



Natural Gas Vehicles for America

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March 12, 2018

Ms. Debbie Swartz  
Michigan Department of Environmental Quality  
Constitution Hall | P.O. Box 30473  
525 West Allegan Street  
Lansing, MI 48909-7973

**RE: NGV America Comments on the Volkswagen Environmental Mitigation Trust Implementation for the States**

Dear Ms. Swartz:

Natural Gas Vehicles for America (NGV America) respectfully submits the following additional comments on how the Michigan Department of Environmental Quality (MDEQ) can best use the Environmental Mitigation Trust (EMT or Trust) funds (\$64.8 million) that the state will receive as part of the Volkswagen (VW) diesel emission settlement.

The MDEQ has proactively put together a VW Beneficiary Mitigation Plan (BMP) that clearly states that the focus is on using the VW funds to prioritize projects according to their ability to reduce NOx emissions in ozone nonattainment areas and improve areas with fine particulate matter issues. NGV America agrees that barring special circumstances, the priority should be on funding projects that deliver greatest NOx reductions for the least cost. Consistent with this principle, a significant share of the funding should be devoted to projects involving on- and off-road medium- and heavy-duty natural gas vehicles (CNG and LNG) that are proven to reduce more NOx than their diesel counterparts.

In addition, it is a worthwhile endeavor to give our school children cleaner air to breathe and NGV America suggests that Michigan include funding for school buses powered by cleaner CNG. Per the MDEQ funding chart it seems that the school bus funding is planned to replace diesel school buses with what seems to be new diesel buses based on the projected per unit cost. As will be shown in our comments submitted March 1, 2017 (attached), in some duty cycles often even new diesel engines do not perform at the EPA standard for NOx reduction when operating at low speeds or idling, which is much of the operating time for school buses. NGV America strongly urges the MDEQ to consider deploying compressed natural gas (CNG) buses to truly reduce NOx in all duty cycles of their operation.

The latest natural gas engines are the only zero emission equivalent or near zero engines that are certified to perform at 0.02 g/bhp-hr of nitrogen oxide (NOx) emissions or better and should not be confused with diesel engines certified to the 2010 EPA standard of 0.2 g/bhp-hr NOx standard.<sup>1</sup> The 0.02 g/bhp-hr NOx standard requires that new engines outperform the federal standard by 90 percent and is the cleanest heavy-duty engine standard today. It also is the lowest level currently recognized under California's Optional Low-NOx Standard (OLNS) for engine. Additionally, if renewable natural gas (RNG) is used, life cycle greenhouse gas emissions from NGVs are reduced further. Using RNG

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<sup>1</sup> See SCAQMD press release from June 3, 2016 providing details on the petition filed by state authorities urging the U.S. EPA to adopt the 0.02 NOx standard (<http://www.aqmd.gov/home/library/public-information/2016-news-archives/nox-petition-to-epa>) (Today's action follows a March 4 vote by the SCAQMD's Governing Board to formally petition the U.S. EPA to adopt a so-called "near-zero" or "ultra-low" emissions standard for heavy-duty truck engines that is 90 percent cleaner than the current standard).

also creates a market for energy created from waste water treatment, landfills, animal waste and other methane sources and significantly increases air quality by reducing the amount of methane released.

NGVAmerica strongly encourages the MDEQ to define broad categories of eligible projects and allow the use of different types of applications and technologies that will reduce the most NOx for the funds expended as shown in the attached 2017 NGVA Comment Letter and NGVA VW Flyer.

### **Current State Beneficiary Mitigation Plans**

Nineteen states have released draft VW Mitigation Plans and NGVAmerica has reviewed these plans and offered comments to the states. NGVAmerica 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](https://www.colorado.gov/pacific/sites/default/files/AP_VW_Beneficiary_Mitigation_Plan.pdf)).

Colorado's VW Plan goals are well-stated, and the Plan maximizes the deployment of current successful technologies to reduce NOx emissions for the lowest cost, and essentially creates equity among fuels for incentive funding. The stated goals of the CO Plan are those that NGVAmerica agrees with and are as follows:

- Maximize the trust's air quality benefits in Colorado (reduce NOx, GHG, other pollutants)
- Catalyze the adoption of zero emission and alternative fuel vehicles
- Distribute funds quickly (within 5 years) - emphasis is on ready projects and will be "first come, first served"
- Appropriately balance the cost of the project and emission reduction benefits
- Focus on but not limited to areas of non-attainment, location of VWs and environmental justice communities

The CO Plan funding details (vehicles are OEM only and require scrappage) are summarized as follows:

- \$18M Alt Fuel Trucks/School and Shuttle Buses (pages 12-14)
  - New diesel only allowed for fleets of 9 trucks or less
  - Government and public entities funded at about 40% of total vehicle cost with caps
  - Private funded at about 25% of total vehicle cost with caps
- \$18M Alt Fuel/EV Class 4-8 Transit Buses (pages 14-16)
  - VW funding to be combined with existing funds
  - Applicant per bus portion to be less than \$100,000
- \$12.2M Flex Funds to be used in response to market demand for eligible mitigation actions - to be spent after the initial allocations to other programs
- \$5M DERA option
- \$10.3M EV Chargers/infrastructure
- \$5.2M Administrative Costs

In allocating the funds above, Colorado excluded diesel and did not pick a preferred alternative fuel and kept the categories simple and broad. The \$18M for Alt Fuel Trucks/School and Shuttle Buses, CO 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 use the funds for a smaller number of vehicles (reducing less NOx) and there are other sources for EV funding).

Colorado has other funding they can apply to Transit, so they created a structure to augment the funding provided by the \$18M segment. The \$12.2M in Flex Funds is a good idea because these funds may be used to support projects in the segments that are successful and oversubscribed. For the DERA option, LNG drilling rig and hydraulic fracturing engines, mining trucks and locomotives are potential projects.

### **Additional Options for Vehicle Scrappage**

NGVAmerica also recommends that the MDEQ 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 (other tools such as the EPA DEQ are not using current emissions and cost 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](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 and HDVEC tools** are the most current tools available

NGVAmerica and its members are eager to serve as a resource to assist the Michigan DEQ in its ongoing development of the state’s proposed Beneficiary Mitigation Plan. We strongly encourage the state to recognize the unmatched role that natural gas vehicles can play in delivering 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 Michigan. Please contact Jeff Clarke, NGVAmerica General Counsel & Director of Regulatory Affairs at 202.824.7364 or [jclarke@NGVAmerica.org](mailto:jclarke@NGVAmerica.org), or Sherrie Merrow, Director of State Government Advocacy at 303.883.5121 or [smorrow@NGVAmerica.org](mailto:smorrow@NGVAmerica.org) to set up a meeting and for additional information.

Sincerely,



Daniel J. Gage

President, NGVAmerica