



Item D: Diesel Emissions Mitigation Grant Program

EQC meeting
Jan. 21, 2021

Presenters:

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Background: VW Settlement



Background: House Bill 2007



Among proposed projects that are eligible for funding, DEQ will give preference to projects that:	
HB 2007	Support compliance w/ HB 2007 or contract specifications related to emissions standards for diesel engines
	The applicant is a Disadvantaged, Minority, Women, or Emerging Small Business (DMWESB) or Service Disabled Veteran Business (SDVB)
	Involve the replacement, repower or retrofit of equipment w/at least three years of remaining useful life
	Support the utilization of fuels that generate credits under the clean fuels program
	Benefit owner/operators of only one heavy-duty truck w/ fleet registered in Mult., Clack. or Wash. Co.
	Benefit small fleets
	Involve the retrofit of concrete mixer trucks or trucks that are used for the transportation of aggregate
EQC Rule	Reduce diesel emissions in Oregon with the most cost effective projects
	Reduce diesel emissions in areas of the state with the highest diesel emissions, highest vulnerable populations, and the highest population density.

Program Overview: Eligible Mitigation Actions



Maximum reimbursement amounts (with exceptions) are:

- 100% for public sector projects and exhaust control retrofits
- 75% for all-electric replacement
- 40% for repower
- 25% for replacement



Stakeholder Involvement



Rulemaking Advisory Committee

- Four meetings from March 9 – Aug. 28, 2020
- Recommendations on basic program design



Key Discussions

- Provide flexibility in requirement for three competitive bids for project costs
- Availability of grant funding and DEQ staff for technical assistance among COBID firms
- Language regarding cost effectiveness and vulnerable population criteria
- Review emissions reductions and program performance with community involvement

Proposed Rules



Eligible Projects

- Retrofit, repower, and replacement of specific older model diesel vehicles and equipment.

Funding Maximums

25% for replacement	75% for all-electric replacement
40% for engine repower	100% for public sector projects and exhaust retrofits

Application Requirements

- Determine equipment ownership, project performance relative to funding criteria, and diesel emissions reductions in Oregon
- Prevent fraud, waste, and abuse while providing flexibility while simplifying the application process as much as possible.

Proposed Rules



Application Review Process

- Establish funding criteria
- Incorporate legislative direction in HB 2007
- Encourage cost effective emissions reduction projects
- Reduce diesel emissions in dense areas w/ vulnerable populations & high levels of pollution

Application Schedules and Awards

- Require DEQ to provide annual grant application, review, and award schedules
- Ensure all available funds will be spent by the settlement agreement deadline

Program Review

- Ensure program performance, funding accessibility, and emissions reductions
- Track Oregon's progress and evaluate opportunities for improvement
- DEQ to provide adequate notice, outreach, and community engagement

Summary of Public Comment



Public Comment Period: Sept. 30 - Oct. 22, 2020

- Received a total of 16 comments

Comment Themes

- General support for program and funding for electric vehicles
- Request to expand definitions of eligible equipment
- Request to eliminate requirement for three competitive bids for project costs

Comment Focus - Program Accessibility

- Simplify the application process as much as possible
- Ensure efficient processing of incentive payments
- Determining areas of diesel equipment operation and locations of emissions reductions



Implementation Plan

Outreach

- DEQ will promote grant availability among trade associations, businesses, and owners of diesel equipment

Technical Assistance

- DEQ staff will support applicants in establishing fleet inventory, and tracking requirements
- DEQ will develop a comprehensive user guide as a resource for grant applicants
- A key feature unique to this program is the availability of funding, up to 15% of project costs, for technical assistance services for COBID certified firms.

Settlement Trustee Engagement

- DEQ will manage Oregon's required mitigation plan, funding requests and semiannual reports



Funding Totals and Timeline for Implementation

Today {

Date Range	Activity	Fund Allocation	Funds Available
Oct. 2, 2017	VW Settlement	\$72.9M	\$72.9M
2017-2027	15% Admin.	(\$10.9M)	\$62M
Aug. 15, 2017	SB 1008	(\$18-22M)	\$40 - \$44M
Aug. 9, 2019	HB 2007	(Remaining VW Funds)	\$40 - \$44M
2021	Grant Availability #1	(\$8M)	\$32 - \$36M
2022	Grant Availability #2	(\$8 - \$8.8M)	\$24 - \$26.4M
2023	Grant Availability #3	(\$8 - \$8.8M)	\$16 - \$17.6M
2024	Grant Availability #4	(\$8 - \$8.8M)	\$8 - \$8.8M
2025	Grant Availability #5	(\$8 - \$8.8M)	\$0
2026	Potential Grant Avail.	Based on remaining funds	
2027	Potential Grant Avail.	Based on remaining funds	

Recommendation



DEQ recommends that the Environmental Quality Commission adopt the proposed rules seen on pages 29 through 42 of the staff report for this item as part of Chapter 340, Division 255 of the Oregon Administrative Rules.



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