California Natural Gas Vehicle Coalition

February 10, 2017

Mr. Andrew Panson
California Air Resources Board
Post Office Box 2815
Sacramento, CA 95812

RE: FY 2017-18 Funding Plan for Low-Carbon Transportation Investments and AQIP

Andrew,

On behalf of the California Natural Gas Vehicle Coalition, I would like to take this opportunity to comment on the FY 2017-18 Funding Plan for Low-Carbon Transportation Investments and AQIP.

Our industry wants to work with the Air Resources Board and the State Legislature on developing and supporting cleaner technology for heavy duty trucks. The incentives that this funding plan offers are a vital asset to fleets big and small that want to transition to cleaner technology, especially in the heavy-duty truck sector. As Chart 1, shows incentives not only work, but they work well.

Anyone who has driven down one of our many interstates, be it Interstate 5 or 10, has experienced the "black smoke" coming from the countless dirty diesel semi-trucks on those roads carrying goods to and fro. Our collective goal for those communities, that are living and breathing this daily pollution, should be to get as many of these dirty trucks off the road. The natural gas vehicle (NGVs) industry has answered that call to action and by 2018 will have two (8.9L and 11.9L) Low NOx Near Zero engines, running on Renewable Natural Gas, available to achieve that goal. Low-carbon transportation funding is essential to getting this technology to owner-operators, all the way up to large fleets.

Here are our recommendations for the 2017-2018 Funding plan:

1. Continue the stand-alone funding category for Low NOx engines.
2. The total amount of money in that category needs to fund the continued deployment of the 8.9L, while adding additional money to deploy the 11.9L. We look forward to subsequent discussions with our industry to determine what the combined market demand will be for both engines and the total amount necessary to meet that demand.

3. Changing the definition of "incremental cost" to better reflect the delta of switching from a diesel-powered vehicle to one with a low NOx engine; this will create parity with the costs other technologies receive. This is especially pertinent to incentivizing the transition from a diesel 11.9L engine in a Class 8 truck to the new 11.9L LN NZ engine running on Renewable Natural Gas.
4. Increasing the per engine amount; lowering the upfront capital costs for fleets is essential to the success of the program, and a consideration to provide an additional allocation to cover training and other costs associated with switching to a low carbon renewable fuel as seen with the hybrid and electric vouchers.

We also believe that this workshop provides a great opportunity to begin the discussion on how to improve the HVIP program. We strongly believe that there needs to be fundamental changes in this program for Low NOx Engine Incentives in order to ensure its success.

In additional to the above recommendations we are seeking the following changes to the HVIP program:

1. The current low NOx voucher structure is extremely confusing as it varies drastically between vehicle makes/models that are equipped with low NOx engines. To ensure market clarity, we will seek to fix the voucher amount for all low NOx applications.
2. A plan to increase awareness of the program and how to access the vouchers;
3. Seeking a better understanding of the perceived arbitrary 100% renewable fuel requirement and why another percentage, such as 50%, is not a better option.

These recommendations and changes are a priority for our industry and we look forward to working with ARB to helping California achieve its ambitious climate goals.

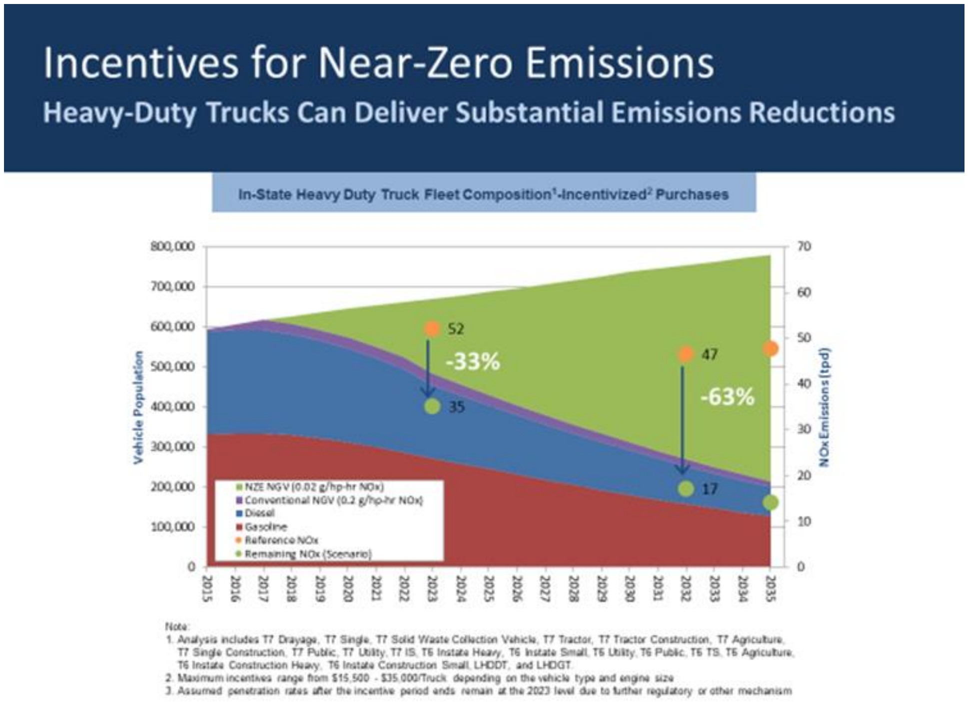
Please don't hesitate to contact me if you have questions at thomas@cngvc.org or at 916-448-0015.

Sincerely,

Thomas Lawson
President

Cc: Jack Kitowski, ARB
Peter Christensen, ARB

Chart 1:



Incentives for Near-Zero Emissions
Heavy-Duty Trucks Can Deliver Substantial Emissions Reductions
In-State Heavy Duty Truck Fleet Composition[1]-Incentivized[2] Purchases
Vehicle Population
NOx Emissions (tpd)
52
-33%
35
47
-63%
17
NZE NGV (0.02 g/hp-hr NOx)
Conventional NGV (0.2 g/hp-hr NOx)
Diesel
Gasoline
Reference NOx
Remaining NOx (Scenario)
Note:
1. Analysis includes T7 Drayage, T7 Single, T7 Solid Waste Collection Vehicle, T7 Tractor, T7 Tractor Construction, T7 Agriculture, T7 Single Construction, T7 Public, T7 Utility, T7 IS, T6 Instate Heavy, T6 Instate Small, T6 Utility, T6 Public, T6 TS, T6 Agriculture, T6 Instate Construction Heavy, T6 Instate Construction Small, LHDDT, and LHDGT.
2. Maximum incentives range from $15,500 - $35,000/Truck depending on the vehicle type and engine size
3. Assumed penetration rates after the incentive period ends remain at the 2023 level due to further regulatory or other mechanism