California Natural Gas Vehicle Coalition

August 28, 2018

Jack Kitowski, Chief
Mobile Source Control Division
California Air Resources Board
Post Office Box 2815
Sacramento, CA 95812

Re: Fiscal Year 2018-19 Funding Plan for Clean Transportation Incentives

Mr. Kitowski,

On behalf of the California Natural Gas Vehicle Coalition (CNGVC), we would like to thank the California Air Resource Board (CARB) for the opportunity to comment of the Fiscal Year 2018-19 Funding Plan for Clean Transportation Incentives.

First, we would like to thank CARB for partnering with CALSTART to launch a program that furthers California`s goal to decarbonize its transportation sector. The implementation of incentive programs, like the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP), are essential in aiding the state`s transition towards renewable energy without any unnecessary burdens to industry or consumers. Vouchers and incentive programs are critical to making this technology more financially feasible and accessible for businesses and operators.

Voucher Amount Must Match Real-World Costs

HVIP is important to expanding the adoption of cleaner vehicles and trucks. The incentives and vouchers it provides makes it easier for companies to transition to cleaner vehicles and low their emissions. That being said, the current voucher amount of $40,000 is not sufficient to meet the costs that come with switching from diesel. The costs of the new fuel systems must be included in the calculation.

We suggest that the voucher amount is increased to **up to** $70,000 to better reflect the actual incremental costs of deploying the new technology. We have had several discussions with staff and the rationale that they have given is that they don't have any receipts for more than the current voucher amount. Keeping the amount capped at $40,000 becomes a self-fulfilling prophecy, no one will submit receipts for more than the voucher amount because they don't want to pay more than the limit. I'm confident that if the ceiling was raised, more Low NOx trucks would be deployed in the areas that need clean air the most.

At the end of last year Velocity Vehicle Group, one of the largest and most successful commercial truck dealership networks in the Western United States, sent a letter that underscored the need to make a change. They stated that "in order to truly offset the incremental cost difference that is associated with a transition to a NZ natural gas platform, staff should recommend that a higher grant amount be offered to fleets to offset the base technology costs as well as the additional tax and warranty exposure when purchasing a new, heavy duty, natural gas powered commercial vehicle equipped with a Low NOx NZ Engine".

Incentive Restructuring Needed to Meet San Joaquin Valley Goals

Earlier this week, ARB released their draft San Joaquin Valley Supplement to the Revised 2016 State Strategy for the State Implementation Plan (State SIP). It contains a mix of updates to some of the measures adopted in 2016 along with newly proposed mobile source measures.

The State commitment for emission reductions to attain the health-based federal air quality standards for both annual and 24-hour PM2.5 is a total of 32 tons per day (tpd) of NOx reductions in 2024, in addition to the 157 tpd of NOx reductions from existing programs.

One of the new measures is to accelerate the natural pace of heavy-duty diesel truck turnover to achieve a total of 10 tpd of NOx emission reductions. ARB estimates that about 2 of the 10 tpd would come from quantification of reductions from a portion of approximately 2,700 projects already funded by SJVAPCD. CARB staff proposes to provide incentives to turn over approximately 33,000 heavy-duty diesel trucks including long haul trucks, trucks servicing the Port of Oakland and travelling through the Valley and garbage and other public fleets to the optional low-NOx standard or cleaner to reduce 8 tpd of NOx in 2024. Strategic use of incentive funding will be essential to achieve earlier penetration of cleaner technologies and will target technologies that meet or exceed an optional low-NOx standard until implementation of a new federal low-NOx standard begins and part of the current round of Moyer Program funding ends.

<u>Bottom line: The San Joaquin Valley will never meet the goal of 33,000 Low NOx trucks by 2024 unless the incentives are restructured to have less restrictions and be more economically enticing (cover AT LEAST the true and complete incremental cost).</u>

Cut the Red Tape

We would also like to add our support for the recommendation from SoCalGas, "that the Executive Officer be given the authority to change the voucher amount without going back to the Board for approval". This would allow the voucher amount to be modified based on actual incremental costs and the program could be modified in a timely manner".

Who We Are

CNGVC is an association of natural gas engine manufacturers, OEMs, utilities, fuel providers, and fleet operators serving the state. We are united in the belief that wider adoption of clean-running natural gas vehicles—running on renewable gas—is key to helping California reduce greenhouse gas emissions, air pollution and petroleum dependence.

Thank you for your time and consideration, please contact me if you have any questions at thomas@cngvc.org or at 888-538-7036.

Sincerely,

Thomas Lawson
President, California Natural Gas Vehicle Coalition

Cc: Peter Christensen, ARB