

HB 2269 -1, -3, -4 STAFF MEASURE SUMMARY

House Committee On Energy and Environment

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 3/27, 4/10

WHAT THE MEASURE DOES:

Adds grants and loans for replacements to permissible uses of moneys in Clean Diesel Engine Fund. Requires certain minimum standards be adopted by Environmental Quality Commission (EQC) for qualifying replacements of vehicles and non road equipment, repowers and retrofits.

Authorizes State of Oregon to receive moneys pursuant to Volkswagen Environmental Mitigation Trust Agreement (Agreement), deposit agreement moneys in Clean Diesel Engine Fund (Fund). Expands use of Fund to include grants and loans to owners and operators of diesel motor vehicles and equipment for up to 25 percent of the certified cost of qualifying replacements. Authorizes EQC to increase allowable grant or loan award rates percentages if the higher rate would benefit sensitive populations or areas with elevated concentrations of diesel particulate or increase participation. Requires grant or loan applicant to demonstrate that the the vehicle or equipment will undergo at least 50 percent of its use in Oregon. Specifies allocation preferences for money deposited into Fund as result of of grants from Agreement moneys and authorizes EQC to adopt rules to establish preferences.

Removes requirement that certain rules adopted by Environmental Quality Commission may be applied to specific stationary source only if expressly incorporated as condition in permit.

Allows assessment of civil penalties for violations of certain motor vehicle emission standards by persons other than motor vehicle owners and their lessees. Declares emergency, effective on passage.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

-1 Establishes special activity fee to fund investigation of complaints related to sources subject to federal operating permit program . Limits special activity fee to base amount of \$317 plus \$.037 per ton of each regulated pollutant emitted during prior calendar year, subject to annual fee increases. Establishes one-time supplemental fee at a base amount of \$1,256 plus \$9.49 per ton of each regulated pollutant during 2016 calendar year. Stipulates specific one-time supplemental fee amounts for certain sources.

Restores definition of Oregon diesel engine. Adds vehicles owned and operated by federal or local government to list of preferred grant recipients.

Restores requirement that certain rules adopted by Environmental Quality Commission may be applied to specific stationary source only if expressly incorporated as condition in permit. Removes section applying to conforming amendments.

-3 Removes sections modifying fee schedule for sources subject to federal operating permit program under Title V of federal Clean Air Act.

-4 Establishes specific activity fee to fund investigation of complaints related to sources subject to federal operating permit program. Limits specific activity fee to base amount of \$317 plus \$.037 per ton of each regulated pollutant emitted during prior calendar year, subject to annual fee increases. Establishes one-time supplemental fee at a base amount of \$1,256 plus \$9.49 per ton of each regulated pollutant during 2016 calendar year. Stipulates specific

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one-time supplemental fee amounts for certain sources.

Restores definition of Oregon diesel engine. Changes definition of scrap to mean destroy, render inoperable and recycle and requires EEQC to establish, by rule, standards for methods of recycling used for scrapping a motor vehicle, nonroad piece of equipment or engine after qualifying replacement or repower. Adds vehicles owned and operated by federal or local government to list of preferred grant recipients.

Restores requirement that certain rules adopted by Environmental Quality Commission may be applied to specific stationary source only if expressly incorporated as condition in permit. Removes section applying to conforming amendments.

BACKGROUND:

The Clean Air Act requires each state's Title V operating permit program to be fully funded by permit fees. Oregon's Title V fees include annual fees and fees for specific activities such as permit modifications. The annual fees include a base fee and emission fees. Each facility that is subject to the Title V operating permit program is required to pay Title V fees. The fees are governed by Oregon Administrative Rules 340-220-0010 through 0190. The fee rates are adjusted annually to keep pace with inflation. House Bill 2269 modifies the Title V fee structure.

On January 24, 2016, the United States and the State of California filed a lawsuit against Volkswagen alleging it had manufactured diesel cars with systems intended to defeat emissions tests. These systems allowed vehicles to emit nitrogen oxide (NOx) pollution at levels that significantly exceeded the amounts allowed under the Clean Air Act. On June 28, 2016, a federal court initially approved a partial settlement of the lawsuit. The proposed settlement consists of three major parts: relief for owners and lessees of the Volkswagen and Audi brand noncompliant vehicles; a commitment by Volkswagen to spend \$2 billion on various actions to promote the use of zero emission vehicles; and establishing an environmental mitigation fund to offset the impact from these vehicles' excess emissions. The mitigation fund will consist of \$2.7 billion to be distributed among states based on the proportion of VW diesel vehicles registered in each jurisdiction. Under this formula Oregon is expected to receive about sixty-eight million dollars. House Bill 2269 authorizes the state to receive funds pursuant to the Volkswagen Environmental Mitigation Trust Agreement and establishes preferences for spending those funds.