

BOARD MEETING DATE: November 5, 2021

AGENDA NO. 6

PROPOSAL: Amend Truck Trade Up Dealer Agreements

SYNOPSIS: In April 2020, the Board approved implementation of a Truck Trade Up Program authorizing the Executive Officer to execute agreements and/or approve vouchers with truck dealers using \$2,106,405 FY 19 U.S. EPA Diesel Emissions Reduction Act funds. This action is to amend the dealer agreements to allow for documented repair costs.

COMMITTEE: Technology, October 15, 2021; Recommended for Approval

RECOMMENDED ACTION:

This action is to authorize the Executive Officer to amend the dealer agreements to allow for documented repair costs.

Wayne Natri
Executive Officer

MMM:JL:AK:JI

Background

In July 2019, the Board recognized \$1,500,000 in FY 19 U.S. EPA Diesel Emissions Reduction Act (DERA) funds and awarded those funds to Clean Energy, to act as the administrator, to expand the Market Acceleration Program to include a truck trade up element. Subsequently, U.S. EPA advised that an additional \$789,581 in funds was awarded to South Coast AQMD for a total award of \$2,289,581. In 2020, the Board amended the contract to Clean Energy and removed Clean Energy from participation in any new projects and authorized South Coast AQMD to implement the Truck Trade Up Program using the previously awarded DERA funds. The MSRC provided an additional \$3,000,000 to promote further implementation of the Trade Up Program. This approach helps ensure a more equitable distribution to all fleets including smaller operators in environmental justice communities.

Under the Truck Trade Up Program, qualified participants can trade in their 2014 or newer heavy-duty diesel truck to an approved dealer and receive a \$100,000 incentive from South Coast AQMD towards the purchase of a new near-zero emission (NZE) natural gas-powered heavy-duty truck plus receive up to \$25,000 from a dealer as a trade-in credit for their older diesel truck. Repair costs up to \$10,000 will be subtracted from the \$25,000 trade-in credit. The dealer will sell the 2014 or newer diesel truck for a maximum of \$30,000 to an owner of a 2009 or older heavy-duty diesel truck. The 2009 or older diesel truck will be scrapped at a South Coast AQMD qualified truck dismantler. The dealers will retain up to \$5,000 per truck for administration and participation in the Truck Trade Up Program. The objective of the Truck Trade Up Program is to accelerate the turnover of 2009 and older heavy-duty diesel trucks for small operators, while also increasing the deployment of NZE natural gas-powered heavy-duty trucks and maximizing emission reductions.

Proposal

This action is to amend the dealer contracts to allow for a reduction in the \$25,000 trade in truck value for repairs, on an as needed basis. The purchaser of the new NZE natural gas-powered truck will receive \$100,000 in incentive funding in addition to the trade-in value credit up to \$25,000 from their 2014 or newer diesel truck. The traded in 2014 or newer heavy-duty diesel truck will be inspected during the original purchase agreement when acquiring the new NZE truck and inspected again when the truck is released to the dealer to be resold. A formal agreement explaining any needed repair costs will be signed between the dealer and the truck owner turning in the traded truck. Repair costs up to \$10,000 under the dealer trade-in terms will be deducted from the \$25,000 trade-in value of the truck. This action is to amend the dealer agreements to allow for documented repair costs.

Benefits to South Coast AQMD

Successful implementation of this project will help permanently remove 2009 or older higher-emitting heavy-duty on-road diesel trucks and allow smaller owner/operators the ability to obtain a newer and cleaner truck that is 2014 or newer. This program replaces the oldest heavy-duty diesel trucks with comparably powered trucks with ultra-low NOx emissions that are certified by CARB to an exhaust emissions standard that is 90 percent lower than the current standard and achieve the co-benefits of renewable, low carbon intensity natural gas. The truck replacement projects will continue to provide reductions of NOx, PM and GHG emissions for several years throughout the South Coast Air Basin (Basin), especially in disadvantaged communities. The accelerated replacement of 2009 and older diesel trucks with NZE natural gas trucks will help realize immediate emission reductions in drayage and goods movement sectors and within fleets operating in the Basin. Projects to replace heavy-duty diesel trucks are included in the *Technology Advancement Office Clean Fuels Program 2020 Plan Update* under the category of “Fueling Infrastructure and Deployment (Natural Gas/Renewable Fuels).”

Resource Impacts

There is no fiscal impact associated with amending the dealer contracts to allow for a reduction in the \$25,000 trade-in credit towards the 2014 or newer heavy-duty diesel truck value for documented repairs. South Coast AQMD funds are not being used for dealer repair costs.