

Clean Trucks Rule 2021

Meeting Summary Advisory Committee Meeting #2

Aug. 5, 2021

Web-based meeting



State of Oregon
Department of
Environmental
Quality

Air Quality

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DEQ is a leader in restoring, maintaining and enhancing the quality of Oregon's air, land and water.

Time	Topic
1:00 p.m.	Welcome, introductions, review agenda
1:15 p.m.	Rule Language Review
2:05 p.m.	Fiscal and Economic Impact Analysis Discussion (HD Omnibus)
2:40 p.m.	Break
2:50 p.m.	Fiscal and Economic Impact Analysis Discussion (ACT Rule)
3:55 p.m.	Low Emission Vehicle (LEV) Rule Updates Light Duty Vehicles
4:10 p.m.	Public Comment
4:25 p.m.	Wrap up and Next steps
4:30 p.m.	Adjourn meeting

Meeting Introduction

The meeting began with an opening statement of why DEQ is proposing the rules. DEQ also provided a brief overview of the rules and potential rule language.

General Process Questions

- Will DEQ be accepting comment from the RAC members or the public?
 - Yes, DEQ is accepting comments from the RAC and the public through August 16th.

Advanced Clean Trucks Rule Language

- Discussion about model year of the vehicles. California defines calendar year for heavy duty-vehicles – Class 4-8 only (year the truck is built) as the model year; medium duty vehicles (i.e. Class 2b and 3) are based on engine model year, which requires at least a 2 year lead in time to notify manufacturers.
 - A few stakeholders felt DEQ does not need to adopt the rules this year based on the MY discussion
 - Other stakeholders felt DEQ should not delay
- DEQ should allow at least 3 years of early credits, similar to California.
 - A few committee members thought by not doing so it is not adopting CA's rules identically
 - Other members thought it did not violate identity provisions since the purpose of identity is to not create a 3rd vehicle, which early credits would not impact; recommend allowing early credits with 2024 MY

- Fleet reporting requirement – DEQ is looking at requiring private fleets of 50 or more vehicles to report to DEQ. Based on a review of ODOT’s registration data for vehicles 14,000 lbs. and higher, approximately 0.7% have 50 or more vehicles, 2% have 20 or more vehicle and 15% have 5 or more vehicles in their fleet.
 - Some RAC members recommended lowering the fleet reporting requirement to 5 vehicles or more. The goal being to get better data on the fleets. Need to right-size for Oregon. Also, the one-time reporting requirement means the burden would be small overall even if Oregon goes with a lower fleet threshold.
 - One committee member thought this should be a voluntary requirement
 - Another committee member thought lowering the threshold wouldn’t provide the benefits DEQ is seeking. It is the larger companies and fleets that are reluctant to electrify.
 - Should only have fleets that are hauling freight for money, not all fleets that are operating in Oregon are subject to reporting requirements.
- Fleet reporting information will be used to help DEQ determine where to focus future incentives, understand where trucks operate, particularly if in or near disadvantaged communities. This information would also help DEQ target policies to reduce emissions in these areas, allow planning for future infrastructure needs, help utilities plan for infrastructure and grid utilization and help plan for potential future regulatory actions to accelerate ZEV sales.
- Penalties were discussed for situations where businesses fail to comply with the fleet reporting requirement.
- Reporting frequency for fleets is a one-time reporting requirement. Both public and private fleets who meet the applicability requirements would need to report to DEQ by June 2022.
- Information requested from fleet reporting will be shared with the public, with the exception of confidential business information.
- Request that the fleet reporting requirement is well advertised and DEQ should make sure that any notices contain information about what is required and penalties involved.

Heavy Duty Low NOx Omnibus Rule Language

- CARB has 2nd public notice out on these rules, how is DEQ adopting something that is not final? CA has not yet sought a waiver from the EPA and Oregon should not be considering this rule yet. Oregon should let California finalize their rules before it takes action. Follow up concern was raised about Oregon’s authority to adopt prior to final administrative action in California. DEQ described how it has dealt with the waiver issue in previous Section 177 adopt-by-reference actions. Also, DEQ has heard CARB will have final rules prior to taking the rule package to the EQC. One stakeholder thought DEQ could adopt but cannot enforce until the waiver is granted.
- The CARB 2nd public notice described limited sales of engine model year 2024 were allowed if offset by ZEV credits. Will Oregon be doing that as well? The current proposal would be to adopt the HD Omnibus rules identically with the exception of the transit bus diesel engine exemption so any HD Omnibus ZEV offset credits allowed in California would be permitted in Oregon under the proposal.
- Discussion on the diesel transit bus engine exemption. One committee member asked why DEQ is allowing exemptions in the transit sector for these rules but none for the general trucking sector? Another felt that not exempting transit buses would mean that transit agencies would only be purchasing the cleanest buses and felt that would be a good thing. Another member felt that Oregon should also consider adopting the California Innovative Clean Transit rule to deal with transit bus emissions instead of focusing on exemptions for these vehicles. The transit bus diesel engine exemption was created due to manufacturer statements during CARBs rulemaking process that they would not produce a HD Omnibus compliant diesel engine for this sector.

- Federal action may also happen in the future on the lower NOx engines so Oregon should wait until EPA finalizes their rules before taking action. Inaction at the federal level, however, was one reason that California chose to adopt their own lower NOx rules.
- One advisory committee member stated that this rule would only apply to sales in the state of Oregon and that is a large loophole since sales will likely migrate to adjacent states. Another stated that while there may be some risk of that happening it shouldn't prevent action since those diesel trucks that are sold in Oregon would still be much lower emitting.
- The size of the Oregon truck market is small and one committee member stated that the benefits described are not worth the costs to those businesses that purchase trucks.

Overall Comments about the Rules

- Some stakeholders felt DEQ can't rely on federal action – need to take action now. Federal requirements may take time to adopt and it is uncertain what the final rules will look like. Other members felt it was necessary for DEQ to adopt rules as soon as possible to realize the benefits of emissions reductions.
- Both rules should be adopted now – ACT provides long term benefits and HD Omnibus provides near term emission reduction benefits by reducing diesel emissions. These rules are cost effective and have economic and social benefits.
- California has series of rules and efforts to support the ACT rule – Clean Fleets, HVIP, money for infrastructure. Oregon needs the same tools to ensure people can purchase these trucks. Committee members agreed Oregon needs to do something to ensure we are investing in infrastructure and incentives otherwise it will put OR at a disadvantage to CA. DEQ stated this rule will give regulatory certainty to allow other investments to occur in Oregon – such as those with the public utilities, etc.
 - A recommendation was to look for incentives from the Legislature and federal programs – would be good to have partnerships and support for these efforts.
- The issue was raised by a few committee members that EVs currently do not meet the need, so until technology catches up the rules are not going to help overall. DEQ mentioned CARB has flexibilities built into the rules to give manufacturers flexibility. Manufacturers are allowed to account for over-compliance in certain classes. Other stakeholders felt Oregon's needs are different than CA so there will not be an ability to over-comply in certain class trucks. Beginning in 2024, only a small percentage of trucks will be required to be ZEVs – implementation is not immediate and it is also gradual.

Fiscal and Economic Impact Analysis

Heavy-duty Low NOx Omnibus

- A few committee members thought DEQ did not adequately account for the costs specific to Oregon.
- DEQ described the increase in truck purchase price as described in the CARB analysis. However, some committee members felt that those cost estimates did not reflect other analyses that have been done by third parties. CARB's cost of the vehicle estimates an additional \$7K, but it did not include the cost of the warranty which is significant for the truck purchaser, as well as how the overall cost of the truck is higher and increases the federal excise tax applied to the truck. Even incremental cost can have an effect. Step 1 warranty in CA is an additional \$2500. Warranty will increase purchase cost. DEQ agreed that longer warranties increase cost and described that CARB considered the incremental cost increase associated with the longer warranties and not the entire cost of the warranty from the first mile driven which likely accounts for the variation of third party cost estimates.
- ACT Research Company looked at costs of rule and estimated an additional \$57K for the heavy duty vehicles. NREL estimated about \$44K increase for heavy duty vehicles. National volumes estimated \$35K increase. These costs will be passed on in shipping rates and have a trickle-down effect to consumers.

- CARB spent a lot of time determining that this action was both technologically feasible and cost effective and based on the amount of research that went in to this we should consider that the definite report. The benefits from the longer warranties will also mean lower repair costs for vehicle owners down the line and fewer failures and less down time since manufacturers will likely make more durable engine and vehicle components.
- Several manufacturers are already making plans to meet the 2024 requirement for these rules so that indicates that the cost and feasibility of this new technology is workable in the market.
- The size of the Oregon truck market is small and one committee member stated that the benefits of the HD Omnibus rules are not worth the costs to those businesses that purchase trucks.

Advanced Clean Trucks

- DEQ asked if there are small businesses with 50 or more vehicles in their fleets. Committee members answered it was extremely unlikely a small business would have a fleet size this large. If DEQ lowered the fleet size reporting requirement below 50, there could be some small businesses affected. In general the number of trucks in a fleet would indicate the number of employees in the business plus a few additional staff to account for administration. DEQ was encouraged to lower the reporting threshold for fleets as it will help answer questions about whether there are adverse impacts.
- Another committee member noted the benefits of the rule through reduced fuel costs and lower maintenance costs. The fiscal statement should also capture the impacts to all electricity consumers – raising volume of consumption and holding fixed costs constant will benefit all electricity users.
- Study by MJ Bradley shows the emissions reduction benefits in DEQ’s fiscal impact analysis are conservative. Other studies show similar emission reductions.
- One committee member thought DEQ shouldn’t rely on what California did by looking at VMT and applying a ratio. DEQ should project how many vehicles will be sold and purchased going forward under both rules. DEQ is assuming sales rates will remain the same, however, the committee member thinks DEQ needs to account for a pre-buy or no-buy considerations, future sales, and account for it in the fiscal statement. Another committee member thought projecting out sales can be estimated by existing studies and reports (i.e., MJ Bradley).

Low Emission Vehicle

- No comments on the fiscal impact.

Public Comment

- Chris Nevers – Rivian – supports rule efforts.

Alternative formats

DEQ can provide documents in an alternate format or in a language other than English upon request. Call DEQ at 800-452-4011 or email deqinfo@deq.state.or.us.