

## **Environmental Groups and Industry Proposal for DERA Funding**

### **Proposal**

A broad-based group from the environmental and health community and industry urge appropriators to include \$1.5 billion for the Diesel Emissions Reduction Act (“DERA”) in the economic recovery package.

### **Background**

Back in 2005, President-elect Obama joined a bi-partisan group of 21 other Senators to co-sponsor the Diesel Emissions Reduction Act of 2005 (“DERA”). The bill subsequently passed the Senate by a margin of 92 to 1 and was included in the Energy Policy Act of 2005, with the strong support of environmental groups, state governments, businesses, and trade associations. Rarely has an environmental initiative enjoyed such a broad base of support.

EPA has advised Congress that it has the capability to disburse \$1.5 billion expeditiously to fund clean diesel retrofits under DERA. This is due to the fact that the agency has the administrative infrastructure in place, EPA has a large backlog in applications pending that cannot be funded, and the industry has enormous excess capacity because of the recession that can be activated quickly. The demand for funding is strong. According to a letter from Governor Schwarzenegger, California alone needs \$1.6 billion in DERA funding.

Independent economic analysis shows that \$1.5 billion in DERA funding can have a significant positive impact on the economy. According to an analysis prepared by Dr. Robert Wescott, who served on the Council of Economic Advisors during the Clinton Administration, such a level of funding could save 39,000 to 50,000 jobs and generate \$6.8 billion to \$8.7 billion in additional economic output. The actual economic effect depends upon the degree of matching funds that EPA is able to generate. In the past, EPA has been able to generate \$1.38 of matching funds for every \$1 of federal expenditures.

A substantial increase in DERA funding will also contribute significantly toward a cleaner environment. According to EPA, there are 11 million heavy duty vehicles and engines in-use today. These in-use vehicles and engines are the primary source of diesel emissions. The installation of clean diesel retrofits on the existing fleet can reduce particulate matter emissions by over 90% and achieve substantial health benefits cost effectively. EPA estimates that \$13 of health and economic benefits are generated from every \$1 spent on the DERA program.

Moreover, increasing the installation of clean diesel retrofits through significant funding for DERA can generate global warming benefits. Recent studies show that black carbon from diesel exhaust has significant global warming potential. Clean diesel retrofits reduce this black carbon by over 90%.