

NGVAMERICA

Natural Gas Vehicles for America

400 North Capitol Street, N.W.
Washington, D.C. 20001
ngvamerica.org



December 30, 2016

Ms. Carolyn Watkins
Chief, Ohio Environmental Protection Agency
Ohio Environmental Protection Agency
50 West Town Street, Suite 700
Columbus, Ohio 43215

RE: The Ohio Environmental Protection Agency Request for Comment on the Volkswagen Diesel Emissions Settlement and the Environmental Mitigation Trust Implementation for Ohio

Dear Chief Watkins:

Natural Gas Vehicles for America (NGVAmerica) respectfully submits the following comments on how the Ohio Environmental Protection Agency (OH EPA) can best use the Environmental Mitigation Trust (EMT or Trust) funds (\$71.4 million) that the state will receive as part of the Volkswagen (VW) diesel emission settlement.

The OH EPA understands the focus for the Trust and states that its OH VW Mitigation Plan “will be based on mitigation actions that can produce the greatest air quality benefit in terms of NOx emission reductions, reduced public exposure to the pollutants in diesel exhaust, and the promotion of clean vehicle technologies.” NGVAmerica concurs with this focus and believes that natural gas vehicles offer the best solutions for these projects.

The following pages outline key facts related to vehicle emissions, total cost of ownership, and current availability, as well as NGVAmerica's recommendations on how EMT funds should be allocated.

We Need to Take Meaningful Action Today

The funding available through Volkswagen's Environmental Mitigation Trust comes at a time when it is critical to address transportation emissions. The American Lung Association's "State of the Air 2016" report found that more than half of all Americans—166 million people—live in counties where they are exposed to unhealthy levels of ozone and particulate pollution. By breathing this toxic air, people are at greater risk for developing asthma, lung cancer, cardiovascular disease, and facing premature death.

Medium- and heavy-duty diesel engines are the number one source of ozone-forming emissions of nitrogen oxides (NOx) in almost every single metropolitan region in the U.S., therefore there is considerable opportunity to develop and deploy funding programs that make an immediate and tangible impact on air quality.

166 Million



Approximately 50% of Americans live in areas with air that is unhealthy to breathe



Medium- and heavy-duty vehicles are the #1 source of smog

Sustainable, Responsible, Available: Natural Gas Vehicles

Today's natural gas vehicles (NGVs) are proven technologies that can uniquely, immediately, and cost-effectively transform our nation's medium- and heavy-duty transportation sector. The advantages of natural gas as a transportation fuel include its domestic availability, widespread distribution infrastructure, low cost, and inherently clean-burning qualities.

In these comments NGVAmerica presents the compelling reasons that states should prioritize funding for NGVs to *maximize the impact* of the available funding. As your organization is aware, the EMT was set up to fund projects that make an impactful reduction on NOx emissions to mitigate the excess emissions currently in our air from the non-compliant light-duty diesel vehicles VW sold. NGVAmerica strongly believes that NGVs are the best solution to meet the core goals put forth by the Volkswagen EMT funding. NGVs are:

1. **Sustainable:** NGVs maximize long-term emission reductions
2. **Responsible:** NGVs extend the funding and foster economic development
3. **Available:** NGVs meet the diverse operating requirements of every fleet application

1. Sustainable: NGVs Maximize Long-Term Emission Reductions

- ❖ **Key Point:** Today's natural gas medium- and heavy-duty engines provide *unmatched* reductions of smog-forming emissions of nitrogen oxides (NOx).

"Near Zero-Emissions": EPA and CARB Certified a Heavy-Duty Natural Gas Engine to 0.02 g Standard

In September 2015, the U.S. Environmental Protection Agency (EPA) and the California Air Resources Board (CARB) certified the world's first heavy-duty engine that emits oxides of nitrogen (NOx) at levels so low they are considered "near-zero" (0.02g NOx/bhp-hr). This is the cleanest commercially available heavy-duty truck engine available in the market today, offering the ability to reduce emissions 90% below even the most stringent U.S. EPA standards.



Today's natural gas engines offer a 90% NOx reduction over the EPA's strictest emission standards, making them the cleanest commercially available technology



The "Game Changer" report shows that "Near-Zero" NGVs are cleaner than "Zero-Emission" All-Electric trucks

NGVs Have Lower NOx Emissions Than All-Electric Trucks

The emission benefits of the new "Near-Zero" engine are well documented in the 2016 *Game Changer* report issued by Gladstein, Neandross and Associates (GNA)¹. The GNA report indicates that a truck or bus equipped with a natural gas engine that has been certified to the 0.02 g/bhp-hr Optional Low NOx Standard has tailpipe NOx emissions that are comparable to – or possibly lower than – the amount of NOx emitted to produce electricity used to charge a comparable heavy-duty All-Electric Truck.

¹ Gladstein, Neandross & Associates, *Game Changer Technical White Paper* (2016) <http://ngvgamechanger.com/>, Section 6.4 and Appendix 1. Emissions of low-NOx natural gas engines produce NOx emissions that are comparable to or lower than similar electric drive vehicles in all 50 U.S. states when considering upstream NOx.



Heavy-duty drayage trucks: Diesel trucks tested in study exceed certification level

Critical Insight:

Study Finds that Natural Gas Engines Outperform Diesel Engines in Real Life Situations

Natural gas (NG) engines today meet an optional Low NOx standard that is ten times cleaner than the standard required for new diesel engines. However, in-use emission benefits of NG engines could be even more significant.

A recent report published in *Environmental Science and Technology*², evaluated in-use emissions of earlier model year NG vehicles and found that NG engines performed much better in real life (i.e., operating within city limits in low-speed, high-idling situations), registering NOx levels that were 96% lower than levels produced by tested diesel engines equipped with the latest emissions controls. The study found that diesel NOx emissions operating in similar conditions tested to be 5 -7 times higher than in-use certification limits in some cases.

Related Recommendations for EMT Funding

- ✓ **Provide a higher level of funding for technologies that are proven to exceed federal emission levels for nitrogen oxides**
 - Vehicles with engines certified to California’s Optional Low-NOx Standard should receive the highest level of funding (e.g., 25% in the case of private sector vehicle replacements)
 - Use the state's approved DERA plan to fund low-NOx natural gas trucks (i.e., 35% of the replacement cost for private vehicles equipped with low-NOx engines)
- ✓ **Provide the highest level of funding to applications that will reduce the largest share of NOx emissions**
 - Evaluate the main mobile source(s) of NOx emissions in urban and non-attainment areas (Note: In most regions, this means prioritizing funding for short-haul, regional-haul, and refuse trucks)
 - Do not segment the funding – fund the projects that best achieve the most NOx reductions



2. Responsible: NGVs Extend the Funding and Foster Economic Development

- ❖ **Key Point:** NGVs are far more cost-effective in delivering emission reductions than other alternative fuel options, such as hybrid and electric vehicles.

² *Environ. Sci. Technol.*, 2015, 49 (8), pp 5236–5244 (Emission Rates of Regulated Pollutants from Current Technology Heavy-Duty Diesel and Natural Gas Goods Movement Vehicles).

**18-24
month
payback** 

Due to lower fuel and maintenance costs, NGVs offer an 18 to 24 month payback. As production increases and fuel tank prices come down, vehicles will become less expensive and enjoy a shorter payback period


150,000+
NGVs on U.S. Roads Today


High-profile fleets across the U.S. are using natural gas vehicles in their everyday operations, transporting passengers, and hauling waste, packages, beverages, and more

NGVs Offer a Fast Return on Investment

While NGVs typically cost more than gasoline or diesel vehicles upfront (largely due to the cost of high-pressure and insulated fuel tanks which are necessary to store CNG or LNG), owners and operators typically see a pay back in as little as 18–24 months. This is due to:

- **Lower Fuel Costs:** Natural gas fuel is currently \$0.50 to \$1.00 less per gallon. The savings in fuel costs can translate into significant savings over the life of a vehicle, depending on fuel efficiency and the number of miles driven. The greatest savings are currently being seen in heavy-duty, high mileage fleets.
- **Lower Maintenance Costs:** NGVs are easier and cheaper to maintain than diesel trucks because they have:
 - No diesel particulate filter (DPF)
 - No DPF regeneration or waste disposal
 - No selective catalytic reduction (SCR)
 - No diesel emission fluid (DEF)

NGVs Have Been Road-Tested by Leading Fleets

There are more than 150,000 NGVs on U.S. roads today, spanning all weight classes and vehicle applications. The adoption of NGVs has been pioneered by several high-profile fleet operators, including UPS, Anheuser-Busch, Kroger, FedEx, Frito Lay, Waste Management, LA Metro, all of which performed exhaustive analysis to determine the best vehicle and fueling options for their fleet based on application, range, duty cycle, and payload.

Given the significant fuel and emission reductions realized by early adopters, the popularity of NGVs has continued to build in the U.S., with 20% of all U.S. transit buses now running on CNG or LNG, 35 airports operating NGVs in their private fleets or championing policies that encourage use by private fleets, and more than 50% of new refuse trucks running on natural gas.

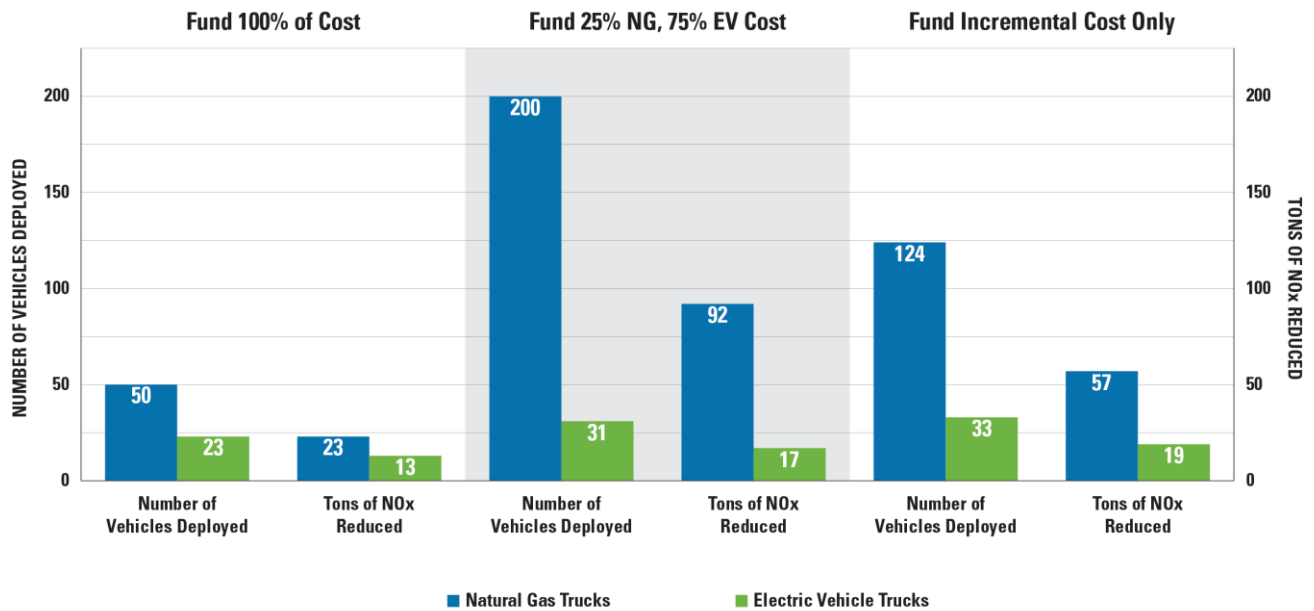
To fuel these vehicles, natural gas infrastructure is rapidly expanding with more than 1,640 CNG and 123 LNG fueling stations operating today.

Dollar-for-Dollar Natural Gas Delivers Greater Numbers of Total Vehicles and Greater Total Tons of NOx Emission Reductions

This is illustrated by the chart below which looks at several different funding options for natural gas and electric vehicles including providing 100% of the cost of new, replacement vehicles for public fleets, using the maximum funding levels specified in the settlement for natural gas and electric vehicles purchased by private fleets, or funding only the incremental cost of new, replacement vehicles. The deployment natural gas vehicles (e.g., regional haul trucking, refuse trucks, and transit buses) will provide the most NOx emissions reduction to comply with the EPA’s latest national ozone standards.

Chart: Truck Deployment and NOx Reduction Comparisons Under Different Funding Scenarios

EMT Funding \$7.5 Million Short Haul Truck Example



NG Truck



All-Electric Truck

Critical Insight:

Comparable All-Electric Vehicles Cost 2-3x More Than an NGV

While actual cost depends on the application, an all-electric medium- or heavy-duty vehicle costs two to three times the amount of a comparable vehicle powered by a 0.02 g NOx natural gas engine. As noted above, since heavy-duty NGVs have a cleaner emissions profile than all-electric trucks, they offer the best ability to reduce emissions at a large scale because the funding will extend further.

Related Recommendations for EMT Funding

- ✓ **Ensure that funding incentivizes adoption by both public and private fleets**
 - While it might be tempting to fund public vehicles at the 100% level, this will limit the total number of deployed vehicles and therefore lessen the overall emission reductions
 - Funding levels should be large enough to offset the incremental cost of new, cleaner vehicles, as well as to address fact that replaced vehicles must be scrapped
- ✓ **Prioritize funding for clean vehicles rather than fueling infrastructure**
 - Funding should be used to incentivize fleets and vehicle acquisitions where existing fueling infrastructure exists to better support investments that have already been made
 - If fueling infrastructure needs to be developed, funding should be secured as part of private-public partnerships. Using the funding in this way will encourage additional economic development in the state and increase the availability of stations for future deployments

3. Available: NGVs Meet the Diverse Operating Requirements of Every Fleet Application

- ❖ **Key Point:** Dozens of models of medium- and heavy-duty low-emission natural gas vehicles and engines are commercially available from reputable, world-known OEMs with established sales and service networks.



Wide Array of NGV Options Commercially Available

There are many natural gas vehicle options available from several original equipment manufacturers (OEM). These vehicles can be purchased from the dealership through a process that has been streamlined for the customer.



Many other medium- and heavy-duty vehicle options are available through small vehicle modifiers (SVM). These companies manufacture conversion systems that have been certified and approved by the U.S. Environmental Protection Agency and/or the California Air Resources Board. These approved systems can be installed on new and used vehicles to run on natural gas.



Additionally, Cummins Westport currently offers the 6.7L ISB-G, 8.9L ISL-G and the 11.9L ISX-G natural gas engines. These spark-ignited engines are used in a variety of applications, including refuse trucks, transit buses, cement trucks, short- and regional-haul tractors, delivery trucks, school buses, and shuttles. Retrofit and repower options are also available from a variety of manufacturers.

For a full list of EPA and CARB certified engines, visit www.ngvamerica.org/vehicles/vehicle-availability. A list of available NGV manufacturers and conversion companies follows.



HD Vocational OEMs

Mack
 Peterbilt
 Crane Carrier
 Autocar Truck
 ALF Condor
 Elgin
 Johnston
 Schwarze
 Tymco
 Capacity
 Ottawa

HD Truck OEMs

Freightliner Truck
 Volvo
 International
 Kenworth
 Peterbilt
 Mack

HD Bus OEMs

Thomas Built Bus
 Blue Bird Bus
 Optima/NABI
 El Dorado
 New Flyer
 Motor Coach Ind.
 Gillig
 DesignLine

HD Retrofit/ Repowers

American Power Grp
 Clean Air Power
 Fyda Energy Solutions
 NGV Motori
 Omnitek Engineering
 Diesel 2 Gas

MD Retrofits

Altech-Eco
 Landi Renzo
 USA/Baytech
 IMPCO Automotive
 Westport/BAF
 Technologies
 Crazy Diamond
 Performance
 NGV Motori USA
 M-Tech Solutions
 STAG
 NatGasCar
 AGA Systems
 Greenkraft
 PowerFuel Conversions
 World CNG
 Zavoli

Critical Insight: MD and HD Electric and Fuel Cell Vehicles are Not Commercially Available

As of today, three unique fuel-technology combinations hold the most promise to successfully transform America's HDV transportation sector to zero and near-zero emissions:

1. Near-zero-emission internal combustion engines fueled by conventional or renewable natural gas
2. Zero-emission battery-electric-drive systems
3. Zero-emission hydrogen fuel cell systems

While battery-electric and hydrogen fuel cell systems can offer extremely low emissions profiles, the lack of commercially available medium- and heavy-duty products and charging/fuel distribution networks makes implementation in the near future very difficult. Furthermore, these vehicles are being developed by niche, start-up companies and have only been used in early test programs; comparatively, medium- and heavy-duty NGVs from major OEMs have been widely, commercially available in dozens of applications for over two decades. Near-zero-emission internal combustion engines fueled by conventional or renewable natural gas are the only option to immediately and cost-effectively provide extremely low NOx and GHG emissions in high-impact HDV sectors.

Related Recommendations for EMT Funding

✓ **Prioritize funding for commercially available products**

- Given that the NOx emissions from Volkswagen vehicles are already in the air, funding should be concentrated to projects that allow us to deploy the cleanest vehicles available today (i.e., not pre-commercial or research and development projects)

✓ **Scale funding to incentivize the cleanest engines available**

- Provide greater funding for medium- and heavy-duty engines that deliver NOx reductions over and above what is currently required for new diesel vehicles
- 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 and should not be used to fund more diesel fueled vehicles

Help NGVAmerica Transform Transportation Today

NGVAmerica and its members are eager to serve as a resource to assist the Ohio EPA in its evaluation and development of the state's Beneficiary Mitigation Plan. We thank the State of Ohio for the opportunity to comment on the future investment of Trust funds, and we strongly encourage the state to recognize the superior and unmatched role that natural gas vehicles can play in delivering nitrogen oxide (NOx) emissions reductions required by the settlement and Trust.

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

Sincerely,



Matthew Godlewski
President

Summary of NGVAmerica's Recommendations for EMT Funding

- ✓ Provide a larger incentive and greater overall funding for medium- and heavy-duty engines that deliver NOx reductions above what is currently required for new diesel vehicles
- ✓ 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 to begin
- ✓ Prioritize funding for clean vehicles rather than fueling infrastructure
- ✓ Scale funding to incentivize the cleanest engines available
- ✓ Ensure that funding incentivizes adoption by both public and private fleets
- ✓ Accelerate the funding in the early years to maximize the NOx reduction benefits
- ✓ 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