



February 28, 2018

Mr. Danilo Dragoni / Mr. Sig Jaunarajs / Mr. Joe Perreira
Nevada Division of Environmental Protection
901 South Stewart Street
Carson City, NV 89701

RE: NGVAmerica Comments on the Nevada Beneficiary Mitigation Plan for Using the Funding from the Volkswagen Environmental Mitigation Trust

Dear Sirs:

Natural Gas Vehicles for America (NGVAmerica), the national trade association for the natural gas vehicle industry, respectfully submits the following comments on how the Nevada Division of Environmental Protection (NDEP) can best use the Environmental Mitigation Trust (EMT or Trust) funds (\$24.87 million) that the state will receive as part of the Volkswagen (VW) diesel emission settlement.

As stated in our VW Comment Letter submitted on March 3, 2017 (attached), NGVAmerica believes that natural gas vehicles (both LNG and CNG) offer the best solutions for the projects that will address the goals of the EMT, to reduce the most nitrogen oxide (NOx) for the least cost of an alternative fuel.

From the Nevada Draft Beneficiary Mitigation Plan (Plan), Nevada's goals for the Environmental Mitigation Trust funds are:

1. To efficiently and cost-effectively reduce NOx emissions from areas of the State that bear a disproportionate share of NOx pollution and potentially, other pollutants;
2. To efficiently and cost-effectively reduce NOx emissions from areas of the State where the vehicles subject to the settlement were, are, or will be operated; and
3. To support long-term investments toward a zero-emission transportation sector within the State.

The Plan effectively follows the overall goals of the Volkswagen Diesel Emissions Settlement, especially in the first stated consideration for Eligible Mitigation Actions as follows:

"The selection of eligible Mitigation Actions that will on whole strive to maximize the use of Environmental Mitigation Trust funds in reducing NOx emissions."

The VW EMT funds provide an extraordinary opportunity for Nevada to cost-effectively accelerate the transition to cleaner vehicles and lower emissions. Commercially available natural gas vehicles offer the best solutions today for addressing the goals of the EMT, delivering the most nitrogen oxide emission reductions for the least cost. If renewable natural gas (RNG) is used, life cycle greenhouse gas emissions from NGVs are reduced further. Using low NOx NGVs today allows Nevada to accelerate achievement of clean air for its people now, while complementing its transition to zero emissions applications in the future.

Current State Beneficiary Mitigation Plans

Nineteen states have released draft VW Mitigation Plans and NGV America has reviewed these plans and offered comments to the states. NGV America believes the Colorado Plan provides an excellent model for other states that wish to segment their funding, maximize the use of alternative fuels, and provide parity among alternative fuels (https://www.colorado.gov/pacific/sites/default/files/AP_VW_Beneficiary_Mitigation_Plan.pdf).

In allocating its funds, Colorado did not pick a preferred alternative fuel (diesel is excluded except for fleets of 9 or less trucks) and provides a relative parity for funding for the various fuels through its choice of percentage funding by fuel type. The \$18M set aside by Colorado for Alt Fuel Trucks/School and Shuttle Buses funds all alternative fuels at 40% of the vehicle cost for government and public entities, while private vehicles are funded at 25% of the vehicle cost (not the 75% allowed for EVs because that would result in fewer vehicles and less NOx reductions, and there are other sources for EV funding). NGV America strongly recommends that Nevada consider adopting a similar “parity” approach to alternative fuel vehicles, instead of following the percentages suggested in the Trust.

Additional Options for Vehicle Scrappage

NGV America also recommends that NDEP consider the following vehicle scrappage options in the Plan:

- Increase the options for scrappage beyond a strict replacement of a current fleet vehicle (e.g., allow a fleet to acquire an older vehicle from another fleet or allow a fleet to exchange one of its newer vehicles for another fleet's older vehicle that is then scrapped)
- Since the Trust does not specify the fuel of the scrappage vehicle, allow natural gas vehicles that meet the year criteria to be scrapped and replaced with new NGVs

Use the Most Current Emissions and Cost Benefit Calculation Tools

The Argonne National Laboratory's AFLEET tool should be used to calculate vehicle / fuel type emissions since this tool has recently been updated to include current data on all vehicles and fuels including in-use emissions data. The AFLEET Tool 2017 updates include:

- Added low-NOx engine option for CNG and LNG heavy-duty vehicles
- Added diesel in-use emissions multiplier sensitivity case
- Added Idle Reduction Calculator to estimate the idling petroleum use, emissions, and costs for light-duty and heavy-duty vehicles
- Added well-to-pump air pollutants and vehicle cycle petroleum use, GHGs, and air pollutants
- Added more renewable fuel options
- AFLEET Tool spreadsheet and user manual at: http://greet.es.anl.gov/afleet_tool and tool link is: <http://www.afdc.energy.gov/tools>

ANL has also just released a new vehicle emissions calculator (HDVEC) to provide state officials and fleet managers with an accurate tool to gauge emissions reductions across various medium- and heavy-duty vehicle project options affiliated with the Volkswagen Environmental Mitigation Trust Settlement. The HDVEC tool is available at: <http://afleet-web.es.anl.gov/hdv-emissions-calculator/>.

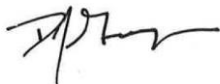
Summary of NGVAmerica's Recommendations for EMT Funding

- ✓ Given that the EMT was created because of NOx pollution associated with non-compliant diesel vehicles, we believe that the funding should be set aside for clean, **alternative fuel vehicle projects that focus on maximizing NOx reduction for the funds spent**
- ✓ Provide a larger incentive and greater overall funding for medium- and heavy-duty engines that deliver **greater NOx reductions than currently required** for new vehicles and engines
- ✓ Target funding for technologies that have demonstrated the ability to deliver actual **lower in-use emissions** when operated in real-world conditions
- ✓ Provide the **highest level of funding to applications that produce the largest share of NOx emissions** (in most regions this means prioritizing for short-haul, regional-haul and refuse trucks)
- ✓ Prioritize funding for **commercially available products that are ready for use**
- ✓ Prioritize funding for **clean vehicles rather than fueling infrastructure**
- ✓ **Scale funding to incentivize the cleanest engines available** – at a minimum, provide parity among alternative fuels by following a version of the Colorado VW Plan that funds non-diesel alternative vehicles in the private sector at 25% of the cost of the vehicle and public sector vehicles at 40%
- ✓ Ensure that funding incentivizes adoption by **both public and private fleets**
- ✓ Prioritize projects that include **partnerships that provide a match** such as a CNG or LNG station being built in locations that will receive the VW funding
- ✓ **Accelerate the funding** in the early years to maximize the NOx reduction benefits
- ✓ Use vehicles emissions measurement tools that reflect current technologies and performance under real world operation duty cycles – **Argonne National Laboratory's AFLEET tool and HDVEC tools** are the most current tools available

Compared to other alternative fuels and to diesel vehicles, natural gas vehicles that are commercially available today, offer the best solution for addressing the goals of the EMT and delivering the most nitrogen oxide (NOx) emission reductions for the lowest cost. NDEP recognizes the value of cost effective NOx reductions that NGVs provide, and that these emission reductions can be realized today while Nevada prepares for a zero emission vehicle future.

NGVAmerica welcomes the opportunity to provide further information and analysis on the economic and environmental benefits of natural gas vehicles in Nevada. Please contact Jeff Clarke, NGVAmerica General Counsel & Regulatory Affairs Director at 202.824.7364 (jclarke@NGVAmerica.org), or Sherrie Merrow, NGVAmerica State Government Advocacy Director at 303.883.5121 (smerrow@NGVAmerica.org) to set up a meeting and for additional information.

Sincerely,



Daniel J. Gage
President