

Message for CARB Board Meeting 12/9/09

Good morning Chairwoman Nichols. Good morning, members of the Board. My name is Kevin Shanahan, I am the principal owner of Cleaire Advanced Emission Controls. Cleaire is headquartered in San Leandro, California and all 6 of our CARB verified filters are manufactured in San Diego, California. Our company was formed almost 10 years ago in response to CARB's diesel risk reduction rules. Cleaire designs, manufactures, verifies and sells advanced emission control systems for diesel engines, more commonly referred to as "diesel retrofit systems". Cleaire "diesel retrofit systems" are available for both on-highway and off-highway diesel engine applications.

The value of the "diesel retrofit system" is clear. It offers an economic advantage over truck replacement because it reduces ultra-fine PM emissions to the levels of a brand new truck for a fraction of the price of a new truck. Cleaire has sold more than 8,000 "diesel retrofit systems" over the past 8 years. These systems have been installed in any number of challenging applications, yet continue to meet or exceed CARB's very stringent reliability standards. Cleaire "diesel retrofit systems" do not cause damage to the engine or the vehicle, and customer experience has been very positive with little or no interruption to productivity.

Unfortunately, I find myself here today, with the future of my business at risk. My business is at risk because it appears the on-highway fleet rule may be delayed. If this delay occurs, this will be the third time a rule has been delayed. Past delays have had a devastating effect on our California based business. In fact, a third delay, could well put the entire diesel retrofit industry at risk of going out of business.

Should Cleaire, and possibly the entire retrofit industry fail to survive as the result of this third delay in the rules, an unintended Consequence will be the fact that there will not be "diesel retrofit systems" available to cost effectively bring diesel engines into

compliance in any on or off road applications, whether they are currently under rule or not. This will leave truck and equipment "replacement" as the only option available for rule compliance.

Another delay will at best prevent us from making investments in additional production capacity and in further product development. Without these investments our industry will be ill-prepared to provide "diesel retrofit systems" when they will be needed the most. We will be unable to respond to the compressed timelines created by continued delays. Truck and equipment owners will have few if any options to cost effectively comply with the rules.

However, having said all this, I'm not blind to the effects of the severe economic downturn our state and nation are experiencing. If you find you have no alternative but to delay the rule, you must provide mechanisms to encourage the near term retrofit of diesel engines. Creative, practical and cost effective incentives will be required in order to continue making progress on reducing ultra fine diesel PM across the State while a number of the State's businesses get back on the feet. Near term diesel retrofits will also insure my company and my industry remain financially viable to provide the cost effective "diesel retrofit solutions" of the future across all applications.

Should CARB be forced to delay this rule, the following incentives must be reviewed and put in place to encourage the near term retrofitting of in-use on highway diesel engines:

- 1.) Provide triple credit for diesel retrofit systems installed during calendar 2010.**
- 2.) Provide double credit for diesel retrofit systems installed in during calendar 2011.**
- 3.) Provide either extended life, or, life time exemptions For a certain number of trucks/buses retrofitted in 2010 and 2011 within a fleet.**

4.) Direct The State's current incentive funds (Prop 1B and Carl Moyer) to reduce the cost of "diesel retrofit systems" installed in 2010 and 2011.

In summary:

- Cleaire remains capable and ready to respond to the demands of the current rule timeline
- Cleaire has a proven track record with more than 8,000 "diesel retrofit systems" in successful operation today.
- "Diesel retrofit systems" make older in-use diesel engines as clean as new diesel engines in terms of ultra fine PM reduction, at a fraction of the cost of new truck replacement.

Thank you for your time, I'm happy to answer any questions you might have.

5.) Representatives from the State of California need to aggressively work with the United States Congress, under an "economic emergency" measure to request a delay on the Federal Ozone Standard requirement for California.

This is the one area the federal government can provide relief to California during the severe economic downturn. It is the requirement for NOx compliance that is driving the economic hardship for the truck and equipment owners in the State. Truck or equipment "replacement" is being forced to occur years ahead of the economic end of life of the asset. Delaying the Ozone standard is one of the most practical economic stimulus packages the Federal government could provide to California at NO COST.

Fleet "replacement" to meet unrealistic NOx goals is not financially viable during the downturn, and compounding the situation is the fact the fleet owners equity in their assets takes a severe negative hit they will never be able to recover.

Once the federal ozone standard is delayed, the majority of the State's incentive money (1B and Moyer funds) can be directed to retrofit the state's entire on-highway fleet well ahead of 2014. There is currently enough California incentive money to retrofit the entire on-highway truck fleet with Level 3 Plus DPF's and in many cases, DPF devices which reduce NOx by 25% can be employed to help ultimately address the NOx standard. Natural fleet turnover is the only practical and successful way to achieve the NOx standard in California.

This action by the Federal government will eliminate the financial impact on the entire on-road fleet and restore the equity in the existing fleets while reducing toxic PM 2.5 by 85% much sooner than originally anticipated. An

important, and sometimes overlooked, benefit of this aggressive PM 2.5 reduction is the fact that this will reduce significant amounts of "CO2 equivalent" tons of black carbon, giving California measurable progress towards the implementation of AB32.