

Senate Bill 136

Status Report

November 2022 Interim Committees

OVERVIEW

During the 2022 General Session, the Utah Legislature passed Senate Bill 136 (SB136), which directs the Utah Department of Environmental Quality (Department) to conduct a study and develop a framework for a Utah-specific diesel emissions reduction program. For the study, the bill requires the Department to examine diesel emissions reduction incentive programs, including the Texas Emission Reduction Program, potential revenue sources to fund incentive programs, and how to adapt incentive programs to Utah. The study must also include diesel emission reduction goals from on- and off-road diesel vehicles and equipment that apply to specific geographic airsheds. The Department must also study potential environmental mitigation projects that could reduce emissions within and around the inland port area and be implemented by the Utah Inland Port Authority (UIPA).

The framework for a Utah diesel emission reduction program is to include recommendations for programs that foster the implementation of new technology, including grant programs or tax credits for cleaner equipment purchases, financial incentives for the early retirement of heavy-duty diesel equipment, and the potential expansion of the Utah Clean Diesel or the Clean Air Retrofit, Replacement, and Off-road Technology programs. The framework is to also include recommendations for registration surcharges; potential environmental mitigation projects for the inland port area to be implemented by the UIPA; and incentives for clean equipment use on state construction projects. The programs recommended for the framework must directly benefit rural communities, inland port areas, underserved or underrepresented communities, and areas that are disproportionately affected by poor air quality.

SB136 directs the Department to provide the following status report to the November legislative interim committees.

DIESEL EMISSIONS IN UTAH

Statewide, diesel emissions represent 17.3% of total combined emissions of NO_x, VOC, PM_{2.5}, SO₂, and NH₃. The majority of diesel emissions come from on-road mobile sources (66.1% of combined diesel emissions), followed in order by non-road mobile sources (24.2%), point sources (9.3%), VOC refueling (0.4%) and area sources (0.03%).

Because diesel emissions are most prevalent in the highly populated counties, the analysis includes a breakdown of on-road and non-road diesel emissions

along the Wasatch Front showing the majority of on-road diesel emissions comes from combination long-haul trucks (51.5% of on-road diesel emissions), and the majority of non-road diesel emissions coming from locomotives/railroad equipment (57.3% of non-road diesel emissions). For the final report, the Department will analyze diesel emissions sources and their contribution to total emissions in rural, nonattainment, and inland port areas and underserved or disadvantaged communities. A discussion of how EPA's engine standards have helped reduce emissions from these sources over the past several decades will also be included in the analyses to demonstrate the value of early retirement incentives and programs that advance the implementation of new technologies.

UTAH'S CURRENT DIESEL EMISSION REDUCTION EFFORTS

The Department will provide a summary of the State's current efforts for reducing diesel emissions, including the Utah Clean Diesel and CARROT programs and diesel inspection and maintenance programs, highlighting the benefits of outreach and incentives before regulation.

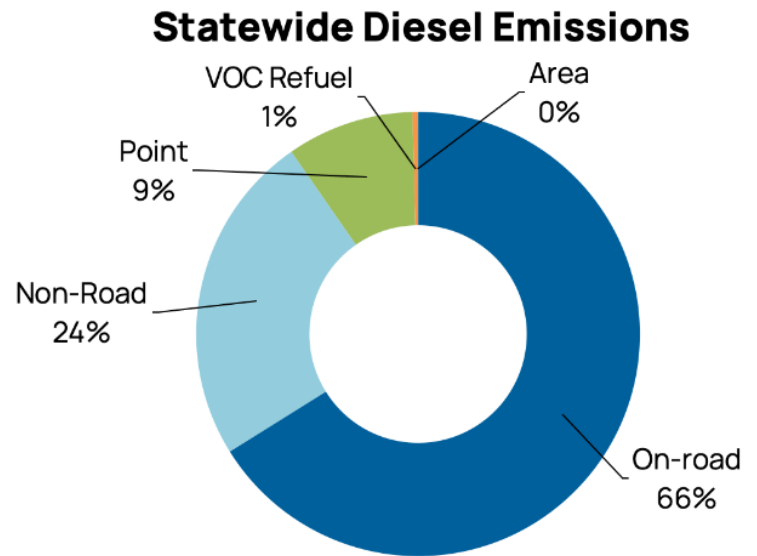


Figure 1

DIESEL EMISSIONS REDUCTION EFFORTS IN OTHER STATES

To date, the Department has researched roughly 38 air quality incentive programs from four states (including the Texas Emission Reduction Program), one air district, and one local government. The programs include clean truck voucher, early retirement, and nonroad registration incentive programs. Prohibition programs have also been included in the research. The Department will provide summaries of each program in comparison tables. The next phase of research will include administrative details about how the programs are structured, including dedicated staffing resources, program funding, prioritization of projects, and whether and how there is coordination with other agencies, in order to identify key elements that could be successful in Utah.

FEDERAL FUNDING OPPORTUNITIES

Since the enactment of the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA), the Department has been working to identify appropriations from those laws that may correlate to potential diesel emission reduction activities in Utah. A list of relevant programs from each law is provided in the table below.

It is anticipated that further program details such as eligibility, criteria, funding structure, and the timing of the application period will be shared by the Environmental Protection Agency (EPA) in the coming months. The Department will collaborate with relevant agencies to apply for funding from programs where eligibility requirements align.

Infrastructure Investment and Jobs Act (IIJA)

Office	Section	Program	Appropriation	Exp
EPA	71101	Clean School Bus Program (zero-emission buses only)	\$2.5B	FY2026
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DOT	11115	Congestion Mitigation and Air Quality (CMAQ) Improvement Program	\$13.2B	FY2026
	11129	Grants for Charging and Fueling Infrastructure	\$2.5B	FY2026
	11402	Reduction of Truck Emissions at Port Facilities	\$250M	FY2026
	11403	Carbon Reduction Program	\$6.42B	FY2026

Office	Section	Program	Appropriation	Exp
	30018	Grants for Buses and Bus Facilities	\$3.94B	FY2026
	Division J	National Electric Vehicle Formula Program	\$5B	FY2026
	NA	Port Infrastructure Development Program	\$2.25B	FY2026
DOE	40109	State Energy Program	\$500M	FY2026
	40541	Grants for Energy Efficiency Improvements and Renewable Energy Improvements at Public School Facilities	\$500M	FY2026

Inflation Reduction Act (IRA)

Office	Section	Program	Appropriation	Exp
EPA	60101*	Clean Heavy Duty Vehicles	\$600M	9/30/2031
	60102*	Reduction of Air Pollution at Ports	\$3B	9/30/2027
	60103*	GHG Reduction Fund	\$27B	9/30/2024
	60104	Diesel Emissions Reductions	\$60M	9/30/2031
	60105*	Air Pollution	\$235.5M	9/9/2031
	60106*	Air Pollution at Schools	\$50M	9/30/2031
	60107*	Low Emissions Electricity Program	\$70M	9/30/2031
	60108	Section 211(O) of the Clean Air Act	\$5M	9/30/2031
	60109*	Implementation of the American Innovation and Manufacturing Act	\$15M	9/30/2026
	60110*	Enforcement Technology and Public Information	\$3M	9/30/2031
	60112	Environmental Product Declaration Assistance	\$250M	9/30/2031
	60113*	Methane Emissions Reduction Program	\$1.55B	9/30/2028
	60114	Greenhouse Gas Air Pollution Planning Grants	\$250M	9/30/2031
	60114	Greenhouse Gas Air Pollution Implementation Grants	\$4.75B	9/30/2026
		60201	Environmental and Climate Justice Block Grants	\$2.8B
DOT	40007*	Alternative Fuel and Low-Emission Aviation Technology Program	\$297M	2024
DOE	50121	Home Energy Performance-Based, Whole-House Rebates	\$4.3M	9/30/2031
	50122*	High-Efficiency Electric Home Rebate Program	\$4.5B	9/30/2031
	50123	State-Based Home Energy Efficiency Contractor	\$200M	2032

Office	Section	Program	Appropriation	Exp
		Training Grants		
	50131	Assistance for Latest and Zero Building Energy Code Adoption	\$1B	2029
	50145	Tribal Energy Loan Guarantee Program	\$75M	2028

** one or more subsections within section*

POTENTIAL ENVIRONMENTAL MITIGATION PROJECTS FOR THE UTAH INLAND PORT

As the Utah Inland Port Authority (UIPA) is in its initial stages of growth, opportunities to implement operational strategies and emissions reduction programs are prime for mitigating diesel emissions. Early strategy development coupled with federal funding opportunities create a unique opportunity for environmentally beneficial strategies to be implemented through port activities.

The IRA includes a \$3 billion appropriation for reducing emissions at ports with eligibility criteria that complements the framework requirements of SB136, providing that land-locked ports will qualify for the funding. For example, SB136 requires a framework for environmental mitigation projects within and around the inland port area and programs that benefit inland port areas, underserved or underrepresented communities, and nonattainment areas. The eligible activities described in the IRA align with SB136 requirements in that funding may be provided for purchasing or installing zero-emission port equipment or technologies, including relevant planning or permitting for such activities. Funding may also be provided for developing a strategic climate action plan that establishes goals, implementation strategies, and accounting and inventory practices that reduce greenhouse gas emissions, hazardous pollutants, and criteria air pollutants. The plan must also include a strategy to collaborate with, communicate with, and address potential effects on low-income and disadvantaged near-port communities and other stakeholders that may be affected by implementation of the plan and describe measures that will be implemented to increase the resilience of the port involved.

Eligible recipients are port authorities; states, regional, local, or tribal agencies that have jurisdiction over a port authority or a port; an air pollution control agency; or a private entity that applies in partnership with an aforementioned entity and owns, operates, or uses the facilities, cargo-handling equipment, transportation equipment, or related technology of a port. The funding expires September 30, 2027.

In addition to federal funding opportunities, the EPA offers guidance on strategies for reducing

emissions at ports through their Ports Initiative Program. Specifically, the program offers best practices for operational strategies, developing emissions inventories, collaborating with nearby communities, establishing emissions reduction plans, implementing advanced technologies, and using funding opportunities to advance efforts.

Through guidance from the IRA and EPA's Ports Initiative Program, the Department will work in partnership with the UIPA over this next year to develop feasible recommendations for environmental mitigation projects to be implemented by UIPA.

INCENTIVES FOR CLEAN EQUIPMENT USE ON STATE CONSTRUCTION PROJECTS AND REGISTRATION SURCHARGES

The Department has been working with the Utah Department of Government Operations (GovOps), Division of Facilities Management (DFCM), and the Utah Department of Transportation (UDOT) to better understand the type of equipment that is currently operating on state construction sites, the scope of state construction projects, how potential incentives could affect the contract solicitation process, and the effects incentives may have on the construction industry.

Are you in favor of incentives for clean equipment use on state construction projects (e.g. new equipment that meets the most current emissions standards, electric, etc.)?

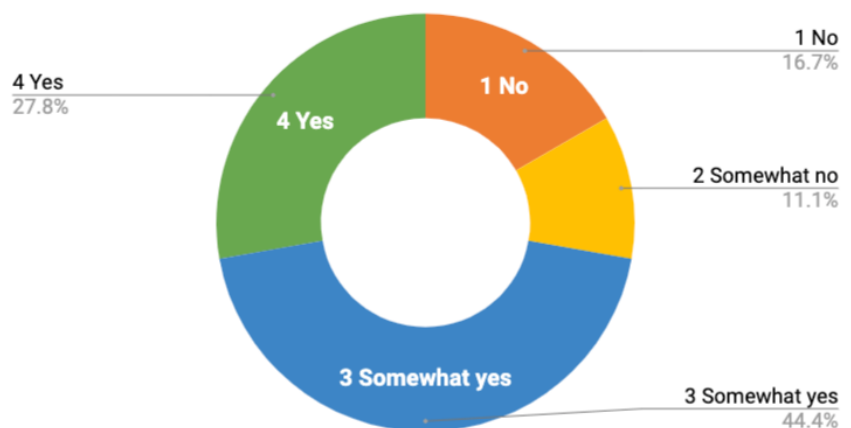


Figure 2

In October 2022, the Department attended the Division of Facilities Management (DFCM) quarterly meeting with members of the Association of General Contractors (AGC) to introduce them to SB136 and get feedback on the most effective ways to engage with a broader representation of their industry to learn more about the type, age, and ownership of equipment being used on state construction projects, how incentives for clean equipment use may affect their industry, and gauge their initial level of support for incentives offered during the contract solicitation process for clean equipment use.

The types of incentives that were discussed included offering higher points for clean equipment use, financial incentives, or a combination of both. The group of 18 members was surveyed on the types of incentives that would be most effective to encourage the use of clean equipment on state construction projects and the responses were split with 55.5% in

favor of financial incentives, 33.3% in favor of a combination of both, and 5% in favor of higher points offered through the contract solicitation process. One respondent explained that if the state were to implement incentives through a point system, 3-5 years to prepare a financial plan for clean equipment would be necessary. Overall, the majority of the group was in favor of the state implementing incentives for clean equipment use on state construction projects. See Figure 2.

Most in attendance were general contractors who primarily own on-road gasoline vehicles. They advised that most of the heavy equipment that is used on state construction sites is provided by subcontractors and mostly rented. A survey question asked about the best way for the state to learn more about the non-road diesel equipment that is operating on state construction sites. Responses include:

- Posting a Request for Information (RFI) through U3P, the Utah Public Procurement Place;
- Online surveys, including surveying subcontractors who are under contract;
- Advisory groups;
- Registration database; and
- Contacting equipment managers within each contractor's organization

Based on the feedback from the industry group, the Department and GovOps will post a RFI on the Utah Public Procurement Place (U3P) for 30 days. The RFI will reach over 3,800 vendors that are associated with heavy construction equipment, including roads, landscaping, maintenance support equipment, nonresidential buildings, warehouse, and specialized trade construction, etc. who are registered with the U3P. Also, in an effort to reach a larger representation of the industry, a survey will be sent to potential contractors, subcontractors, and equipment rental companies to gather data about the following:

- The type, age, and ownership of equipment that is currently being used on state construction projects;
- Challenges with clean equipment use;
- Industry impacts from incentives through the contract solicitation process;
- The types of incentives that would be most effective;
- The most effective way to communicate with the industry (e.g. steering committees, surveys, requests for information, etc.); and

- Level of support for a non-road registration requirement

The Department will continue working with GovOps, UDOT, and the construction industry to better understand the impacts of potential incentives for clean equipment use on state construction projects and use the feedback from the construction industry to determine next steps.

SUMMARY

Through a combination of efforts that include gathering information about other states' experiences with incentive and registration programs, reviewing guidance and best practices for reducing emissions at ports, identifying federal funding opportunities for potential programs in Utah, engaging with industry groups, and collaborating with relevant agencies and organizations, the Department has laid the groundwork for the next phase of research, collaboration, and planning to identify a viable framework for a Utah-specific diesel emission reduction program.