

US EPA ARCHIVE DOCUMENT

The logo for the Midwest Clean Diesel Initiative features a blue wavy ribbon that curves over the text. The words "MIDWEST CLEAN DIESEL" are written in a bold, dark blue, sans-serif font. Below this, the word "INITIATIVE" is written in a green, sans-serif font, with each letter spaced out.

MIDWEST CLEAN DIESEL
INITIATIVE

FY08 Clean Diesel Program Overview

Feb 8 and Feb 14, 2008

The logo for the Midwest Clean Diesel Initiative features a blue wavy line that curves across the top. Below the line, the words "MIDWEST CLEAN DIESEL" are written in a bold, dark blue, sans-serif font. Underneath that, the word "INITIATIVE" is written in a green, sans-serif font, with each letter separated by a small gap.

MIDWEST CLEAN DIESEL INITIATIVE

- MCDI Formally Started in 2004
- Leadership Group
 - 33 Members Signed Collaborative Principles
 - Co-Chairs: Cummins, Illinois EPA, American Lung Association of Upper Midwest, US EPA
- Progress (As of Jan 2008)
 - Over 369,000 Engines Impacted
 - Over \$81 Million (Federal and Non Federal) Spent
 - Tens of millions allocated and in process of being spent
 - Over 4,000 tons of emissions per year reduced
 - 162 Smartway Partners, 25% of national partners
 - Working to build clean diesel coalitions in each state to generate funding sources and implement projects

Phase 2 - October 2007 – fall 2008

Leadership Group

Co-chairs: Cummins, Illinois EPA, ALA Upper Midwest, US EPA

Clean Diesel Program Development Workgroup

Co-leads: S. Marquardt (US EPA) and B. Mormino (Cummins)

Non-Monetary Incentives and Outreach Subcommittee

Co-leads:
Anthony Maietta (USEPA),
Greg Langford
(Langford, Inc)

Funding Development Subcommittee

Co-leads:
(USEPA), Bill Droessler
(MEI)

State Coalitions

Illinois Co-leads: IL EPA RHAMC	Indiana Co-leads: IDEM SSCC	Michigan Lead: MDEQ Cummins	Minnesota Co-leads: MPCA Flint Hills	Ohio Co-leads: Ohio EPA Cleveland Partnership	Wisconsin Co-leads: WDNR ₃ Cummins ₃
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National Clean Diesel Program

\$49.2 Million for 2008

National

\$34.4 Million (70%)



National Clean Diesel
Funding Assistance Program \$27.6 M

Clean Diesel Emerging Technologies Program \$3.4 M

National Clean Diesel Finance Program \$3.4 M

State

\$14.8 Million (30%)



State Clean Diesel Grant Program \$14.8 M

State Base

Matching Bonus

National Clean Diesel Campaign

\$49.2 Million for 2008

National Component

\$34.4 Million
(70%)



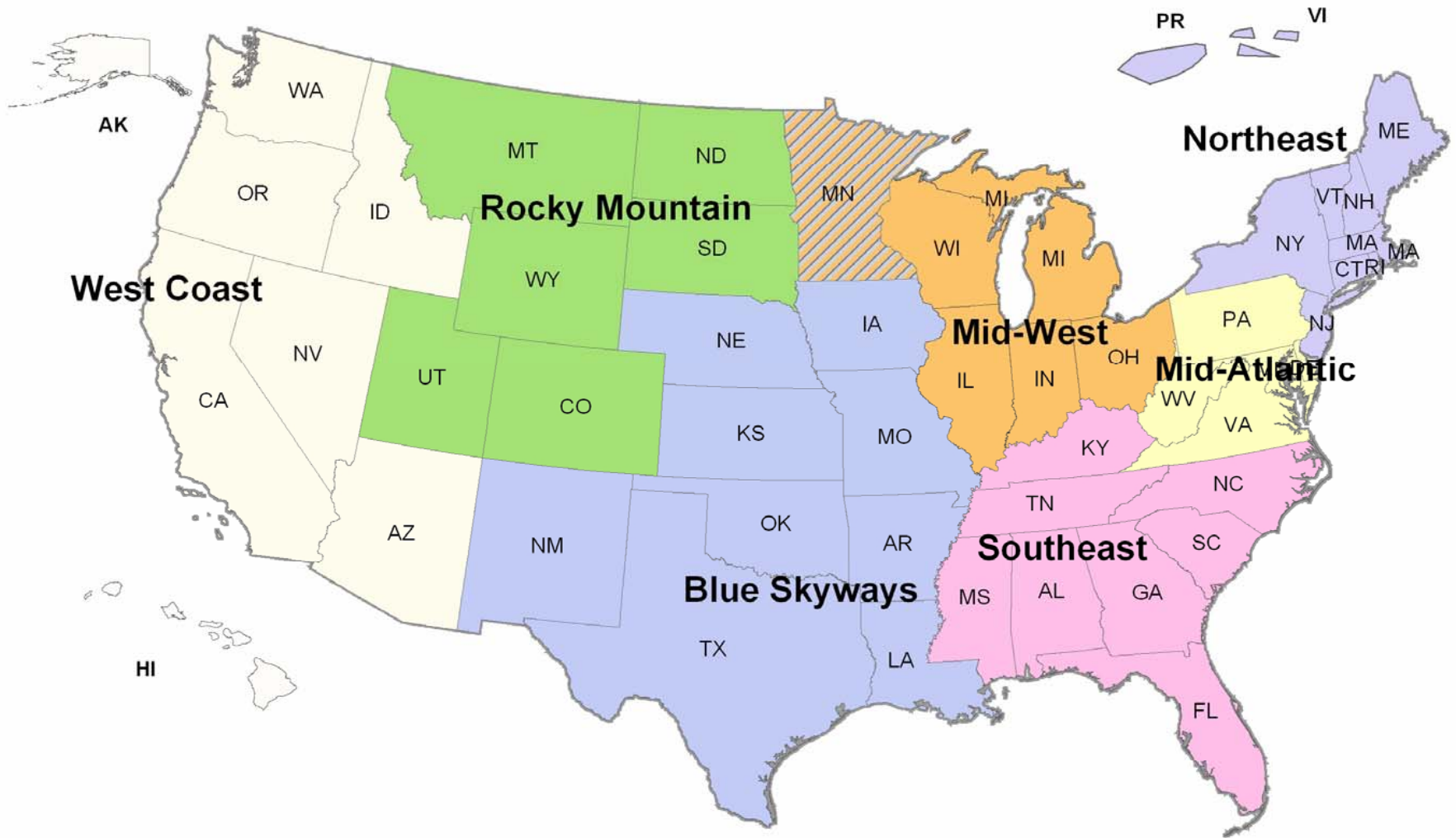
National Clean Diesel Funding Assistance Program
\$27.6 M

National Clean Diesel Finance Program ~\$3.4 M

Clean Diesel Emerging Technologies Program
~\$3.4 M

Competitive grant
process managed
through EPA
regions

Regional Clean Diesel Collaboratives



National Clean Diesel Funding Assistance Program: Eligible Entities

- Regional, state, local, tribal or port agency with jurisdiction over transportation or air quality; and
- Nonprofit organization or institution which
 - Represents or provides pollution reduction or educational services to persons or organizations that operate diesel fleets; or
 - Has, as its principle purpose, the promotion of transportation or air quality

National Clean Diesel Funding Assistance Program: Public Fleets

At least 50% of funding is dedicated for the benefit of public fleets

- Will include private fleets contracted or leased for public purpose, such as private school buses or refuse haulers
- Only eligible entities can apply directly for funds (i.e., school district applies on behalf of private school bus contractor)



National Clean Diesel Funding Assistance Program: Use of funds

- Cannot fund the cost of emissions reductions mandated under Federal, State or Local law
- Grants are not for emissions testing

National Clean Diesel Funding Assistance Program: Use of funds

- Technologies and engines must be verified and/or certified by USEPA or CARB
www.epa.gov/cleandiesel (select *Verified Technology List*)
- Incremental cost of engine replacement (sent to be remanufactured or scrapped), engine repower, engine rebuild

National Clean Diesel Funding Assistance Program: Use of funds

- Idle Reduction Technologies (EPA approved)
 - Electrified Parking Spaces (truck stop electrification)
 - Auxiliary Power Units and Generator Sets
 - Fuel Operated Heaters
 - Battery Heating and Air Conditioning Systems
 - Thermal Storage Systems

<http://www.epa.gov/cleandiesel>
select *Idle Reduction*

National Clean Diesel Funding Assistance Program: Use of funds

- Cleaner fuels
 - Covers incremental costs of cleaner fuel versus conventional diesel fuel
- Finance programs for low-cost revolving loans
 - Regional or state specific programs
 - National programs would fall under the National Clean Diesel Finance Program

National Clean Diesel Funding Assistance Program: Eligible Fleets and Equipment

- Buses
- Medium or heavy duty trucks
- Marine engines
- Locomotives



- Nonroad engine or vehicle:
 - Construction
 - Handling of cargo (including at a port or airport)
 - Agriculture
 - Mining
 - Energy production

National Clean Diesel Funding Assistance Program: Priority Projects

Project proposals that align with these priorities will receive higher scores in the evaluation process:

- Maximize public health benefits
- Are the most cost-effective
- Are in areas with high population, air quality issues, and air toxic concerns
- Are in areas that receive a disproportionate quantity of air pollution (i.e. truck stops, ports)
- Maximize the useful life of the engine
- Conserve diesel fuel and utilize ULSD (early introduction of ULSD for nonroad projects)

National Clean Diesel Funding Assistance Program: FY08 Timeline

Activity	Date
Outreach	Jan – March 2008
Regional collaborative RFPs out	March 14, 2008
Competition open for 60-90 days	March – May/June 2008
Evaluate applications	June/July 2008
Adjust work plans if needed	July/August 2008
Awards grants	Fall 2008
Announcement of grants	Fall/Winter 2008
Project implementation	Fall/Winter 2008 - 2010

National Clean Diesel Campaign

\$49.2 Million for 2008

National Component

\$34.4 Million
(70%)



National Clean Diesel Funding Assistance Program
\$27.6 M

National Clean Diesel Finance Program ~\$3.4 M

Clean Diesel Emerging Technologies Program
~\$3.4 M

Competitive grant
program to
establish
innovative finance
mechanisms

National Clean Diesel Finance Program: Overview

- Distinct program that seeks national low-cost revolving loans
 - EPA will issue grants to eligible entities to establish loans for fleets anywhere in the U.S.
 - As part of the National Clean Diesel Funding Assistance Program, eligible entities can submit proposals to establish loan programs within a state or region.
- Everything else is the same
 - Same eligible entities
 - Same eligible vehicles & equipment
 - Same priority projects

National Clean Diesel Finance Program: Use of Funds

- Finance Program grants are used to establish loans. The loans must:
 - Lower costs to the buyer (e.g., lower interest rate, closing costs, etc); and
 - Any program income generated must be used to further the project's goals which must align with the national clean diesel program goals (e.g., more loans for cleaner vehicles)

National Clean Diesel Finance Program: Examples

Examples of Finance Projects

- Loan funds to registered diesel fleet owners to install idle controls (at lower interest rate or 0%). Repaid loans are then loaned again to more fleet owners
- States or non-profits partner with lending institutions:
 - Partnership receives grant (at 0%) and leverages this money by borrowing additional funds at lower interest rate (equity investment).
 - They then partner w/ dealership selling cleaner vehicles. They pass on this low-interest rate through dealer's finance program.

National Clean Diesel Finance Program: FY08 Timeline

Activity	Date
Information and preparation of applications	January – February
Application submissions	March – April
EPA evaluations	May – July
Project review and award	August
Project implementation	August 2008 - 2010

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(70%)



National Clean Diesel Funding Assistance Program
\$27.6 M

National Clean Diesel Finance Program ~\$3.4 M

Clean Diesel Emerging Technologies Program
~\$3.4 M

Competitive grant
program to deploy
emerging
technologies not
yet verified

Clean Diesel Emerging Technologies Program: Overview

~\$3.4M FY08

- Separate grant competition from the national funding assistance program
- Program is for projects that will use technologies not yet verified and/or commercialized but on EPA's emerging technology list
- Program does not pay for research and development
- Only eligible entities can apply

Clean Diesel Emerging Technologies Program: Manufacturers

- Manufacturers should partner with an eligible entity
- Manufacturers must be on the emerging technologies list prior to grant submission
 - To get on this list, manufacturers must work with EPA to apply for verification and develop a test plan for evaluating their technology

www.epa.gov/cleandiesel
select *Emerging Technologies*

Clean Diesel Emerging Technologies Grant Program: FY08 Timeline

Activity	Date
Information and preparation of applications	Jan – May
Application submissions	May – June
EPA evaluations	July – September
Project review and award	September – November
Project implementation	Fall/Winter 2008 - 2010

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National Clean Diesel Funding Assistance Program
\$27.6 M

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Clean Diesel Emerging Technologies Program
~\$3.4 M

State Component

\$14.8 Million
(30%)



State Clean Diesel Grant Program \$14.8 M

State Clean Diesel Grant Program: Overview

States play an important role
as partners in Clean Diesel

- Allocation program; not a competition
- EPA encourages all States to participate

State Clean Diesel Grant Program: Funding Allocation

- ~ \$10M for states that apply
 - If all 50 states participate, 2% for each
 - If fewer than 50 states participate, 2% plus population formula
- ~ \$5M reserved as incentive for state match
 - 1-1 match
 - If State matches, State receives an additional 50% of allocation above
 - Any funding not utilized reverts to national program
- Award amounts to states could range from \$200,000 to over \$1,000,000
- Streamlined renewal process for following years

State Clean Diesel Grant Program FY08 Timeline

Activity	Date
Notice of funding availability (FR)	February - March
State electronic <i>Letter of Intent</i> due to EPA	April
EPA response with potential funding level to states	April
State draft work plan and application materials due to regions based on allocation level	May
State work plan negotiation with regions (should begin in March informally)	May – June
Work plans complete	July
Funds awarded	August 2008

State Clean Diesel Grant Program: Permissible Use of Funds

- Funds can be used to establish and support clean diesel grant and loan programs which achieve significant reductions in diesel emissions
- Technologies may be verified and/or certified or EPA approved idle reduction technologies

See Federal Register notice
for more information

State Clean Diesel Grant Program: Lead Agency

- One agency per state will be recipient of funds
- EPA presumes the lead is the state agency with jurisdiction over air quality
- If alternate agency preferred, guidance will be provided in the *Federal Register*

State Clean Diesel Grant Program: Resources and Tools

EPA will provide guidance to states

- Process and forms for application
- Permissible uses of funds
- Cost-effectiveness of technologies
- State and local program examples
- Streamlined process for renewal

www.epa.gov/cleandiesel

State Clean Diesel Grant Program: Allocation Example

Assumptions

- Total DERA funding is \$50 Million
 - States receive \$15 million
 - \$10 million is allocated for qualifying states
 - \$5 million is reserved for matching
- 25 States qualify with an estimated total population of 150,500,000
 - A given state (MI) has a population of 10,095,643
- Each of the 25 states receives 2% of \$10 million = \$200,000 per state
- $\$200,000 * 25 \text{ states} = \5 Million
- $\$10 \text{ Million} - \$5 \text{ Million} = \$5 \text{ Million remaining funds}$

State Clean Diesel Grant Program: Allocation Example (cont.)

- Based on the previous assumptions and the following equation, MI would receive

$$2\% + \left(\left(\frac{\text{population of state}}{\text{total population of all qualifying states}} \right) * \text{remaining funds} \right)$$

$$200,000 + \left(\left(\frac{10,095,643}{150,500,000} \right) * 5,000,000 \right) = \$535,403$$

- If a state matches EPA's allocation 1:1 they can receive 50% additional matching funds. Thus MI could receive:
 $\$535,403 * 0.5 = \$267,701$
- Michigan's EPA funds = \$803,104
- Michigan's total state program with match = \$1,338,507

Reporting Required For All Programs Under Law

EPA will prepare a report to submit to Congress. The report will include:

- Number of grants and applications received
- Amount of each grant
- Actual and estimated air emissions benefits
- Cost-effectiveness
- Lessons Learned
- Additional Information as EPA designates

Next Steps

- Continue outreach through coalitions
- Schedule and discuss at coalition meetings
- Develop state program
- Applications for EPA funds

- Questions:
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 - USEPA Region 5
 - 312-353-3214
 - marquardt.steve@epa.gov