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**STATEMENT OF THE CALIFORNIA COMMITTEE OF
THE EMISSION CONTROLS TECHNOLOGY ASSOCIATION
BEFORE THE CALIFORNIA AIR RESOURCES BOARD
AGENDA ITEM 10-4-2:
UPDATE ON THE REGULATION FOR IN-USE OFF-ROAD DIESEL VEHICLES
APRIL 22, 2010**

The California Committee of Emissions Control Technology Association (Cal-ECTA) is pleased to submit the following comments as the California Air Resources Board considers making additional modifications to California's In-Use Off-Road Diesel Regulation. Cal-ECTA is a duly-constituted committee of a national trade association that promotes public policies aimed at achieving cleaner air by reducing mobile source emissions through the use of state of the art technologies. Cal-ECTA member companies are involved in the North American emissions control market for substrates, catalysts and diesel particulate filters. Since its formation in 2004, ECTA has played a leadership role in critical legislative and regulatory initiatives aimed at creating healthier air for all Americans and expanding opportunities for cutting-edge technologies to assist in achieving our national environmental goals.

Clean technology providers, including Cal-ECTA's participants, have partnered with California through the development and deployment of innovations that will help the state reach its environmental goals in the most cost-effective manner possible. These companies have invested in technology and created new jobs in California because of the state's steadfast commitment of support for the development of its green economy, which is well captured in the quote below:

"It is more important than ever that we secure our state's long-term competitiveness-and green technology is the future. We are all going through tough economic times, and this is exactly why I am talking about investing in clean, green technology. It's one of the best investments out there, and it's where the innovation and job growth will be, which is why California is leading the way with smart policies that unleash our ingenuity."

-Governor Arnold Schwarzenegger

However, the current economic climate has led policymakers to reconsider whether the state should continue to support policies, including the In-Use Off-Road Diesel Regulation, that have positioned it as the national leader in the emerging green economy.

Cal-ECTA respectfully submits the following three points regarding the economic impacts of the In-Use Off-Road Diesel Regulation, and would urge you to consider these issues before contemplating additional changes to the Regulation:

1. Further delays in the implementation of the In-Use Off-Road Diesel Regulation threaten the investment that clean technology manufacturers have made in California.

When California started regulating diesel emissions, its regulations spurred companies to make significant capital investments in research and development that have resulted in new pollution-control patents and pollution-reducing devices such as diesel particulate filters. The manufacturers of these retrofit devices have developed clean technology solutions that will help the state meet its clean air goals while also providing equipment owners a more cost-effective way to comply with state regulations by allowing them to retrofit existing equipment rather than purchasing new equipment at a significantly higher cost.

These companies have borne the tremendous cost of product development and ARB technical approval through a rigorous verification process for the California marketplace with the reasonable expectation that California would not waver from its commitment to implement the diesel regulations it had prescribed according to the timelines that it had approved. Further delays in the implementation of the In-Use Off-Road Diesel Regulation threaten the investment these companies have made in clean technology in California because such delays would undermine the regulatory certainty that these companies built their business models on.

Just last month, CARB Chairwoman Mary Nichols described the critical importance of regulatory certainty as a generator of economic investment in California's emerging green economy, stating: "As with all smart business people, they're also looking for a favorable political climate. They look for laws, policies and government incentives that nurture the growth of their industry. They favor long-term regulatory certainty to ensure costly investments will pay off in the long run."

If faced with further delays in the implementation of CARB's diesel risk reduction regulations, manufacturers of clean technology equipment such as diesel retrofit devices will be placed at considerable risk. They have built their business models, secured investment capital and deployed significant resources in California based on the regulations that this state has already adopted. Their ability to generate a return on that capital for their investors, shareholders, and employees is dependent upon the state meeting the regulatory commitments that it has already made. Significant changes to the regulatory environment will put this investment at risk and will threaten the economic viability of these manufacturers in California.

If these manufacturers are unable to sustain their investment in California, many will be forced to leave the marketplace all together, thereby stifling the growth of California's green economy, leaving California with fewer technological choices to meet its clean air goals, and diminishing competition in the clean technology market. More importantly, such changes in the regulatory environment will send a chilling message to other clean technology innovators who are looking to California as an incubator for clean technologies and the engine for the nation's green economy.

2. The In-Use Off-Road Diesel Regulation is a critical part of the engine that is driving clean technology investment and green job creation.

As CARB Chairwoman Nichols has stated, "Some view the law through the antiquated and distorted jobs-versus-environment lens. Yet where some fear economic calamity, many others...see prosperity."

California has shown that leading in green policy and enacting clean technology standards translates into clean technology investment and green jobs—or as The Wall Street Journal calls it "the new California Gold Rush." According to an economic study by the University of California, Berkeley and Next 10, California's policies could create as many as 403,000 jobs in the next 12 years and household incomes could increase by \$48 billion. In the last three years alone, more than \$6 billion in venture capital has been pumped into California's economy, making the Golden State the national leader in the number of clean businesses in the United States. Green jobs have also skyrocketed, growing 10 times faster in California than in other areas.

Another recently released Next 10 report shows that green jobs and businesses are growing faster in California than in any other state in the nation. From 2007 to 2008, jobs in green businesses grew 5% while total jobs in California fell 1%. The green economy could soon become the nation's fastest-growing job segment, accounting for roughly 10% of new jobs over the next 20 years – up to 4.2 million new green jobs – with 500,000 in California.

The emission controls manufacturing industry is proof that what's good for the environment is also good for the economy. A 2009 analysis found that for every one million dollars spent on diesel retrofit technology, about 19 jobs are created or preserved, and for every one million dollars spent on replacing older vehicles and equipment with newer clean diesel vehicles, about 15 jobs are created or preserved. One estimate suggests that a full-time job is created as a result of the installation of every 3-7 diesel retrofits. Another way to look at this is that the installation of 1,000 retrofits creates 140 to 330 green jobs. During development of the off-road regulation, ARB estimated a demand of 80,000 retrofit devices in the first three years of implementation. This would preserve or create an estimated 11,200 to 26,400 jobs needed to sell, manufacture, install, and maintain the clean diesel retrofit and vehicle emission control technologies associated with the first three years of this single ARB regulation.

3. The economic benefits of the In-Use Off-Road Diesel Regulation aren't limited to its impact on the green economy.

The public health benefits of air quality improvements have been shown to save billions in health related impacts. The Air Resources Board has found that the Regulation for In-Use Off-Road Diesel Vehicles would be expected to provide a benefit of \$18 to \$26 billion in avoided premature death and health costs between 2009 and 2030. In determining this figure, CARB concluded that the Regulation would reduce diesel PM and NOx emissions and associated cancer, premature mortality, and other adverse health effects statewide and significantly

reduce such emissions and adverse health. Additionally, a 2004 report to Congress found benefits of air pollution control between 1993 and 2003 exceeded its costs by two to six times, or by an average of four times effects in California, and would prevent approximately 4,000 premature deaths.

Cal-ECTA and its participating companies look forward to continuing to partner with California through the development and deployment of innovations that will help the state reach its environmental goals in the most cost-effective manner possible. Further delays in the implementation of the In-Use Off-Road Diesel Regulation threaten the investment these companies have made in clean technology in California because such delays would undermine the regulatory certainty that these companies built their business models on and, in a broader sense, undermine the development of the green economy that California is trying to create. For these reasons, Cal-ECTA strongly encourages the Air Resources Board to avoid further delays to the implementation of California's In-Use Off-Road Diesel Regulation.