

Oregon's Advanced Clean Trucks Rule

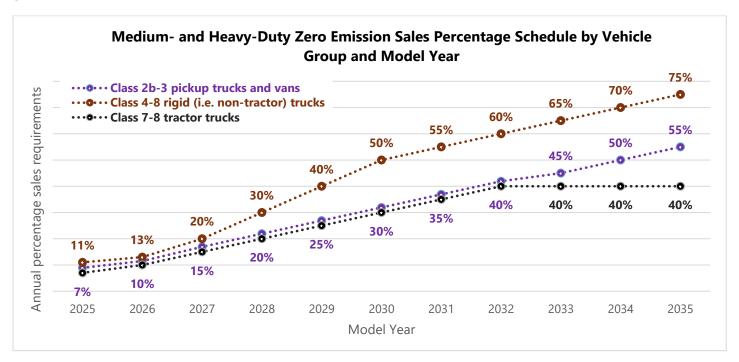
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In November 2021, Oregon's Environmental Quality Commission adopted the <u>Clean Truck Rules</u>, which includes Oregon's <u>Advanced Clean Trucks Rule</u>. This specific rule adopts by reference <u>California's Advanced Clean Trucks Regulation</u> designed to support the transition of medium- and heavy-duty vehicles to zero-emission engines over time.

At the same meeting, the commission also adopted California's <u>Heavy-Duty Engine and Vehicle Omnibus</u> <u>Regulation</u>, which in Oregon is known as the Heavy-Duty Low NOx Omnibus Rule, or the Low NOX Omnibus Rule. Details of this rule are described in a separate <u>FAQ</u>.

What does the rule require?

The ACT Rule requires medium- and heavy-duty vehicle manufacturers to sell an increasing number of zero-emission vehicles, beginning with the 2025 model year. The rule sets specific sales targets that grow each year, making a shift from producing gas- and diesel-powered trucks to cleaner electric- or hydrogen-powered options. These target requirements apply to all new on-road vehicles with a gross vehicle weight rating greater than 8,500 lbs.







Are any vehicles exempt from the requirements?

Emergency vehicles, transit buses, motor coaches, articulated shuttles and double-decker buses are exempt from the ACT rule.

To whom does the rule apply?

The ACT rule applies to any manufacturers offering new medium- and heavy-duty vehicles for sale in Oregon. However, if a manufacturer sells an average of fewer than 500 medium- and heavy-duty vehicles in a model year, then it is exempt from the ACT Rule requirements.

Does the ACT rule ban the sale of certain new vehicles in Oregon?

No. The ACT rule includes a number of flexibilities for manufacturers to determine which vehicle models to move to zero emissions. There is no ban on producing combustion-powered vehicle types. Manufacturers can continue to produce and sell gasoline- or diesel-powered trucks, like motor homes or tow trucks, while focusing on electrifying other vehicles, such as zero-emission school buses.

Is it true that even without a ban, the ACT rule is so restrictive that there will be no diesel-powered vehicles available for sale in Oregon?

No. The ACT rule was designed to ensure a smooth adoption of ZEVs while still ensuring that diesel-powered vehicles are available for purchase. The rule is flexible and was recently changed to accommodate manufacturers' requests for more flexibility. For example, manufacturers can purchase credits from other manufacturers selling ZEVs or produce and sell near-ZEVs (e.g. plug-in hybrid electric trucks). In 2025, only 7-11% of vehicle sales must be zero-emission, as shown in the above chart.

Is there a market for zero-emission medium- and heavy-duty vehicles?

Yes. There are currently over 190 Class 2b-8 MHD ZEV models from 66 different manufacturers available for sale in the U.S., including medium-duty trucks, heavy-duty tractors, cargo vans, yard tractors, refuse trucks, coach buses, school buses, shuttle buses and transit buses.

How many ZEV sales have occurred in Oregon thus far?

Manufacturers have started to report their ZEV sales prior to the 2025 model year requirements. These manufacturers can earn early action credits on ZEV sales beginning with model year 2022. These early action credits can be used to help them meet their sales target requirements in 2025 and beyond.

Based on <u>current reported sales through model year 2023</u>, some manufacturers are already able to meet their 2025 ACT compliance obligation.

How do the purchase and operating costs of medium- and heavy-duty ZEVs compare with combustion-powered vehicles?

ZEVs have higher upfront costs but have lower operating costs than combustion-powered vehicles. The total cost of ZEV ownership in Oregon is similar to ownership of a combustion-powered vehicle for certain duty cycles. It is expected that upfront costs should come down as technology continues to improve, volumes increase and more ZEVs become available. Also, Oregon has a number of financial incentives and grants available to offset the higher purchase costs of ZEVs (See below).



Has DEQ made any changes to the ACT Rule?

On Nov. 21, 2024, the Environmental Quality Commission <u>adopted temporary rules</u> to incorporate recent California Air Resources Board changes to the Advanced Clean Truck regulation. Changes include:

- An increase to the deficit makeup period from one model year to three model years.
- Compliance to be based on reported sales of delivered vehicles instead of reporting when vehicles reach the ultimate purchaser.
- Several other minor updates to manufacturer reporting and certification requirements.

Temporary rules are in place until June 29, 2025. DEQ will propose permanent rules in early 2025. The process will include a rulemaking advisory committee, stakeholder engagement and a public comment period.

In addition, DEQ is closely tracking any future California amendments to its Advanced Clean Trucks regulation and will propose additional amendments as needed to ensure Oregon remains aligned with the California requirements.

What are the rules that apply to fleets that plan to purchase new medium- and heavy-duty vehicles in Oregon?

Vehicle owners and fleets do not have any specific purchasing requirements. The ACT rule only applies to businesses or manufacturers that sell new medium- and heavy-duty vehicles in Oregon.

NOTE: California adopted the <u>Advanced Clean Fleets Regulation</u>, which requires government and high priority fleets (organizations with \$50 million or more in annual sales or at least 50 vehicles) to phase in ZEVs as a percentage of their total fleet. Additionally, it requires that by model year 2036, all new medium- and heavyduty trucks sold must be ZEV. **Oregon has not adopted this rule and has no immediate plans to do so.**

Will there be adequate charging available to support the new ZEVs?

Yes. Many medium- and heavy-duty vehicles, such as urban delivery vans, drayage trucks, and transit and school buses drive less than 100 miles per day and can be electrified with only depot charging. These depots can largely be served by Level 2 chargers. Additionally, fleet managers can sequence charging to occur overnight when vehicles are not in use or during off-peak periods. There is ongoing state agency and utility coordination work to ensure there is sufficient infrastructure available.

What is DEQ doing to help support the transition to cleaner medium- and heavy-duty vehicles?

There are several grant programs and opportunities available to help fleets make the transition to cleaner vehicles. They include funding to support reducing diesel emissions through replacing older, more polluting diesel vehicles with similar cleaner burning or all-electric equipment. DEQ offers the <u>Diesel Emission Mitigation Grants</u>, <u>Diesel Emission Reduction Act Grants</u> and <u>Congestion Mitigation Air Quality Grants</u>. The one-time <u>Zero-Emission Fueling Infrastructure Grants</u> awarded \$15 million to support entities with installing and siting medium and heavy-duty charging infrastructure. DEQ is also in the process of establishing a <u>medium- and heavy-duty</u>, <u>zero-emission vehicle rebate program</u> for the purchase of new zero-emission trucks. Recently, the agency was awarded \$23 million through an <u>EPA Climate Pollution Reduction Act Implementation Grant</u> to help fund grants and rebates for medium- and heavy-duty vehicles and charging infrastructure. Finally, DEQ was also recently awarded \$6.5 million through an <u>EPA Clean Heavy-Duty Vehicles Grant</u> to help replace 26 older diesel school buses with new zero-emission school buses.



In addition, DEQ's <u>Clean Fuels Program</u> offers incentives in the form of credits to providers of clean transportation fuels, including electricity. Owners of chargers that service on-road (light-, medium- and heavy-duty) and off-road vehicles can earn CFP credits when they report how much electricity is dispensed to EVs monthly. Those credits can be sold to other program participants, and the revenue can be used at the discretion of the charger owner.

What is the penalty for noncompliance?

DEQ will evaluate compliance based on the sales information submitted to DEQ. It is important to note the rules provide an additional three years for manufacturers to comply. Manufacturers can carry-over up to 30% of deficit balance each year. This is intended to provide flexibility to manufacturers as they begin to ramp up ZEV sales.

DEQ will not take any enforcement action on deficit compliance until manufacturers have had time to settle their deficits. That will occur in mid-2027, at the earliest. If DEQ does need to pursue an enforcement action, it will evaluate the facts of each case and apply the formula in Division 12 to calculate a penalty.

DEQ recognizes that the latest CARB amendments are awaiting review by California's Office of Administrative Law. To the degree the California ACT regulations are further modified, DEQ will move swiftly maintain identicality. When evaluating deficit compliance the agency will recognize manufacturers endeavors to comply with the rules, as they were in place in the state of Oregon.

Does the rule restrict registration of new medium- and heavy-duty trucks?

No. The ACT rule does not restrict vehicle registration in Oregon. Businesses and fleet owners can register both zero-emission and internal combustion engine trucks. DEQ is tracking manufacturers' compliance through their required reporting of vehicles delivered to Oregon.

What should I do during enforcement discretion for MY 2025 and 2026?

Oregon vehicle dealers and fleets should expect to be able to buy and sell medium and heavy duty trucks. Vehicle manufacturers, the only entities regulated by ACT, must continue to report delivery of vehicles to Oregon throughout this time. For additional details, see the May 2025 DEQ Enforcement Discretion Memorandum.

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