

Mobile Sources Technical Review Subcommittee Retrofit and Replacement Workgroup Plenary Session Notes

March 8, 2005
Washington, DC

Purpose

The Retrofit Workgroup met to hear status reports from the subgroups (Ports, Construction, Freight, and Clean School Bus USA), discuss the report entitled "Emission Reduction Incentives for Off-Road Diesel Equipment Used in the Port and Construction Sectors" produced by ICF Consulting, and discuss the recommendations report that the Workgroup will submit to the Mobile Sources Technical Review Subcommittee in September. Gay MacGregor (EPA, co-chair) commented that the Workgroup is in its second year of a two-year life span. Tim Johnson (Corning, co-chair) was not able to attend.

Introduction

Merrilyn Zaw-Mon (EPA) welcomed participants. She is interested in hearing about the group's progress since the kick-off retrofit conference in Washington, DC, last year. She described the National Clean Diesel Campaign (NCDC) that has been launched. She indicated that this campaign is one of Jeff Holmstead's (EPA Assistant Administrator) top three priorities, along with Clear Skies and the Mercury program. The NCDC is an effort by EPA and stakeholders to decrease diesel emissions through regulations and voluntary programs.

Ms. Zaw-Mon is looking forward to the implementation of regulations to reduce emissions, like the On-Highway Diesel Rule, the Off-Road Diesel Rule, and Light-Duty Tier II regulations. She said that cleaner fuels are the key for emissions reductions in new and existing fleets. She added that the United States may well increase its use of diesel fuel due to our current energy situation. Ms. Zaw-Mon also commented on international efforts to reduce diesel emissions. Several stakeholders in the ports sector have expressed interest in Sulfur Emissions Control Areas (SECA) for North America under international treaty. Ms. Zaw-Mon described regulatory strategies as bringing enormous benefits as new lower-emitting engines enter the fleets.

Ms. Zaw-Mon is also looking forward to working with stakeholders to implement voluntary programs. She mentioned the voluntary diesel retrofit program and SmartWay Transport as the two main voluntary programs of EPA and stakeholders. Voluntary programs are crucial to reaching EPA's goal of retrofitting or replacing the over 11 million existing heavy-duty diesel engines by 2014. Reductions from these efforts will also be very important for nonattainment areas.

Ms. Zaw-Mon described five sectors that EPA's voluntary retrofit and replacement efforts will focus on: Clean School Bus USA, Construction, Freight, Ports, and Agriculture. The National Clean Diesel Campaign has expanded from Clean School Bus USA to include each of these sectors. The President's request for FY06 in the federal budget is for \$15 million for all sectors combined, and an additional \$10 million for the Clean School Bus USA program. She is also hoping for additions from other Federal partners, such as DOT and DOE.

Ms. Zaw-Mon thanked all who participated in the recent Clean Ports USA Workshop in Corpus Christi, TX, in January. So far, EPA has provided grants to three port authorities: Tacoma, Massachusetts, and Houston.

The Clean School Bus USA program received \$7.5 million of the \$65 million proposed in the federal budget for Fiscal Year (FY) 2005. The President's request for FY 2006 budget is \$10 million. The program is therefore growing. Clean School Bus USA has identified several State champions to move the program forward at the state level, as States recognize the importance of this program to children's health. Supplemental Environmental Projects (or SEPs -- state-negotiated settlements in legal actions against companies that violated state environmental laws) have also contributed funds; for example, Toyota provided \$20 million in financial assistance to school districts interested in retrofitting school buses and purchasing ultra-low sulfur diesel fuel as part of a legal settlement. The subgroup is continuing to work with EPA's Office of Enforcement and Compliance Assurance (OECA) to encourage SEPs to be directed to the Clean School Bus USA effort. Ms. Zaw-Mon has received comments from the group that current efforts of the CSB program focus on retrofit technology only. There was a request that efforts should increase the focus on replacing engines as well.

For the construction sector, Ms. Zaw-Mon commented that EPA is interested in partnering with stakeholders to develop guidance and equipment specifications for public projects. For the freight sector, Ms. Zaw-Mon commented on international efforts, especially regarding transport between the U.S. and Mexico. She also noted that the SmartWay^a program is a mechanism for achieving emissions reductions in this sector.

The agricultural sector is just getting started. Ms. Zaw-Mon commented that this sector will be challenging, but opportunities have already presented themselves with market penetration of biofuel, programs to inform and educate farming communities, and partnerships with the Department of Agriculture (USDA) and State Universities. A project has already been funded in Boise, Idaho, and she is hoping for positive results.

Leah Wood Pilconis (AGC) asked about allocation of funds. Ms. Zaw-Mon replied that a large portion of the \$15 million will be allocated to the West Coast Collaborative with Regions 9 and 10. Money will also be earmarked for EPA Regional Offices so they can be involved in selecting and managing projects. Ms. Zaw-Mon encouraged other regions of the country to start groups similar to the West Coast Collaborative. Michael Block (NESCAUM) indicated that NESCAUM is looking into the possibilities for a Northeast Collaborative.

Meredith Martino (AAPA) asked about funding for emission inventories or guidance for others to develop inventories. She commented that there is a need for these inventories, and AAPA has struggled with the issue. Ms. Zaw-Mon replied that inventories are not precluded from funding, and she encouraged AAPA to submit a proposal for consideration.

Freight

Allen Schaeffer (Diesel Technology Forum) has volunteered to co-chair the group with Mitch Greenberg (EPA), who gave an update on the Freight sector break-out.

The Freight subgroup discussed the need to include more stakeholders, such as DOT and DOE, as well as technical and fleet representatives from smaller trucking companies. They also discussed issues surrounding obtaining Congestion Mitigation and Air Quality Improvement Program (CMAQ) funding, and brainstormed ways to better document emissions reductions. One way would be to allow States to look at fleets from a regional or multi-State perspective and apply an emissions reduction, instead of reporting exact mileage or hours spent by each truck in each State.

Ms. Zaw-Mon said that States should not be spending time trying to estimate truck hours or miles driven in each State, but might benefit from evaluating the issue regionally. She commented on the

^a SmartWay is a partnership between various freight industry sectors and EPA that establishes incentives for fuel efficiency improvements and greenhouse gas emissions reductions

complications involved with applying for CMAQ money, since the funds are included in State budgets and must go toward State-related projects, like efforts to reduce emissions in nonattainment areas, as opposed to regional efforts. She asked if it would be possible to allocate some CMAQ money to regional efforts before it is allocated to States. Mr. Block replied that there have been talks about re-designing CMAQ, which could include a regional cut off the top of CMAQ funds. Mr. Schaeffer commented that CMAQ is unique to the freight sector, and there is a need to help stakeholders understand the process. Stakeholders should view CMAQ not as a challenge to overcome, but rather as an opportunity. Ms. MacGregor commented that nothing prohibits States from pooling CMAQ money or taking money off the top for regional programs. While money would still be available to Metropolitan Planning Organizations (MPOs), regional trucking companies could also apply for those funds.

Ms. Pilconis asked if CMAQ money was available to help with the Voluntary Measures Policy (VMP) program, which is a policy to allow credit in the State Implementation Plan (SIP) for voluntary mobile source reduction measures. Ms. MacGregor explained that the VMP does not say where State program funding should come from, and some States are using CMAQ funds to carry out their VMP program. Ms. Pilconis recommended that retrofits funded by CMAQ be used in the VMP program.

Barbara Cole (Port of Seattle) said that stakeholders need to raise awareness of CMAQ funds. Currently, it is difficult for the port sector to obtain funds from CMAQ, as the program only promotes money for highway freight-related projects.

Another topic of discussion in the freight subgroup focused on identifying stakeholders that deal with multiple EPA programs in order to streamline and simplify their program requirements.

The subgroup also discussed the benefits of packaging emission reduction technologies together in order to make a business case for companies to implement them. There is a need to focus on the big picture. Bundled technologies might include greater fuel efficiency and engine-out emissions controls. There is also a need to identify good targets for retrofit projects that can show cost-effective, reduction-achieving results in order to make a good business case for retrofits.

Congress allocated approximately \$5 million in FY05 for funding anti-idling alternatives other than truck stop electrification. The group is fashioning alternatives after ideas from the ports sector, loading docks, and the truck stop electrification (TSE) program.

Clean School Bus Update

Jennifer Keller (EPA) reported on the Clean School Bus USA subgroup meeting. The subgroup met to discuss technical issues involved in school bus retrofits and replacements, the budget for continued implementation of their program, the letter sent to EPA outlining specific recommendations to increase the effectiveness of the program.

Ms. Keller reported on work completed since the last meeting on October 13, 2004. The NAPT and NASDPTS with the EPA co-sponsored a conference in November in Cincinnati, OH. One hundred and fifty people participated, representing all aspects of the sector.

The subgroup discussed technical issues including the balance of retrofitting vs. replacing buses, the role of school bus contractors and how they could get money for retrofits, and the cost-effectiveness of retrofitting and various options. Currently, some members of the group feel there is not enough emphasis on replacement, and the program should increase the focus on the cost-effectiveness of retrofitting and replacing buses. Regarding FY 2005 grant money distribution, a Request for Applications will be released in April that will only be available to school districts based on the language in the Congressional authorization. Non-profits, States and other governmental organizations are not eligible; because of the wording in the legislation (i.e., money provided "to school districts," not "for school districts"). Private contractors cannot receive funds directly from EPA, but can work with a local school

district to obtain funding for retrofit or replacement of buses. The Union of Concerned Scientists (UCS) has headed up an independent effort to write a letter to the administration outlining issues with funding.

The subgroup heard a report from the Clean School Bus Coalition, which met on March 7, 2005. The coalition reported they did want to stay together, so they are trying to come to agreement on a number of issues. The coalition discussed the next legislative push, the availability of funds for retrofit and replacement, and the request for \$55 million for FY 2006 and 2007.

Ports

Trish Koman reported on the ports subgroup meeting. She commented that there was good meeting participation, and thanked everyone who contributed to the recent ports workshop in Corpus Christi, TX. She said that she was impressed by how much is already happening in the ports sector with regard to emission reduction strategies, and that it was a good business decision to implement these strategies.

The American Association of Port Authorities (AAPA) will be sponsoring an April air quality workshop and intends to address air emissions issues. A great deal of effort is going into upgrading ports due to increased homeland security mandates.

Ms. Koman discussed stakeholder representation. She commented on the need to reach out to terminal operators, and that the group would like to hear what incentives are suitable for them as well as what technical issues confront them. Representatives from the fuel industry are also needed.

Ms. Koman discussed incentives that ports would like to enable them to install emission control technology, and that the group discussed the ICF Incentives report. She indicated that grant programs may not work as the sole funding mechanism for ports due to the large expenses involved. A "big tent" approach is needed with regard to incentives because of the diversity of business models of ports: different cargo, different ownership structure, and so on. Multiple programs are needed because entities within a single port may have different business plans and structures. This issue is challenging from both a technology and a policy perspective.

Ms. Zaw-Mon asked about participation from the California Air Resources Board (CARB). Ms. Koman replied that the group has tried to get CARB involved, and that a representative attended the October meeting and made a presentation in Corpus Christi at the workshop. Thomas Jelenic (Port of Long Beach) commented that CARB has been involved with the turnover rule, which requires all equipment to be upgraded to Tier 4 standards by 2016, and will generally be working through the California Congressional delegation to procure funds for environmental projects. He also mentioned a cold-ironing rule which could require any ship making more than 5 calls at any California port to install electrification equipment.

Construction

Ms. Pilconis gave an update from the Construction subgroup. The group discussed the ICF incentives report, which Peter Truitt (EPA) summarized. The report is still a draft, and the group is accepting comments until the beginning of April. Preliminary comments indicate strong support for grant programs, although the industry point of view is still needed on this issue. Comments also focused on differences between tax credits vs. deductions, and contract specifications vs. allowances.

Regarding tax deduction incentives, AGC will submit a tax incentive proposal outlining the specifications of allowing the entire cost of retrofit equipment to be written off in the first year of implementation.

The group discussed gaps and other needs in retrofit technology development. A chart of verified technologies included in the packets indicates that the verification process is moving forward. The list jumped from one verified technology in 2003 to seven currently, due to a memorandum of agreement (MOA) between CARB and EPA. Fleetguard and Johnson Matthey indicated that they have technologies

in the pipeline. The list is expected to double by next year. Ms. Pilconis encouraged participants to visit the AGC website for coalition-building opportunities.

Ms. Pilconis outlined the timeline for the construction subgroup. The draft ICF report comments are due April 6. The ICF report will be final by the end of April. The construction subgroup will use the construction portion of the report as a backbone for crafting the group's recommendations to the Mobile Sources Technical Review Subcommittee in the Workgroup's report. The subgroup will hold a conference call in late May to kick off this process. The entire Retrofit Workgroup (and its subgroups) will then hold a meeting in Washington, D.C. in mid-June to continue the recommendation process. The construction subgroup would like to have a solid draft of its portion of the report by August.

Wrap-Up

The Retrofit Workgroup would like to have a draft recommendation report to the MSTRS by its fall meeting so it can be reviewed and submitted to the parent Clean Air Act Advisory Committee (CAAAC) before its meeting.

Ms. Zaw-Mon commented that many opportunities for retrofit and replacement programs exist today. She encouraged stakeholder coalitions to take advantage of these opportunities. She also hopes that this process will encourage other opportunities and incentives. While EPA has limited funding for 2005, she wants to look within the Agency to free up more money, and encouraged stakeholders to also leverage money from other sources in order to fulfill their goals. These programs will help reduce PM emissions, which Ms. Zaw-Mon believes is an important pollutant in terms of health costs.

Wayne Pighin emphasized the drastic reductions seen in criteria pollutants when the NY & NJ Port Authority conducted a review during their harbor deepening project. He cited a 40% reduction in emissions in the last 2 years when normalized for growth. Ms. Zaw-Mon encouraged Mr. Pighin and others to get the word out concerning successes in emissions reductions, as well as plans for reduction programs. Ms. MacGregor commented that one goal of this group is to educate the public and raise attention on the national agenda that voluntary measures work.

Jim Blubaugh (EPA) commented that new, updated websites will be available soon as part of the effort to raise awareness. This will include a database of projects that could be used as models for national initiatives (e.g., Carl Moyer or TERP). Ms. Zaw-Mon encouraged States to continue to implement these types of programs, and emphasized the need to create inter-agency Federal and State partnerships.