

Funding Opportunities

**Volkswagen Environmental
Mitigation Trust
and
Texas Emissions Reduction Plan**

Presentation

- **Texas Emissions Reduction Plan (TERP): Overview and Status**
- **Volkswagen Environmental Mitigation Trust: New Funding Opportunity for Texas**

Texas Emissions Reduction Plan (TERP)





What is TERP?

- Provides grants to reduce nitrogen oxides (NO_x) emissions from mobile sources
- Supports programs to encourage the use of alternative fuels for transportation in Texas
- Helps to keep the air in Texas clean

**GET MONEY TO UPGRADE OR REPLACE
YOUR TRUCK OR EQUIPMENT - AND KEEP
THE AIR CLEAN!**



Why Reduce NO_x Emissions?

Ground level ozone is created by chemical reactions of NO_x and volatile organic compounds (VOC) in the presence of sunlight.

NO_x + VOC + Sunlight = OZONE



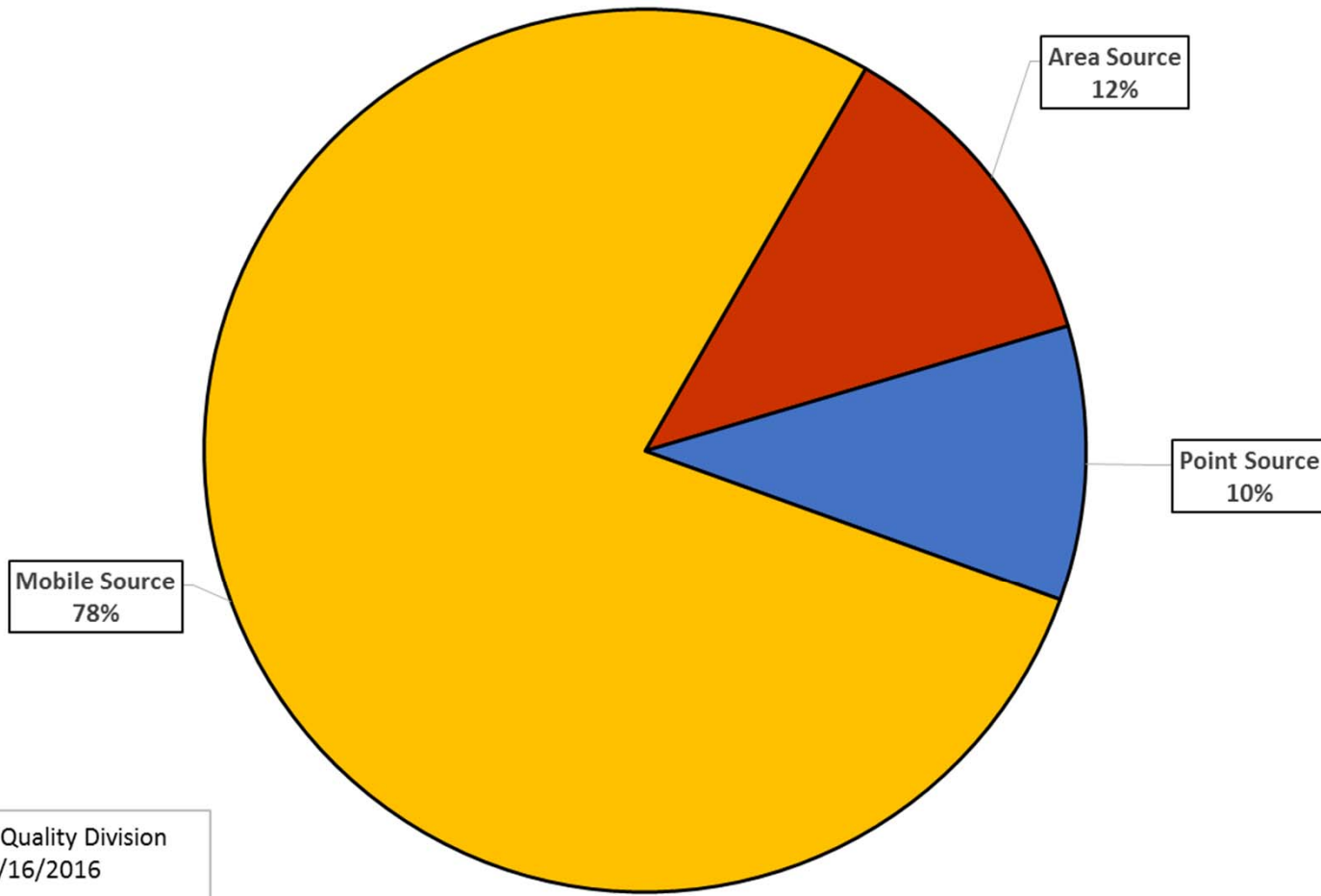
Mobile Sources of NO_x



NO_x Emissions by Source Dallas-Fort Worth Area



2015 Dallas-Fort Worth NO_x Emissions in Tons Per Year



Counties:

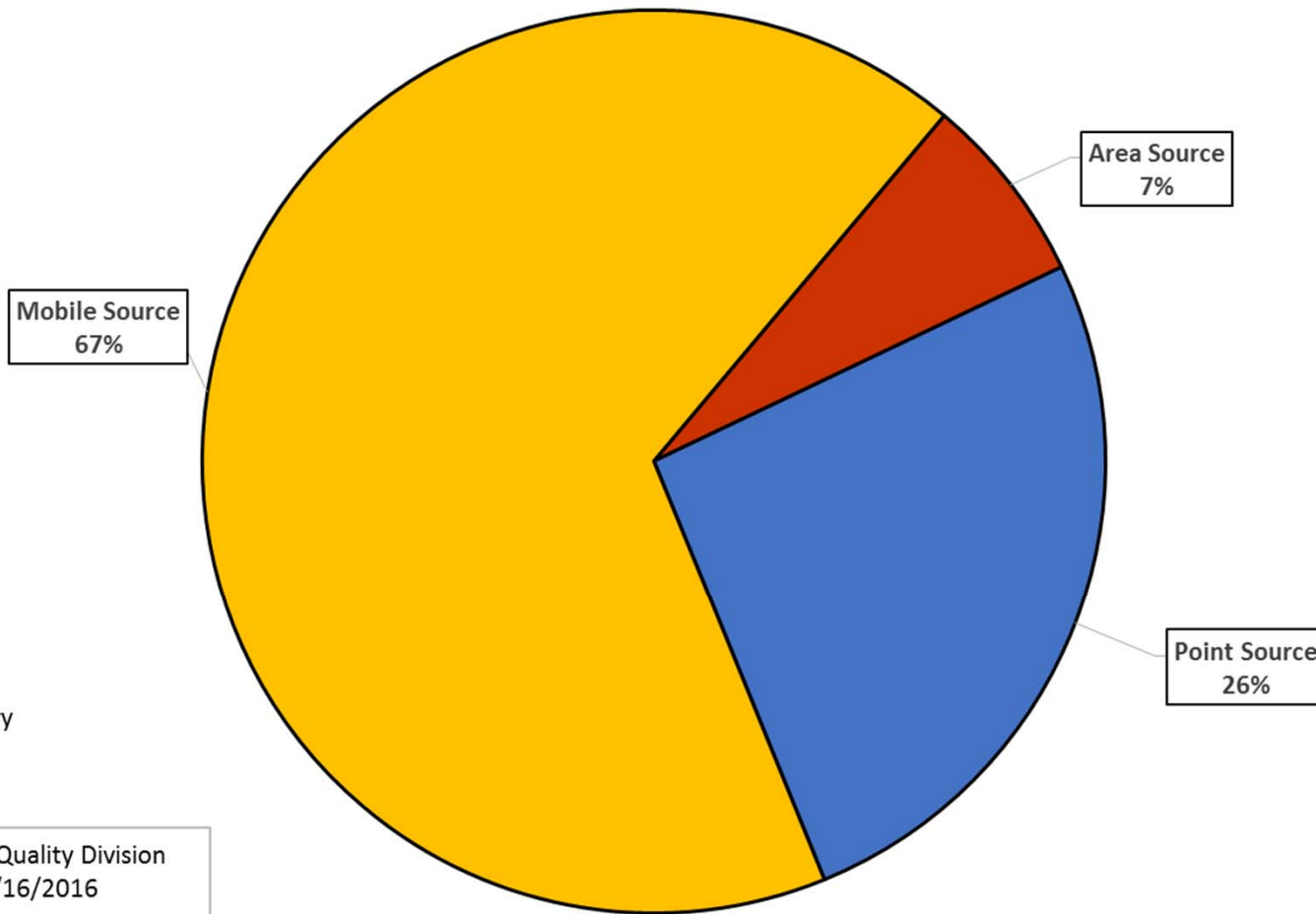
- Collin
- Dallas
- Denton
- Ellis
- Johnson
- Kaufman
- Parker
- Rockwall
- Tarrant
- Wise

Source: Air Quality Division
Updated: 9/16/2016

NO_x Emissions by Source Houston-Galveston-Brazoria Area



2015 Houston-Galveston-Brazoria NO_x Emissions in Tons Per Year



Counties:

- Brazoria
- Chambers
- Fort Bend
- Galveston
- Harris
- Liberty
- Montgomery
- Waller

Source: Air Quality Division
Updated: 9/16/2016



How Does TERP Reduce NO_x Emissions from Mobile Sources?

- Through the early retirement of heavy-duty vehicles and pieces of equipment, particularly those with large diesel engines
- By replacing or upgrading older engines with newer models or retrofit systems with more stringent federal emission standards for NO_x and other pollutants





Example TERP Grantee

- Owns a small trucking company in Houston, Texas.
- Owned and operated a 1989 Peterbilt dump truck.
- Operates 100% of the time in the Houston area hauling sand and gravel between job sites.





Example TERP Grantee

After comparing the emissions of the vehicle being replaced and the emissions of the vehicle being purchased, the owner found it hard to believe that not only would TERP help him replace his old truck, the new truck would emit 98% fewer emissions than his old one.

98%
CLEANER





Example TERP Grantee

New Vehicle Cost = \$154,000

Maximum Grant
Amount at 80%
of the Cost to
Replace the
Vehicle

\$123,200

Amount
Requested:

\$120,000





Example TERP Grantee



Grantee was reimbursed \$120,000
Grantee was left with a balance of only \$34,000

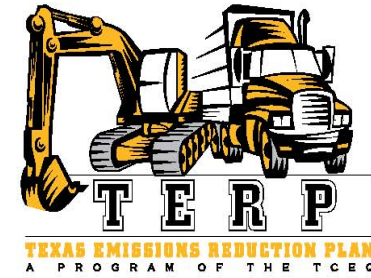


Is there a TERP Grant for You?

- **Diesel Emissions Reduction Incentive (DERI) Program**
 - Emissions Reduction Incentive Grants (ERIG) Program
 - Rebate Grants Program
 - Third-Party Grants Program
- **Seaport and Rail Yard Areas (SPRY) Emissions Reduction Program**
- **Texas Clean Fleet Program (TCFP)**
- **Texas Natural Gas Vehicle Grant Program (TNGVGP)**
- **Alternative Fueling Facilities Program (AFFP)**
- **Texas Clean School Bus Program (TCSB)**
- **New Technology Implementation Grant (NTIG) Program**

Diesel Emissions Reduction Incentive Program

Eligible Counties



Austin Area:

Bastrop
Caldwell
Hays
Travis
Williamson

Beaumont-Port Arthur:

Hardin
Jefferson
Orange

Corpus Christi Area:

Nueces
San Patricio

Dallas-Fort Worth:

Collin
Dallas
Denton
Ellis
Henderson
Hood
Hunt
Johnson
Kaufman
Parker
Rockwall
Tarrant
Wise

Houston-Galveston-Brazoria:

Brazoria
Chambers
Fort Bend
Galveston
Harris
Liberty
Montgomery
Waller

San Antonio Area:

Bexar
Comal
Guadalupe
Wilson

Tyler-Longview:

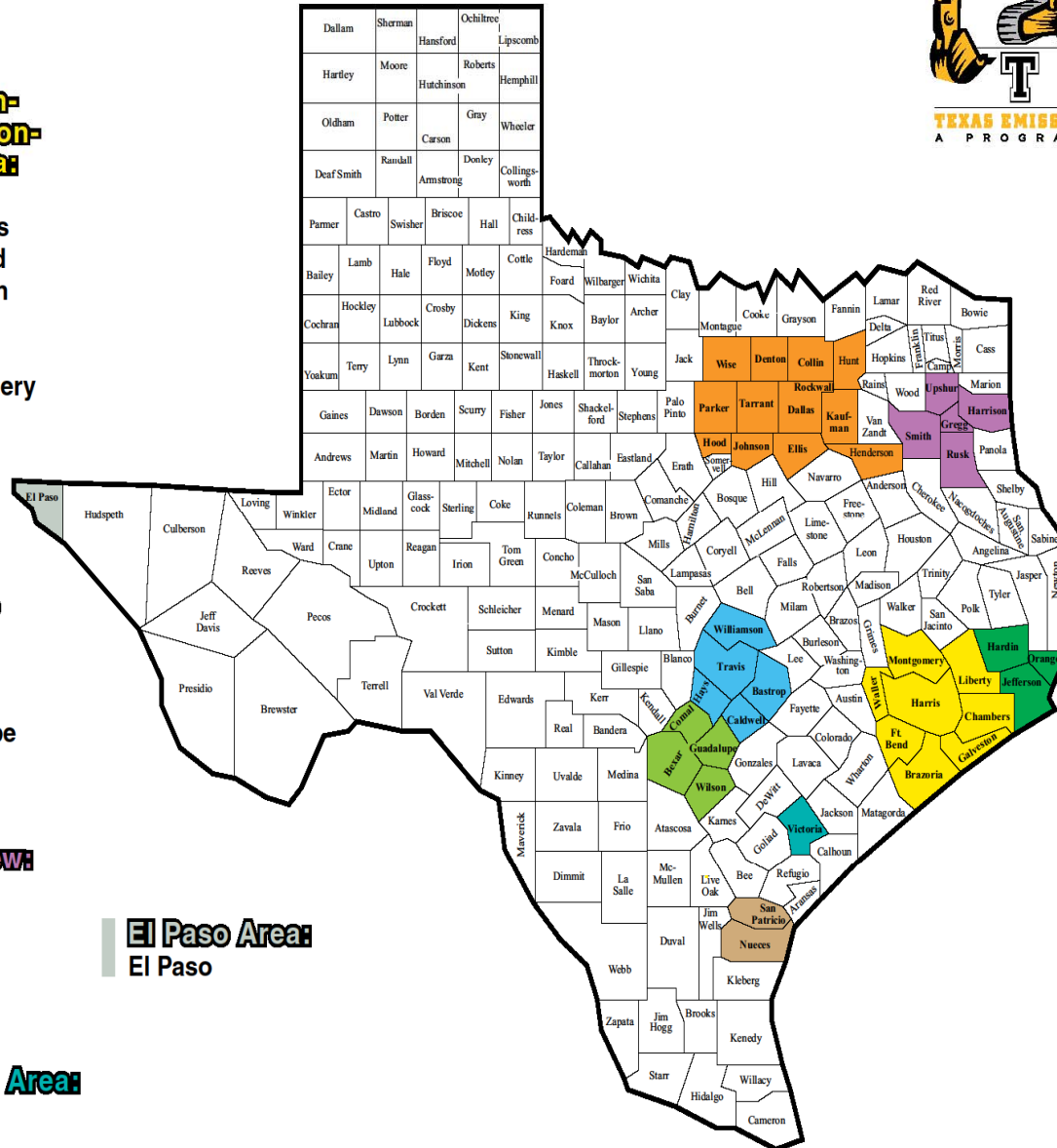
Gregg
Harrison
Rusk
Smith
Upshur

Victoria Area:

Victoria

El Paso Area:

El Paso





Emissions Reduction Incentive Grants

A competitive grant program that provides incentives to repower or replace older heavy-duty vehicles, non-road equipment, locomotives, marine vessels, and stationary equipment

Eligible replacement vehicles and equipment include:

- Diesel Engines
- Alternative Fuel Vehicles and Equipment
- Hybrid Vehicles and Equipment
- Idle Reduction Infrastructure
- Refueling Infrastructure



Rebate Grants

Limited to replacement or repower of heavy-duty on-road diesel vehicles and select non-road equipment

- Faster, simpler process for projects consistent with the ERIG requirements
- First-come, first-served - quicker selection process
- On-road diesel vehicles and equipment may be replaced with diesel, natural gas, propane, or electric-powered vehicles



Seaport and Rail Yard Areas Emissions Reduction Program

Provides incentives for the replacement of older drayage trucks and cargo handling equipment operating at seaports and Class I rail yards in areas of Texas designated as nonattainment on a first-come, first-served basis

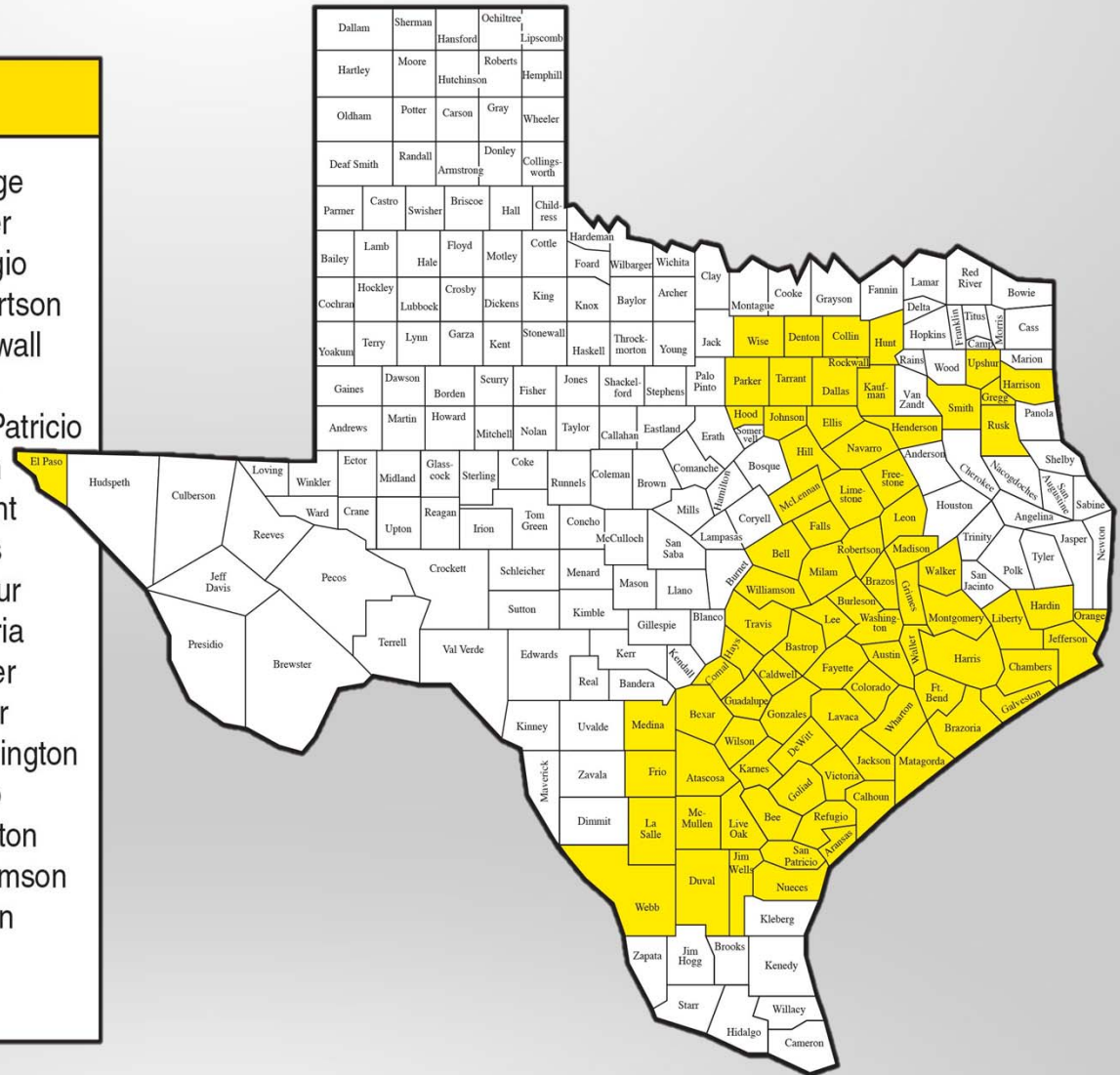
- Eligible applicants must operate at eligible seaports and Class I intermodal rail yards located in the state's air quality nonattainment areas.
- Other participating facilities of the Houston Ship Channel Security District (HSCSD) may also be considered.
- Models of drayage trucks and other equipment eligible for replacement under this program include:
 - Heavy-duty on-road vehicles with a gross vehicle weight rating (GVWR) over 26,000 pounds
 - Non-road yard trucks
 - Other non-road cargo handling equipment



Clean Transportation Zone

Eligible Counties

Aransas	Ellis	Jefferson	Orange
Atascosa	Falls	Jim Wells	Parker
Austin	Fayette	Johnson	Refugio
Bastrop	Fort Bend	Karnes	Robertson
Bee	Freestone	Kaufman	Rockwall
Bell	Frio	La Salle	Rusk
Bexar	Galveston	Lavaca	San Patricio
Brazoria	Goliad	Lee	Smith
Brazos	Gonzales	Leon	Tarrant
Burleson	Gregg	Liberty	Travis
Caldwell	Grimes	Limestone	Upshur
Calhoun	Guadalupe	Live Oak	Victoria
Chambers	Hardin	Madison	Walker
Collin	Harris	Matagorda	Waller
Colorado	Harrison	Medina	Washington
Comal	Hays	McLennan	Webb
Dallas	Henderson	McMullen	Wharton
Denton	Hill	Milam	Williamson
DeWitt	Hood	Montgomery	Wilson
Duval	Hunt	Navarro	Wise
El Paso	Jackson	Nueces	





Texas Clean Fleet Program

Provides incentives to owners of large fleets in Texas to replace diesel vehicles with alternative fuel and hybrid vehicles

- This program allows for replacement of light-duty and heavy-duty diesel vehicles.
- Applicants must own at least 75 vehicles and operate those vehicles in Texas.
- Applicants must apply to replace at least 10 vehicles.
- Replacement vehicles must be hybrid vehicles or vehicles fueled by one of the following alternative fuels: Electricity, Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), Hydrogen, Propane (LPG), or methanol (85% by volume).
- Vehicles must operate in the Clean Transportation Zone.



Texas Natural Gas Vehicle Grant Program

Provides grants for the replacement and repower of heavy-duty and medium-duty vehicles and engines with heavy-duty and medium-duty compressed or liquefied natural gas (CNG or LNG) and liquefied petroleum gas (LPG) vehicles and engines

- Awards are made on a first-come, first-served basis.
- The new engine must be certified to emit no more than 0.2 grams per brake horsepower-hour of NO_x.
- Vehicles must be operated in the Clean Transportation Zone.



Alternative Fueling Facilities Program

- **Provides grants for the construction or expansion of facilities to dispense natural gas**
- **Provides grants for the construction or expansion of facilities to dispense other alternative fuels**
 - Eligible Alternative Fuels include: Biodiesel, Hydrogen, Methanol (85% by volume), Natural Gas, Propane, and Electricity.
 - Facilities must be in the Clean Transportation Zone.



Texas Clean School Bus Program

The Texas Clean School Bus Program is a statewide program designed to reduce the potential for exposure of children and the public to pollutants from diesel exhaust from school buses.

- Projects may include retrofitting school buses with diesel oxidation catalysts, diesel particulate filters, and emissions-reducing add-on equipment.
- Projects may now also include replacement of older school buses with a new bus.
- This program has focused on the reduction of particulate matter (PM₁₀) in diesel exhaust by replacing or retrofitting older school buses.
- With the addition of replacement projects, the program also reduces NO_x in the area of operation.



New Technology Implementation Grants

The purpose of this grant program is to offset the cost of the implementation of existing technologies that reduce the emissions from facilities and other stationary sources in Texas.

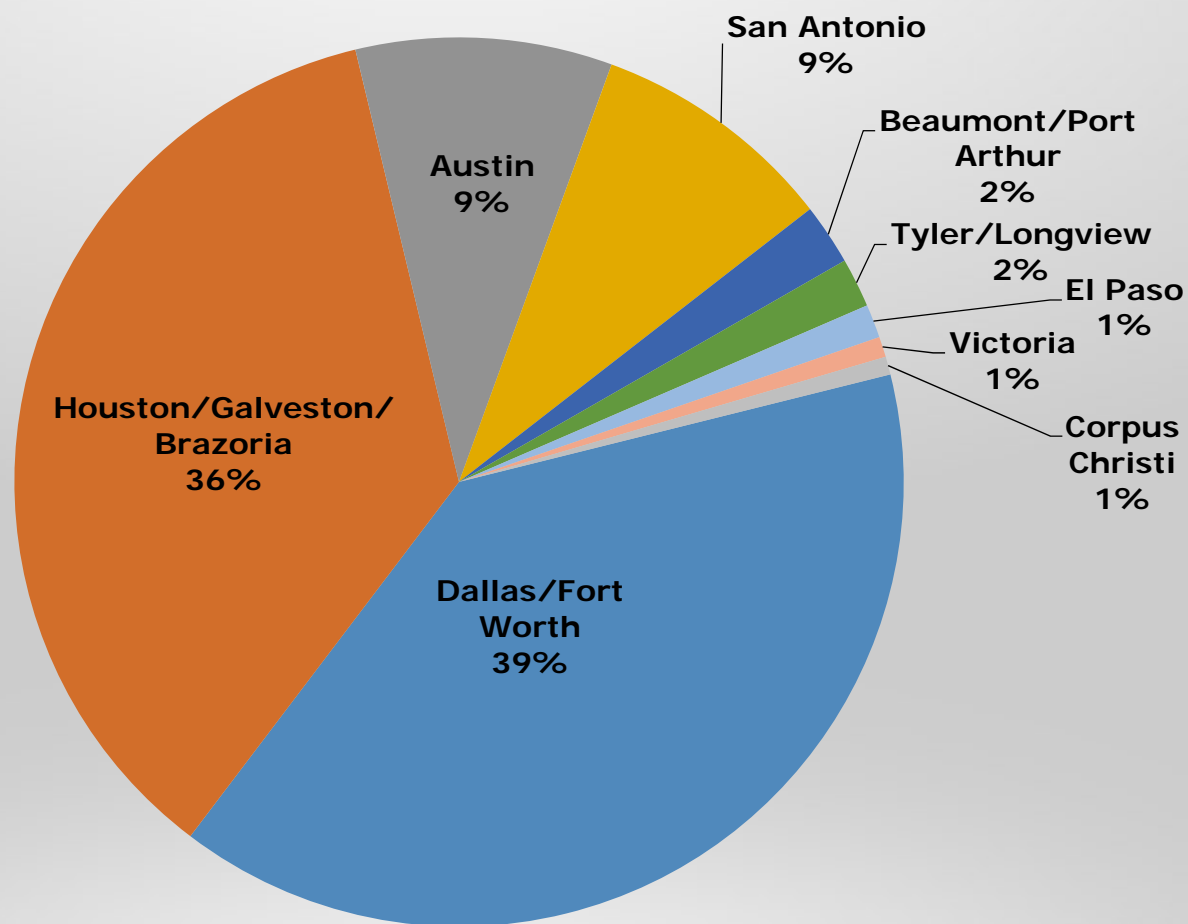
Eligible categories include:

- Advanced Clean Energy Projects
- Electricity Storage related to renewable energy
- New Technology projects that reduce emissions from regulated pollutants from stationary sources
- New Technology projects that reduce emissions from upstream and midstream oil and gas activities – completions, production, gathering, storage, processing, and transmission



How Are We Doing?

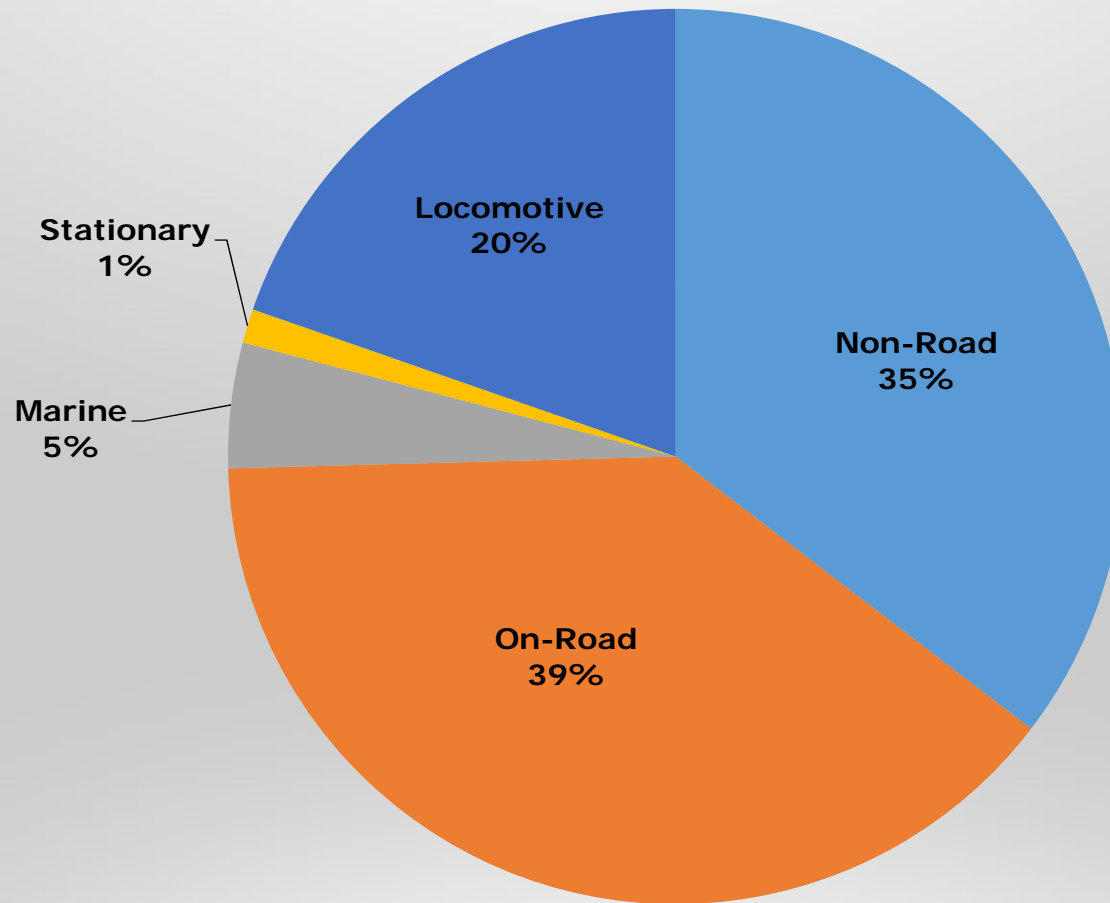
DERI Funds Awarded by Area September 2001-August 2017





How Are We Doing?

DERI Funds Awarded by Emission Source September 2001 - August 2017





TERP Funding and Implementation FY 2018 – 2019

Program	FY 18 Funding	FY 19 Funding	Planned Opening
Diesel Emissions Reduction Incentive <ul style="list-style-type: none"> • Emissions Reduction Incentive Grants • Rebate Grants 	\$33.2M	\$39.2M	May 2018
Texas Natural Gas Vehicle Grants Program	\$7.7M	\$7.7M	Now open through May 31, 2019, or until all funds awarded
Seaport and Rail Yard Areas Emissions Reduction Program	\$4.6M	\$4.6M	October 2018
Texas Clean Fleet Program	\$3.9M	\$3.9M	July 2018
Light-Duty Motor Vehicle Purchase or Lease Incentive Program	\$3.9M	\$3.9M	June 2018
Texas Clean School Bus Program	\$3.1M	\$3.1M	Next round Fall 2018
Alternative Fueling Facilities Program	\$6M	\$0	Ended April 2018
New Technology Implementation Grants	\$2.3M	\$2.3M	Next round June 2018



TERP Email Updates



TEXAS COMMISSION
ON ENVIRONMENTAL QUALITY

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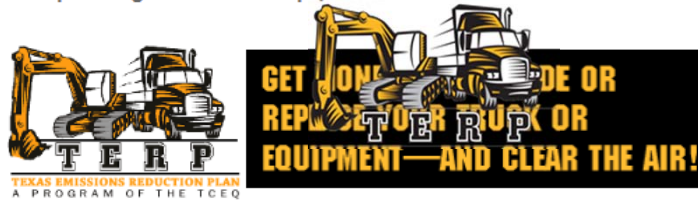
- Cleanups, Remediation
- Emergency Response
- Licensing
- Permits, Registration
- Preventing Pollution
- Recycling
- Reporting
- Rules

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>> Questions or Comments:
terp@tceq.texas.gov

Texas Emissions Reduction Plan (TERP)

The TERP program provides financial incentives to eligible individuals, businesses, or local governments to reduce emissions from polluting vehicles and equipment.



New and upgraded equipment pollutes less, improving the air quality in Texas. **Grant applications are accepted at different times throughout the year, depending on available funds.**

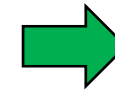
We believe these to be taxable grants. Please consult with your tax advisor.

NEW ITEMS:

Proposed Revisions to TERP Rules and Guidelines

Proposed Rulemaking

The TCEQ has proposed revisions to the rules for the TERP Drayage Truck Incentive Program under 30 Texas Administrative Code Chapter 114, Control of Air Pollution From Motor Vehicles, §114.680 and §114.682. Copies of the proposed revisions



Sign up for e-mail updates.

Receive TERP Updates

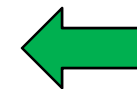
Need more information?

Call (toll-free)

800-919-TERP (8377)

Or see [other contact info](#).

Upcoming TERP Meetings and Workshops



- Information for potential applicants and interested parties: grant program workshops, application assistance sessions, and public meetings.

Data and Records

Forms

Maps

Public Notices

Publications

Webcasts

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TERP Contact Information

- **Website:** **www.terpgrants.org**
- **Email:** **terp@tceq.texas.gov**
- **Toll Free:** **800-919-TERP (8377)**



Volkswagen Environmental Mitigation Trust

EPA Complaint

- U.S. Environmental Protection Agency (EPA) complaint filed January 1, 2016 against Volkswagen (VW) and subsidiary companies
- 500,000 model year 2009-2015 2.0 liter diesel vehicles and approximately 80,000 model year 2009-2016 3.0 liter diesel vehicles
- The engine control module (ECM) on each subject vehicle contained computer algorithms to the emission control systems causing higher NO_x emissions during normal operation than during emissions testing

Resolution

- The EPA, California, and VW resolved this case through three partial consent decrees.

Remedies

- Buyback/Lease Termination and Vehicle Modification Recall Program (visit www.vwcourtsettlement.com)
- Zero Emission Vehicle (ZEV) Investment Commitment (visit www.electrifyamerica.com)
- Environmental Mitigation Trust

Environmental Mitigation Trust

- \$2.9 billion is allocated among the states, Indian tribes, Puerto Rico, and District of Columbia.
- There are two trusts: one for Indian tribes and one for states and territories.
- **Texas' share from the state trust is at least \$209,319,163.**
- Funding allocation is generally based on the number of impacted VW vehicles in each jurisdiction.

Trustee

- On March 15, 2017, the court appointed Wilmington Trust N.A. to serve as Trustee.
- The final Trust Agreement was filed with the court and became effective October 2, 2017.
- The Trustee filed the designation of beneficiaries with the court on January 29, 2018; Texas was included as a designated beneficiary.

Lead Agency

- Governor Abbott selected the TCEQ as the Lead Agency to administer the program in Texas.

Beneficiary Mitigation Plan

- Must be filed not later than 30 days before submission of the first funding request.
- Summarizes how the Beneficiary plans to use the funds, addressing:
 1. Overall goal for use of the funds
 2. Categories of Mitigation Actions and preliminary assessment of the percentages of funds anticipated to be used for each type of action
 3. Description of how the Beneficiary will consider the potential beneficial impact on air quality in areas that bear a disproportionate share of the air pollution burden
 4. General description of the expected ranges of air emissions benefits

Public Comment

- The TCEQ will release a draft plan for public comment in the near future and will schedule public meetings in different regions of the state.
- The public comment period will last for up to 90 days.
- The final plan will be sent to the Trustee, after which the TCEQ will begin implementing the grant programs outlined in the approved plan.
- Visit the TCEQ's VW website www.TexasVWFund.org for information and to sign up for email notices regarding the availability of the draft plan for review.

Funding Requests

- Beneficiaries have up to 10 years to spend at least 80% of their allocation; an additional five years is available if the 80% minimum is met.
- Beneficiaries may request up to 1/3 during the first year, or 2/3 during the first two years.
- Beneficiaries may use Trust Funds for actual administrative expenditures associated with implementing each Eligible Mitigation Action, not to exceed 15% of the total cost of the Eligible Mitigation Action. **The TCEQ intends to use much less than the authorized maximum amount for administration.**

Eligible Mitigation Actions under the Trust Agreement

- Class 8 Local Freight Trucks and Port Drayage Trucks
- Class 4-8 School Bus, Shuttle Bus, or Transit Bus
- Freight Switchers
- Ferries/Tugs (**repower only**)
- Ocean Going Vessels (OGV) Shorepower
- Class 4-7 Local Freight Trucks
- Airport Ground Support Equipment (**electric**)
- Forklifts and Cargo Handling Equipment (**electric**)
- Light-Duty Zero Emission Vehicle Supply Equipment
- Diesel Emission Reduction Act (DERA) Option

Eligible Mitigation Actions – Percentage of Cost Limits

In general, the Trust Agreement allows for reimbursement of **Repower or Replacement** costs at the following rates:

- Non-Governmental Electric: 75%
- Non-Governmental Repower: 40%
- Non-Governmental Replacement: 25%
- Governmental (all categories): 100%

Shorepower projects may be reimbursed at 25% for non-governmental and 100% for governmental projects

Light-Duty ZEV Supply Equipment projects may be reimbursed based on a range of percentages, depending upon the type of facility (government, non-government, workplace, multi-family units, etc.)

VW Contact Information

- **Website: www.texasvwfund.org**
- **Email: vwsettle@tceq.texas.gov**
- **Toll Free: (833) 215-TXVW (8989).**

