

SUBJECT: Extending, modifying the Texas Emissions Reduction Plan

COMMITTEE: Environmental Regulation — favorable, without amendment

VOTE: 8 ayes — Morrison, E. Rodriguez, Isaac, Kacal, P. King, Lozano, Reynolds, E. Thompson

0 nays

1 absent — K. King

WITNESSES: For — Kevin Bruce, America’s Natural Gas Alliance; Cyrus Reed, Lone Star Chapter Sierra Club; Balu Balagopal, Nat G CNG Solutions; Jeff Trucksess, North American Insulation Manufacturers Association; Theodore (Tod) Wickersham, Jr., Public Citizen Inc.; Patrick Tarlton, Texas Chemical Council; (*Registered, but did not testify*: John Fainter, AECT; Adrian Shelley, Air Alliance Houston; Matthew Thompson, Apache Corporation; Lindsay Mullins, BNSF Railway; Dan Hinkle, BP; June Deadrick, CenterPoint Energy; Tom Tagliabue, City of Corpus Christi; Luke Metzger, Environment Texas; Robert Peeler, Ford Motor Company; Mike Meroney, Huntsman Corp., Sherwin Alumina, Co.; Lindsay Sander, Markwest; Mindy Ellmer, North Texas Commission; Parker McCollough, NRG Energy, Inc.; Randy Cubriel, Nucor; Russ Keene, Plug-in Texas; Tom “Smitty” Smith, Public Citizen; Karen Hadden, SEED Coalition; Kinnan Golemon, Shell Oil Company, Austin White Lime, Devon Energy; Vic Suhm, Tarrant Regional Transportation Coalition; Gloria Leal, Texas Alliance of Energy Producers; Stephanie Simpson, Texas Association of Manufacturers; Stephen Minick, Texas Association of Business; Robin Schneider, Texas Campaign for the Environment; Lindsey Miller, Texas Independent Producers and Royalty Owners Association; David Weinberg, Texas League of Conservation Voters; Patricia Gonzales, Texas Organizing Project; Thure Cannon and Celina Romero, Texas Pipeline Association; Daniel Womack, The Dow Chemical Company; Max Jones, The Greater Houston Partnership; Chloe Lieberknecht, The Nature Conservancy; Tanya Vazquez, Toyota Motor North America; Kenneth Flippin; Greg Macksood; Elizabeth

Riebschlaeger)

Against — None

On — (*Registered, but did not testify*: David Brymer and Joe Walton, Texas Commission on Environmental Quality)

BACKGROUND: The Texas Emissions Reduction Plan (TERP) was created by the 77th Legislature in 2001 to provide financial incentives to upgrade or replace older vehicles and equipment. The Texas Commission on Environmental Quality oversees TERP programs.

TERP programs are funded through motor vehicle title fees and surcharges collected on the sale, lease, or rental of certain diesel equipment, the sale, lease, or use of heavy-duty diesel motor vehicles, truck-tractor and commercial motor vehicle registrations, and commercial motor vehicle inspections. In fiscal 2015, an estimated \$220.5 million will be collected through these sources.

DIGEST: HB 14 would extend the Texas Emissions Reduction Plan (TERP) until August 31, 2023. The bill would expand the program by adding Bell, McLennan, and Webb to the list of counties eligible to receive funds, among other changes outlined below.

Clean Transportation Triangle program. The bill would remove the Clean Transportation Triangle program (CTT) as a stand-alone program and merge it with the Alternative Fueling Facilities Program. The bill would direct the Texas Commission on Environmental Quality to establish and administer alternative fueling facilities in the CTT that would be strategically placed to enable an alternative fuel vehicle to travel in those areas and rely solely on alternative fuel.

Texas Natural Gas Vehicle Grant Program. The bill would allow the commission to determine the eligibility period for which a qualifying vehicle may be considered for a grant under the program and allow the commission to establish criteria for prioritizing certain vehicles eligible to

receive grants. It also would increase to four years the remaining useful life a vehicle or engine must have to be replaced as part of the program, and would change the starting date of the grant period.

The bill would designate that at least 75 percent of the annual use of the qualifying vehicle must occur in the CTT and would specify that baseline emission levels for nitrogen oxide apply to on-road heavy-duty or medium-duty motor vehicles being replaced or repowered. It also would specify that the grant program may cover the cost of vehicle repower as well as vehicle replacement.

Texas Clean Fleet Program. The bill would allow the commission to establish the eligibility period covering a vehicle qualifying for participation in the Texas Clean Fleet Program and would remove certain restrictions on what documentation may be required of an applicant to the program prior to a grant award. The bill also would increase the remaining useful life of a vehicle eligible for replacement to five years and change the starting point from which the five-year grant period begins.

Light Duty Vehicles Incentive Program. The bill would make several changes to the Light Duty Vehicles Incentive Program, including:

- increasing from \$2,500 to \$5,000 the eligible rebate amount for light-duty vehicles powered by compressed natural gas, liquefied natural gas or liquefied petroleum gas;
- lowering from 2,000 to 1,000 the total number of rebates that can be funded from this program each biennium;
- prorating the leasing period of light-duty vehicles leased as part of an incentive program over three years rather than four;
- authorizing incentives for the lease or purchase of hydrogen fuel cell-powered vehicles; and
- allowing the commission to revise vehicle weight standards to ensure all configurations of a vehicle model are eligible for an incentive.

The bill would give the commissioner more flexibility in determining

what information is to be provided by a dealer or leasing agent to verify eligibility of a vehicle for participation in the incentive program.

Oil field flaring and releases. The bill would make certain changes to the New Technology Implementation For Facilities and Stationary Sources grant program by adding new financial incentives to reduce emissions from oil and gas production, storage, and transmission activities, including the installation of systems to reduce or eliminate flaring of gas or burning of gas using other combustion control devices.

The bill would take effect August 31, 2015. Only grants awarded on or after this date would be affected.

**SUPPORTERS
SAY:**

HB 14 would make several improvements to a program that has already proved effective at helping reduce and control the emission of polluting gases. In particular, the bill would continue to support the reduction of mobile sources of nitrogen oxide emissions. The bill would expand the geographic reach of TERP by adding three new counties to the list of those eligible to qualify for TERP grants and would extend the expiration date for TERP to 2023.

Adding three more counties to those eligible for TERP grants would allow businesses and communities in those counties to benefit economically and in terms of public health by helping individuals and fleet owners in those areas replace older, heavily-polluting vehicles with newer, cleaner-running ones.

The bill would improve the efficiency of TERP in a number of ways. For example, it would combine two similar programs — the Clean Transportation Triangle and the Alternative Fueling Facilities programs — which would make administration easier for the Texas Commission on Environmental Quality and less confusing for applicants.

The bill also would introduce promising new elements into the TERP. Among these are programs that would reduce emissions from oil and gas production, storage, and transmission activities, including by funding

projects that would replace, repower, or retrofit stationary compressor engines, or would install systems to reduce or eliminate flaring or the burning of gas using other combustion control devices.

While it could always be argued that a bill could do more and fund more, this bill would make many improvements to an already very successful program and would expand the program's geographic reach. Moreover, it is a market-based tool that helps the state preserve clean air and promote public health while improving the state's economic strength.

**OPPONENTS
SAY:**

While HB 14 contains many elements that are important and worthy, some components should be further expanded or modified to get the most out of the TERP program. For example, simple changes in the bill's language would allow additional clean natural gas engines to be included in the program, which are currently excluded because of the manner that eligibility is established.

The bill would not include elements that could benefit non-commercial vehicle users, even though these types of users help pay the fees that fund the program. In addition, the bill would not provide enough flexibility for local governments to use TERP funds in ways that could benefit them most if the specific programs did not apply to them, even though the funds are being collected from their residents.