California Natural Gas Vehicle Coalition

Michael L. Eaves
President

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Ms. Linda Bluestein
U.S. Department of Energy
Office of Energy Efficiency and Renewable Energy
FreedomCAR and Vehicle Technologies Program
Mailstop EE-2G
Room 5F-054
1000 Independence Avenue, SW
Washington, D.C. 20001

Re: Alternative Fuel Transportation Program; Alternative Compliance; RIN 1904-AB66; Notice of Proposed Rulemaking, 71 Federal Register 36,034 (June 23, 2006).

Dear Ms. Bluestein,

The California Natural Gas Vehicle Coalition (Coalition) appreciates the opportunity to comment on the proposed rulemaking for Alternative Compliance Options under the Alternative Fuel Transportation Program. The Coalition represents natural gas fuel providers, natural gas distribution companies, engine and vehicle manufacturers, and suppliers to the NGV industry that are developing a sustainable natural gas vehicle market in California.

The Coalition has supported the Alternative Fuel Transportation Program. The program has certainly stimulated the market for alternative fueled vehicles (AFVs) and given covered fleets experience with these vehicles through mandated purchases. The significant reduction in OEM AFV product offerings makes compliance with the federal regulations almost impossible. The proposed Alternative Compliance provisions should assist impacted fleets plan individual compliance strategies. The new provisions should lead to increased use of alternative fuels and thus petroleum reductions. The new Alternative Compliance provisions could also be detrimental to expanding OEM AFV product offerings, achieving greater penetration of alternative fuels in the marketplace and achieving desired petroleum reduction.

Significant Reduction in Benefit of Proposed Alternative Compliance Plan

The proposed Alternative Compliance plan focuses on quantifiable petroleum reductions and/or alternative fuel use from the "cumulative inventory" of AFVs owned by impacted fleets. It should be noted that the "cumulative inventory" of light-duty AFVs in fleets is significantly lower than it

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should be given access to exemptions for non-availability of product, early year credits (that may or may not have resulted in any petroleum displacement), and fleets switching from smaller vehicles to larger vehicles (greater than 8500 GVW) to avoid AFV purchase requirements. The Coalition applauds the flexibility the Alternative Compliance plan offers fleets – but the reality is the petroleum reduction potential under this plan has already been significantly compromised. A more appropriate determination of the goal for individual fleets would be to add back into their fleet inventory any exemptions used in the past.

Are Impacted Fleets Really Interested in a Compliance Plan that Holds them Accountable for Alternative Fuel Use and/or Petroleum Displacement??

The Coalition agrees that alternative fuel use and/or petroleum reduction is the correct metric that DOE should be using (vs. vehicle purchase of AFVs). Alternative Compliance plans could be invaluable to allow impacted fleets to seek creative ways to use other technologies or even medium- or heavy-duty AFVs to achieve compliance – should they really be interested in complying with alternative fuel use and petroleum reduction. But are they interested?

The history of the DOE program is that fleets seek the lowest cost path to compliance. This has generally been the purchase of FFVs or bi-fuel vehicles with no effort to spend the additional dollars needed for infrastructure. The result is little or no displacement of petroleum from the majority of these fleets. To date, there has been little or no effort by fleets under the regulations to "comply" with the original intent of the regulations – to use alternative fuels and displace petroleum.

The Coalition sees little in the history of the program to suggest that impacted fleets are now interested in tackling petroleum reduction (other than the fact that they dislike $3/gallon fuel prices). While a creative Alternative Compliance path has been proposed, the "old" plan of using up credits, purchasing FFVs or bi-fuel vehicles, seeking exemptions for non-availability of product, etc. is still available, potentially the lowest cost option, and one that doesn't trigger accountability to quantify petroleum reduction or alternative fuel use.

It is unclear why, if DOE has the authority to propose the Alternative Compliance program, it doesn't have the authority to implement the same fuel displacement goals upon the entire program. Until this is done, impacted fleets may wish to continue their approach to purchase vehicles by the numbers and/or request exemptions. If this is true, very little fuel displacement is likely to be achieved.

Potential Inclusion of Off-Road Vehicles

No one can argue that adding off-road/non-road vehicles such as forklifts can add to the equation of petroleum reduction and/or alternative fuel use for impacted fleets. However the original intent of the EPACT legislation was to address on-road vehicles and potential petroleum reductions for

this market – the highest fuel consumption market in the nation. The regulations also served the purpose of identifying a specific market for OEM AFVs. To switch at this time and include forklifts and other off-road vehicles sends the wrong message to OEMs. The regulations need to stay focused on on-road vehicles (potentially expanded to MD and HD vehicles) to convince OEMs that AFVs are needed and product offerings need to be expanded. Potentially the greatest misstep in the history of the Alternative Fuel Transportation Program was not adopting regulations for private fleets and sending a clear message to OEMs that AFVs would be needed in an expanded DOE program. Allowing off-road vehicles into the program sends the message to OEMs that perhaps DOE can come up with other sources rather than their on-road vehicle products to fulfill the requirements of the program.

Disorder that Biodiesel can cause on AFV Availability

Diesel engines can potentially consume biodiesel in percentages from zero to 100%. Fleets with sufficient numbers of medium- and heavy-duty diesel vehicles may elect under the Alternative Compliance program to convert all their diesel vehicles to biodiesel. Given sufficient numbers of diesel vehicles and the potential of high fuel consumption per vehicle, regulated fleets could forgo purchase of AFVs for years – again exacerbating the problem of AFV availability from OEMs.

Under current regulations, DOE caps the contribution a fleet can claim for biodiesel use to 50%. The Coalition believes that this cap should stay in place.

Potential Ramifications of Allowing Near-term Focus on MD and HD Vehicles

Gasoline use in vehicles is much greater than overall diesel fuel consumption in medium- and heavy-duty vehicles. Therefore the greatest potential for petroleum reduction will come from high penetration of alternative fuels in light-duty gasoline vehicles. If there is a near-term emphasis on integrating medium- and heavy-duty vehicles into the Alternative Compliance program, near-term petroleum reduction gains can be obtained at the expense of momentum needed in the light-duty vehicle market.

Recommendations

The Alternative Compliance path is a great roadmap of what needs to be done to the entire program. The metric of the program should be petroleum reduction and/or alternative fuel use and not the current metric of vehicle purchases. If DOE has the authority to make the adjustments proposed in the Alternative Compliance path, it should evaluate whether the petroleum use/alternative fuel use metric should be adopted across the board for the entire program.

A major problem with compliance for years has been availability of product. Regulated fleets in any request for exemption should document which specific AFVs the want and need for their operations and the response from manufactures. DOE would then have an aggregate “wish list”

from regulated fleets and can use their authority to intervene on the behalf of fleets and reach some accommodation from OEMs to supply the products the market is requesting. It has been 14 years since the adoption of EPACT. Certainly DOE could do more on behalf of regulated fleets to make sure OEMs are providing the products required by regulated fleets to comply with their mandates.

Thank you again for the opportunity to present the Coalition's perspective on the proposed Alternative Compliance program. If you have any questions, please contact me to discuss.

Sincerely,

Michael L. Eaves
President, California Natural Gas Vehicle Coalition