



Clean Diesel Technologies, Inc.
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December 15, 2010

Board Members
Air Resources Board

Dear Members of the Board:

Re: Proposed Changes to the On-Road and Off-Road Diesel Rules / Impact on Verified Device Manufacturers and ARB's Future Clean Air Goals

Proposed Changes to the On-road and Off-road Diesel Rules

Specific comments on the proposed changes have been made through our industry association (MECA).

Clean Diesel Technologies supports MECA's comments and would specifically wish to highlight our belief that all school buses, regardless of gross vehicle weight should be retrofit with emissions controls. The state should make special effort to insure funding for these retrofits.

With respect to highway vehicles with Gross Vehicle Weights less than 26,000 lbs, we ask that ARB consider the installation of verified Level 1 diesel oxidation catalysts which can be supplied for less than \$1000 per vehicle and will afford particulate emissions reductions of more than 25% and a significant reduction in unregulated toxics. This would seem to be a better option than simply eliminating all mandatory retrofit requirements.

Investments made in support of California's clean air objectives

Clean Diesel Technologies Inc. (CDTI), a California based company, has strategically invested in development of emissions control technologies in support of California's clean air objectives. Our company is composed of three business units- Clean Diesel Technologies (Ventura, CA), Catalytic Solutions (Oxnard, CA) and Engine Control Systems (Reno NV and Thornhill ON).

Our investments have included acquisitions, mergers, manufacturing capacity increases, larger manufacturing facilities, and transitioning manufacturing from Europe to North America, as well as the development of specific products and their distinct verification under California state requirements.

Today, ten years since the finalization of the Diesel Risk Reduction Program (DRRP), the proposed changes in the In-use Heavy Duty Diesel-Fueled Fleet Rules have eliminated 160,000 highway retrofits and over 100,000 off-road retrofits. This leaves the number of remaining diesel engines requiring

mandatory retrofit in the highway segment to just over 100,000. Mandatory retrofit requirements of off-road machines have been completely eliminated.

The investments made in support of ARB's Diesel Risk Reduction Program by all verified device manufacturers in the emissions control industry will be greatly impacted by the proposed in-use rule changes. Despite the fact the verified device manufacturers have already made numerous investments and re-investments over the past ten years, our industry remains the only stakeholders before you today which still faces the full impact of the economy as well as the proposed pullback in the in-use fleet regulations.

In collaboration with the rest of the industry through MECA, a list of proposed relief measures has been provided to ARB staff for consideration. Based upon initial discussions, we believe that a significant period of time could still pass until any relief is provided to the retrofit industry. Clean Diesel Technologies is asking the board again today to reiterate its support for the industry and direct senior ARB staff to urgently lead the pursuit of immediate relief measures which are comparable to the loss in market that have resulted from these in-use fleet rule changes.

Market stability demands finalization of the in-use on-road rule

Since release of the proposed changes to the Highway and Off-Road In-use Rules, we have observed that fleets are delaying purchases hoping that even further relief will be provided to fleets. For this reason, it is of paramount importance that the proposed changes for the In-Use Highway Truck Rule are approved without further delay or any further reduction in the number of mandatory retrofits. Given the industry investments needed to insure supply capacity requirements in 2012 thru 2014, the highway truck retrofit market needs, at a minimum, stability in the interim year of 2011. Further delaying the In-use Highway Truck Rule is likely to result in the decline of sales in 2011 creating further financial challenges for retrofit device manufacturers.

We have also recently learned that grants under the Lower Emission School Bus Program, which have already been delayed well over a year, are now being further delayed due to the elimination of vehicles with Gross Vehicle Weights (GVW's) less than 26,000lbs. These delays are resulting in further disadvantages to the industry at this critical time. Clean Diesel Technologies asks the board to instruct staff to make special effort to insure the accelerated funding for the retrofit of all school buses in the state.

Transparency needed in EPA waiver process

With regards to those in-use fleet rules that require waivers from the US EPA, CDTI, would also ask for transparency in the waiver process so that retrofit providers can better judge when further investments should be made. Some rules (i.e. Off-road LSI rule) have been passed for more than 4 years and yet they still have not received a waiver from the US EPA which allows ARB to enforce the rules. As a result, companies with verified devices are experiencing low sales levels years after the rule was adopted by the board.



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Lastly, CDTI asks the board to add further resources to the Retrofit Assessment Section so that verifications, extensions, and parts changes can be obtained with greater efficiency.

In closing, as Chief Executive Officer and Director of CDTI, I ask the board to pass the proposed changes to the Highway In-use Fleet Rule at the December board hearing and expedite OAL review to insure the emissions control industry is positioned for the continued support of California's current and future clean air objectives.

Yours truly,

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