

**STATEMENT OF THE
MANUFACTURERS OF EMISSION CONTROLS ASSOCIATION
ON THE U.S. ENVIRONMENTAL PROTECTION AGENCY'S PROPOSED
RULEMAKING NONCONFORMANCE PENALTIES FOR ON-HIGHWAY HEAVY-
DUTY DIESEL ENGINES**

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The Manufacturers of Emission Controls Association (MECA) is pleased to provide comments to the U.S. EPA's proposed rulemaking to make nonconformance penalties (NCPs) available to manufacturers of heavy-duty diesel engines for model year 2012 and beyond for meeting the 2010 on-highway NOx emission limits. We understand the role that NCPs have played in previous rule makings, to provide "technology laggards" some additional time to develop technology to meet the standard rather than being forced from the market. We strongly believe that the option of complying with emission standards via the use of NCPs may have unintended consequences if the financial penalties to pay for compliance are not substantial enough.

MECA is a non-profit association of the world's leading manufacturers of emission control technology for mobile sources. Our members have over 40 years of experience and a proven track record in developing and manufacturing emission control technology for a wide variety of on-road and off-road vehicles and equipment, including extensive experience in developing emission controls for heavy-duty engines and vehicles in all world markets. Our industry has developed the SCR NOx exhaust control technologies being employed by most of the heavy-duty diesel engine and vehicle manufacturers to comply with the 0.2 g/bhp-hr NOx limits established by EPA's 2007/2010 on-highway regulation. MECA members have made SCR technology available to all interested engine manufacturers and have worked side-by-side with their customers to successfully integrate exhaust control technologies like SCR with engines to deliver cost effective powertrains that meet U.S. EPA's emission standards.

The experience of our industry over the last 40 years vividly demonstrates the connection between vehicle emission regulation and economic development. Prior to 1970, our industry did not exist. But, with the enactment of the Clean Air Act in 1970, our industry has flourished, developing successive generations of technology to meet ever tightening regulatory standards. Since the introduction of the catalytic converter in 1975, more than 500 million light-duty vehicles have been sold in the United States equipped with exhaust and evaporative emission control technologies developed by our industry. For heavy-duty diesel vehicles, since 2007, more than two million heavy-duty (and medium-duty) trucks have been sold in the U.S. equipped with diesel particulate filters (for control of particulate matter) to fulfill emission requirements under EPA's heavy-duty highway rulemaking. The deployment of diesel particulate filters on diesel trucks in the U.S. has translated into significant emission control economic activity that surpasses \$6 billion dollars in the U.S. over the since 2007. Adding in the fact that the majority of diesel trucks sold in the U.S. since 2010 have also been equipped with selective catalytic

reduction systems (for control of nitrogen oxides), medium- and heavy-duty truck sales in the U.S. since 2010 have added more than \$2 billion in economic activity related to NOx catalytic emission control technologies. The light-duty and heavy-duty vehicle sectors combined have generated an estimated \$250-\$300 billion in U.S. economic activity since 1975. In 2010 alone, our industry generated approximately \$12 billion of economic activity in the U.S. EPA's long history of setting cost effective emission reduction regulations for the mobile sector continues to fuel growth in a thriving U.S. industry that represents 65,000 U.S. green technology jobs focused on developing and manufacturing a wide range of technologies that reduce vehicle criteria emissions.

Emission regulations, like EPA's 2007/2010 on-highway rule represent market drivers for our industry as emission limits set future technology goals for new product development. The presence of a compliance option such as NCPs, if not managed carefully, may send a message that complying with environmental standards is a business decision. A powertrain manufacturer may decide to take short term profits rather than investing millions of dollars and years of resources into R&D, manufacturing upgrades and other new product commercialization costs and in the end fall back on NCPs to buy their way into compliance. Incentivizing such an approach is a significant concern to MECA members and threatens the establishment of a fair market, based on a level playing field. Furthermore, complying with NCPs makes no progress toward achieving the health-based emission reductions which are the goal of EPA's air quality program and the basis for setting emission regulations.

Because NCPs are a compliance option in the Clean Air Act, protecting against their potential abuse rests on ensuring that the penalties are stringent enough and incorporate adequate annual escalation factors to deter their use as a long term compliance option on par with implementing the most effective emission reduction technologies that actually deliver emission reductions. NCP penalties should not be based simply on the costs of developing and commercializing emission reduction technologies because such an approach does not consider the societal costs of higher emissions. In EPA's analysis of costs, the maximum penalty is based on the worst case cost that a complying manufacturer had to pay to reduce emissions to meet the standard. However, NCPs don't deliver the emission reductions and don't achieve the health benefits that true, technology based compliance strategies deliver. Although NCPs may serve a purpose to promote long term competition in the market, the penalties need to deter their potential abuse.

In summary, MECA commends U.S. EPA for their long standing program to promulgate innovative and cost effective emission regulations that offer long term health benefits to the citizens of the United States. These regulations also serve to create and support green technology jobs and stimulate a thriving green economy. We urge the agency to manage the NCP compliance option so as to not threaten the future development of advanced technologies that actually deliver the emission reductions used to justify the original rule. Our industry is prepared to do its part and deliver cost-effective, advanced exhaust emission control technologies to the market and to work with all regulated parties to implement these technologies to achieve the emission goals of the on-highway heavy-duty diesel regulation.

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