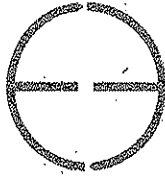


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December 10, 2008

Mr. James Goldstene, Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Regarding: **Proposed Regulation to Reduce Emissions from In-Use On-Road Heavy-Duty Diesel Vehicles and Amendments to Existing Regulations Affecting Other Diesel Engines ("Proposed Regulation Order")**

Position: **Support**

Dear Mr. Goldstene:

The California Council for Environmental and Economic Balance ("CCEEB") is pleased to offer its support for the Proposed Regulation Order, including a "Proposed Regulation to Reduce Emissions of Diesel Particulate Matter and Other Pollutants From In-Use Heavy-Duty Diesel-Fueled Vehicles" (*the Proposed Regulation*) and amendments to various existing regulations affecting other diesel engines.

As you know, CCEEB is a non-partisan and non-profit organization comprised of business, labor and public leaders. CCEEB seeks to achieve the State's environmental goals in a manner consistent with a sound economy.

CCEEB's goal in commenting on a proposed regulation is to ensure that the proposed regulation accomplishes a necessary public benefit in a manner that ensures fair and equitable treatment of all affected parties. CCEEB measures the effectiveness of a proposed regulation in terms of public and private costs of implementation, technological feasibility and technology neutrality.

CCEEB previously submitted comments on the draft proposed regulation. At that time, we identified two primary concerns: the apparent overlapping application of the Draft Proposed Regulation with the existing Municipality or Utility On-Road Heavy-Duty Diesel Fueled Vehicle Regulation; and, proposed changes to existing regulations affecting two-engine cranes.

We are pleased to find that these previous concerns have been largely alleviated by the current Proposed Regulation Order and wish to express our appreciation for the effort your staff contributed to the resolution of these concerns.

CCEEB is also appreciative of the fact that throughout the rule-making process, your staff has identified and addressed numerous other discontinuities between existing regulations and the Proposed Regulation.

This Proposed Regulation can, nevertheless, be further improved by:

1. Establishing a fuel economy standard in the Proposed Regulation for granting credit to a fleet owner of a hybrid vehicle ("HV") instead of allowing a "double count" for each HV added to a fleet;
2. Establishing an environmental benefit standard in the Proposed Regulation for granting a fleet credit for an alternative fuel vehicle ("AFV") engine instead of allowing use of a formula whereby the PM index for an AFV is assigned a value of zero (0);
3. Ensuring that any alternative fuel used by a fleet covered by the Proposed Regulation meets CARB specifications;
4. Strengthening the relationship between the Proposed Regulation and financial incentive programs, ensuring "applicant friendliness", and making existing incentive programs work together; and
5. Adding definitions and technical corrections.

We amplify these recommendations below.

1. Credit for a Hybrid Vehicle

The Proposed Regulation requires the Executive Officer of CARB to grant a fleet owner credit for each hybrid vehicle added to the owner's fleet if the HV manufacturer has improved fuel economy by at least 20% when compared to a similar diesel powered vehicle (page A-29). The Proposed Regulation provides that the credit for a single added HV will count as two vehicles for the purpose of calculating compliance with fleet averaging requirements for PM, NOx or both.

CCEEB does not object to the concept of providing incentives for the addition of an HV to a fleet when reduced emissions are established. CCEEB is concerned, however, that the two-for-one incentive could have the unintended effect of increasing emissions and could also undermine any incentive to manufacture HVs achieving a greater-than 20% improvement in fuel economy. CCEEB believes that such an incentive should be based on vehicle performance corresponding more closely with demonstrated emission benefits of the added HV. *CCEEB therefore recommends that the proposed regulation authorize the Executive Officer to grant a credit of up to two-for-one at his discretion, taking into consideration the fuel economy of an HV and other appropriate factors. CCEEB also recommends that the Proposed Regulation document the anticipated emission impacts attributable to the proposed HV incentive.*

2. Credit for an Alternative Fuel Vehicle

The Proposed Regulation requires the Executive Officer of CARB to grant an incentive to a fleet owner for adding an alternative fuel vehicle to a fleet (pg. A-29). The incentive pertains to the calculation of a fleet's NOx and PM indices. For NOx, the fleet is allowed to use the NOx emission factor for the engine model year for which the AFV engine has been certified in calculating the fleet NOx index. For PM, the fleet is allowed to assign zero (0) for the fleet PM index.

CCEEB does not object to the concept of providing incentives for the addition of an AFV to a fleet for the purpose of reducing emissions. CCEEB is concerned, however,

that assigning zero for the PM index of an AFV is problematic, given the diversity of fuels defined as "alternative fuels" that do, in fact, emit PM. In light of the Board's ongoing concern over the health effects of ambient PM, granting a blanket PM exemption for AFVs would seem, at best, ill-advised. *CCEEB therefore recommends that the Proposed Regulation be amended to authorize the Executive Officer to grant an incentive for alternative fuels based on the NOx index described in the Proposed Regulation and to predicate the PM index on the degree to which the alternative fuel reduces PM, when compared to diesel fuel. CCEEB also recommends that the Proposed Regulation document the anticipated emission impacts attributable to any proposed AFV incentive.*

3. Verifying Use of CARB-Specified Fuel

The Proposed Regulation requires fleet owners to maintain and annually report information concerning use of compliance options, ownership information, vehicle information, engine information, verified diesel emission control strategies, low-use vehicles, emergency vehicle information, exempt vehicles, changes in fleet composition, and other matters.

CCEEB notes that, while a significant amount of emissions reductions anticipated from the adoption of the Proposed Regulation are dependent on the use of alternative fuels, it is unclear as to how CARB may ensure that qualified alternative fuels are, in fact, used in complying with the Proposed Regulation. In light of the credits and incentives granted for the use of alternative fuels vehicles, and in order to protect a fleet owner's investment in alternative fueled vehicles, it is imperative that CARB develop procedures to ensure that only alternative fuels meeting CARB specifications are, in fact, being used in the operation of alternative fuel vehicles covered by the Proposed Regulation. *CCEEB recommends that, prior to the effective date of the Proposed Regulation, CARB develop safeguards ensuring that only alternative fuels meeting CARB standards are, in fact, used in the affected fleets.*

4. Financial Incentives

In the "Initial Statement of Reasons for Proposed Rule Making" for the Proposed Regulation CARB staff provides a brief summary of available incentive funding to assist affected vehicle owners in complying with the Proposed Regulation Order. Funding sources include the Carl Moyer Program, Proposition 1B, AB 118 and the Lower-Emission School Bus Program. Hypothetical funding scenarios for vehicle replacement projects are also included and the existence of local financial incentive programs is acknowledged.

Demand for financial assistance can only increase as a result of the enormous scope of the Proposed Regulation Order and the current state of the economy. At the same time, providing financial assistance for mobile source emissions reductions is becoming increasingly complex as a result of competing priorities (e.g., goods movement, off-road and agricultural equipment, public fleets and other categories).

The ISOR discusses the relationship of available incentive funding and the Proposed Regulation Order in the broadest possible terms, leaving a gaping disconnect between the operation of the Proposed Regulation Order and the needs of affected fleet owners.

CCEEB further recognizes two overarching priorities regarding financial incentive programs: making the programs as "applicant friendly" as possible and harnessing the economic potential of incentive programs collectively to ensure the greatest clean air benefits at the lowest responsible costs.

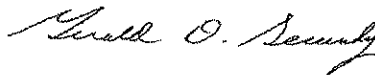
Toward this end, *CCEEB recommends that the Board resolve to convene a Board Member-driven stakeholder group to strengthen the relationship between proposed regulations and financial incentive programs, to ensure "applicant friendliness" and to ensure that existing incentive programs are working together.*

5. Definitions and Technical Corrections

- a. CCEEB suggests that a definition of "Alternative Fuel Vehicle" be added to the Proposed Regulation, consistent with the definitions for "Alternative Diesel Fuel" and "Alternative Fuel".
- b. The purpose of the Proposed Regulation is to *reduce emissions of diesel particulate matter, oxides of nitrogen and other criteria pollutants, and greenhouse gases from in-use diesel-fueled vehicles.* The definition section of the Proposed Regulation contains a definition for particulate matter and oxides of nitrogen but fails to include a definition for "other criteria pollutants" and "greenhouse gases". Since operation of the Proposed Regulation may, in certain situations, lead to some increase in other criteria pollutants and greenhouse gases, *CCEEB recommends these terms need to be defined for purposes of the Proposed Regulation.*
- c. The Proposed Regulation defines "Alternative Fuel" by example and without reference to established specifications. *CCEEB recommends that, to the extent alternative fuel specifications have been established by the Board (e.g., sections 2290, et. seq. of title 13, CCR) be incorporated by reference.*
- d. At page A-15 of the Proposed Regulation the first line should read "(4) A drayage truck or utility vehicle must comply with the requirements of section 2025(k).".

Thank you for your consideration of these comments. Should you have any questions, please contact Allan Lind at (916) 503-2250.

Sincerely,



GERALD D. SECUNDY
President

cc: The Honorable Mary Nichols
Members, California Air Resources Board
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