the regulation is an "optional" or "voluntary" program. But the staff report states, "In the future, the Truck and Bus regulation could be amended to provide additional incentives for optional low NOx certified engines, including diesel fueled engines." NCPS is concerned that staff will modify the Truck and Bus regulation in the future to mandate fleet owners to move to the lower NOx emission standards. Between 2004 and 2006 in the development of the Truck and Bus regulations, staff stated several times that fleets should achieve 100% compliance with the 2010 MY standard the fleet compliance would be complete. Since the adoption of the Truck and Bus regulation in 2008, fleet owners have been developing strategies to comply with the requirement of the Truck and Bus regulations. These strategies have required millions of dollars to be invested in diesel particulate filters and the purchase of new vehicles. NCPS is requesting that the Board provide assurances to fleet owners that the Truck and Bus regulation will not be amended to mandate the new optional low NOx emission standards in the future.

The staff report states, "Staff believes that the optional low NOx emission standards are technically feasible." "Staff believes that some manufacturers will rise to the occasion as they have in the past and produce

complying products.” During the 2010 MY standard rollout, some engine manufacturers stopped producing on-road certified engines because it was not technically feasible to obtain the 2010 MY standard and it was a sizeable increase in cost. These engine manufacturers have not returned to market as of 2013. Another engine manufacturer is using the averaging, banking or trading (ABT) program to certify on-road engines are using banked credits. After the 2010 MY standard rollout, end-users observed a reduction in options for on-road engines because manufacturers produced fewer types of engines.

The staff report states, “A number of existing certified heavy-duty engines have certification levels (i.e., the emission level at the end of the required testing period for certification) that are at or below the proposed optional levels.” A review of on-road certification Executive Orders between 10.8L and 16.1L shows that NOx emissions range from 0.19 to 0.09 g/bhp-hr. For years, stakeholders have attempted to convince staff to allow fleet owners to utilize the certification levels in all the fleet average calculations. If staff recognizes the certification levels in the staff report, the stakeholders are requesting that the Board allow fleet owners to utilize the same certification levels in the fleet average calculations.

In the staff report, staff estimated the cost of engine manufacturing. The degree of modifications and associated cost will depend on the emission levels of the base engine with an estimated range of \$0 -\$6,000 per engine. The problem with the cost analysis is that staff calculated the cost of engine manufacturing and did not include the engine manufactures’ mark-up. The engines will be sold to a chassis manufacturer and they will have additional cost plus their mark-up. Staff did not calculate the total cost to the end-user.

The staff report states, “The proposed regulations and regulatory amendments will impose minimal costs on affected parties and will have minimal or no economic impacts on businesses due to the voluntary nature of the proposed adoption of the Optional Low NOx Standards.” As engine manufacturers participate in the Optional Low NOx Standards, the cost of engines will increase and the cost of new vehicles will increase. These activities will increase businesses’ cost and will have an economic impact on businesses’ activities.

Staff is proposing amendments to the existing airborne toxic control measures (ATCM) to Limit Diesel-fueled Vehicle Idling by expanding the current responsibility to the vehicle owners and motor carriers. NCPS agrees that limiting the idling of vehicles is a great solution in reducing emissions. NCPS has a training program for all employees which includes the idling policy. In addition, NCPS has installed a sticker on the dash of each vehicle to remind drivers of the idling policy. NCPS does not condone violations of the idling policy or speeding in company vehicles. NCPS does not pay drivers’ speeding tickets. NCPS believes the idling violation should be treated like a speeding violation.

NCPS is requesting that the Board Members take these suggestions and comments under advisement during the adoption process. NCPS continues to look forward to working collectively with staff to achieve consensus on the solution. If you have any questions concerning these comments, please contact me at (661) 391-1623.

Sincerely,

A handwritten signature in black ink, appearing to read "James Thomas", with a long, sweeping horizontal stroke extending to the right.

James Thomas
Administrative & Regulatory Affairs Manager