



U.S. Maritime Administration Workshop

Presentation To:

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Who is ATA?

- **Nation's largest trade association representing interests of 37,000+ trucking companies/suppliers**
- **2,000+ members**
- **Employs 10 million individuals**
- **3 million professional drivers**



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EPA's 2006/2007 Diesel Rule

- “Control of Air Pollution from Heavy-Duty Engines and Highway Diesel Fuel Sulfur Control Requirements”



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2006/2007 Rule Overview

- **15 ppm sulfur content for on-road with 80/20 phase-in**
- **PM down 90%; NOx down 95%; Sulfur down 97%**
- **4-year fuel phase-in beginning June, 2006**
- **PM traps required on all new engines beginning in 2007**
- **NOx controls required on 50% of all new engines beginning in 2007 -- 100% in 2010**



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2006/2007 Rule Overview

- Signed 12/21/00; published 01/18/01
- Effective date 03/18/01
- President's memo froze effective date of Rule
- EPA decided to unfreeze Rule
- 18 petitions filed challenging/defending Rule
- Oral arguments in lawsuit scheduled for 02/27/02
- EPA to conduct biannual review in summer 2002



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EPA Cost Estimates of Rule

- **Vehicle costs up \$1,200 - \$1,900**
- **Fuel costs up 4-5 cents/gallon**
- **Total cost of Rule: \$4.3 billion in 2030**
- **Total benefits of Rule: \$70.4 billion in 2030**



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Industry Cost Estimates of Rule

- **Vehicle costs up \$6,000 + (EPA docket materials)**
- **Fuel costs up 15-52 cents/gallon (CRA Study)**
- **\$6+ billion initial capital costs to petroleum industry alone (Merrill Lynch)**



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Factors Impacting Fuel Costs Under Rule

- **Upcoming Off-Road Diesel Rule**
- **Tier 2 gasoline low sulfur-content requirements beginning 01/01/04 (\$5+ billion)**
- **State boutique fuel requirements**
- **2006 Diesel Rule (\$6+ billion)**
- **Possible MTBE phase-out rules**
- **No new refineries over last 25 years**
- **Potential for small refinery closings**



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Factors Impacting Engine Costs Under Rule

- **Costs of precious metal catalysts
(\$6K platinum costs alone)**
- **Recoupment of technology development
costs**



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Rule Creating Uncertainty for States

- States relying on one national low-sulfur fuel standard in 2006, not 80/20 phase-in
- Rule does not get states to where they need to be regarding non-attainment
- States still actively seeking fuel waivers thereby creating national patchwork of boutique fuels



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Rule Creating Uncertainty for Industry

- **Unanswered questions dealing with impacts of new fuels on engine warranties**
- **Who is going to have burden of proof in the event of an engine failure**
- **Budgeting/planning concerns**



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Rule Creating Uncertainty for Maintenance

- **Frequency of oil changes and compatibility (“dirty” oil in 2007 engines defeats intent of Rule)**
- **Seal breakdowns**
- **PM trap replacement frequency**
- **Compatibility of 2006 diesel in engines:**
 - **2007 engines only to use 2006 fuel**
 - **Pre-2007 engines can use either 2006 fuel or older fuels (under 80/20 percent phase-in)**



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What's Next?

- **Lawsuit will continue to play out**
- **Parties will continue to meet with administration officials and Congress**
- **Don't rule out legislation in Congress**
- **Expect alternative fuel groups to use this Rule to push their products**



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Related Matter - Diesel Engine CD's

- **Driving technology developments outside of regulatory actions**
- **1998 CD's against 6 largest engine makers for allegedly installing defeat devices**
- **\$84 million fines; \$1 billion to improve engines on accelerated schedule**
- **October 1, 2002 deadline to reduce NOx limits (15 months prior to new 2004 NOx standards)**



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Diesel Engine CD's

- **Only one party declaring technology has been developed (EGR)**
- **Attempts now to extend deadline**
- **Scenario may be prelude to 2006/2007 Diesel Rule's technology-driving goal**



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Particulate Matter Standards

- **CAA requires EPA to:**
 - **List air pollutants reasonably expected to endanger public health or welfare**
 - **Issue NAAQS air quality criteria**
 - **Set primary NAAQS with adequate margin of safety**
 - **Set secondary NAAQS to protect welfare effects**
 - **Conduct 5-year reviews of each NAAQS**



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Particulate Matter Standards

- **PM is a NAAQS criteria pollutant**
- **PM standards set in 1997**
- **Last PM criteria document published in 1996**
- **EPA drafting new PM criteria document**
- **EPA to rely on new PM criteria document to justify how to implement PM down to 2.5 microns**



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Particulate Matter Standards

- **ATA challenged 1997 standards for PM-2.5 and ozone (.08 ppm over 8-hour period) NAAQS before Supreme Court**
- **Court ruled to uphold standards ruling on issues of costs and delegation authority**
- **Remand to DC Circuit on implementation issues**
- **DC Circuit to issue ruling soon**



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Boutique Fuels

- **Unique blends of fuels which vary fuel input characteristics**
- **Creates unequal competitive playing field**
- **Impacts reliable fuel supply and distribution**
- **Likely to create price spikes/shortages**
- **Administration recognizes problem and addresses boutiques in National Energy Policy**



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Boutique Fuels

- **CA has a boutique diesel fuel (CARB)**
- **CARB diesel \$.27/gallon more than diesel bought in surrounding states**
- **TX to introduce CARB-like diesel in 2005**
- **Other states look toward adopting boutique fuels to reduce emissions in non-attainment areas**
- **Reality is emission reductions not well understood at this time**



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Alternative Fuels

- Term can be used interchangeably with biofuels
- Major efforts underway in states and at federal levels to mandate use of alternative diesel fuels
- Biodiesel efforts in MN, KY, WI, CO, etc.
- E-diesel efforts
- Emulsified diesel
- Johnson (R-NE)/Hagel (D-SD) renewable fuel mandate bill (.8% in 2002 - 5% in 2016)



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Alternative Fuels

- **ATA not necessarily opposed to alternative fuels**
- **Further study is necessary before committing an entire nation to a new fuel scheme**
- **Hard lessons learned from reformulated gasoline**
- **ATA seeks one national diesel fuel standard which will not impede performance of engines taking costs and availability into consideration**



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Engine Retrofitting Gaining Speed

- **Obvious for feds and states to address older engines next after having addressed newer engines**
- **Retrofitting will accomplish this end**
- **EPA already has Voluntary Retrofit Program**
- **CAA does not preclude retrofitting mandates**
- **Potential significant cost increases to users of older fleets if federal/state retrofitting requirements go into effect**



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Update on National Retrofit Efforts

- **EPA Voluntary Retrofit Program**
- **Local approaches**
- **CARB's initiative**
- **Various other programs**



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EPA Voluntary Retrofit Program

- Technology verification and PM control
- Goal to develop industry/state partnerships
- 13,500 commitments in 2000
- 70,229 commitments in 2001
- Goals not set for 2002 yet



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Local Approaches

- **Seattle, WA “Diesel Solutions” Program (PM)**
- **Houston, TX TERP Plan (NOx)**
- **NY City Transit Authority Program (PM)**
- **Washington, DC Municipal Fleet Program (PM)**
- **Philadelphia, PA Municipal Fleet Program (PM)**



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CARB's Initiative

- **Statewide PM retrofit mandate**
- **Adoption schedule:**
 - **Public Transit Bus Fleets (Feb. 2000)**
 - **Solid Waste Collection Vehicles (Early 2002)**
 - **Fuel Tanker Trucks (2002)**
 - **Remaining On/Off-Road Heavy-Duty Diesel Fleets (2003+)**



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Concluding Retrofit Remarks

- **Retrofit programs/initiatives on the rise**
- **So far (aside from CARB Program) efforts are voluntary in nature**
- **Matter of time before mandatory retrofit programs put in place**
- **As California leads the charge, others states are carefully watching with interest**



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Idling Reduction Technologies

- **Industry, EPA, DOE recognize fuel/cost savings and emission reduction benefits**
- **Working closely with EPA/DOE to educate industry and solicit funding sources**
- **Work with Congress on vehicle weight exemptions and emission trading programs**
- **Work with Treasury Dept. on tax breaks for verified technologies**



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Closing Thoughts

- **Changes in energy/emission policies will occur**
- **Oil production/prices will take significant swings**
- **Regulations continue - base on sound science**
- **All industries should be equally regulated**
- **EPA/DOE must start working together**
- **As long as you are emitting something, a target will always remain on your back**