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To the members of the House Committee on Environmental Regulation.

May 25, 2022

Via hand delivery and by email to ben.lancaster@house.texas.gov.

Re: Public Citizen Testimony on Allocation of TERP Funds

Dear Chairman Landgraf and members of the committee:

Public Citizen appreciates the opportunity to testify at this interim committee hearing of the House Committee on Environmental Regulation on the subject of allocation of Texas Emission Reduction Plan (TERP) funds.

We delivered oral and written testimony at the April 26, 2022 hearing of this committee about the considerable public health benefits of air pollution reductions by TERP. TERP is a cost-effective, voluntary program to reduce air pollution from vehicles and other sources in Texas.

A summary of our position on TERP fund allocations:

- All TERP funds should be spent each biennium for their intended purpose of reducing air pollution.
- The Diesel Emissions Reduction Incentive (DERI) Program should remain the largest program as it provides the most cost-effective NOx reductions.
- The Texas Natural Gas Vehicle Grants Program (TNGVGP) undersubscribed and not cost-effective and its funding should be decreased.
- The Light Duty Purchase or Lease Incentive Program (LDPLIP) should receive more funding to offer rebates to more Texans who purchase electric vehicles (EVs).
- The energy efficiency programs should be expanded.
- Ports should receive more funding for more projects.

I. Diesel Emissions Reduction Incentive (DERI) Program should continue to receive the most funding.

DERI should continue to receive the most funding of all TERP programs. By statute DERI receives the balance of all otherwise unallocated TERP funds. It received \$30 million of the \$77 million in funds allocated in FY 2020 and 2021.

Key to its success is removal of the oldest, most polluting heavy-duty diesel trucks. We recommend a continued focus, supported by outreach, on these trucks.



DERI Quick Facts:¹

- \$1,147,735,817 for 12,331 grant projects since 2001.
- 183,434 tons of NOX reductions; 97 percent of the NOx reductions in TERP history.
- By far the most cost-effective program at \$6,257 per ton of NOx reduced.

II. The Texas Natural Gas Vehicle Grants Program (TNGVGP) should receive less funding.

The Texas Natural Gas Vehicle Grants Program (TNGVGP) is generally undersubscribed, not cost-effective, and should receive less funding or be or eliminated. The latest round of funding for the program opened in October 2019 with more than \$15 million in funding. As of November 2020, only \$1,476,416—around 10% of available funds—had been allocated.² Although this data from the TCEQ’s biennial report on TERP to the legislature is dated, it suggests the TNGVGP is undersubscribed.

We recommend reduced funding for this program. Furthermore, we do not support programs that incentivize the continued use of fossil fuels such as natural gas.

TNGVGP Quick Facts:

- \$56,682,844 in grants for 145 projects since 2012.
- 1,696 tons of NOX reduced.
- Average cost of \$33,426 per ton of NOX reduced.
- Only 10% of available funds were claimed in the first 13 months of most recent the round of funding.

III. The Light Duty Purchase or Lease Incentive Program (LDPLIP) should receive more funding for electric vehicle (EV) projects.

The Light Duty Purchase or Lease Incentive Program (LDPLIP) includes funding for Texans to buy light-duty, passenger electric vehicles, including battery electric and plug-in hybrid electrics. This opportunity also applies to hydrogen fuel cell vehicles.

The program also includes funding for compressed natural gas (CNG) and liquified petroleum gas (LPG) vehicles. The average rebate is larger for CNG and LPG vehicles. We recommend ending the use of this program for CNG and LPG vehicles.

LDPLIP includes funding for just 2,000 electric projects each year. EV sales in Texas outpace available funding opportunities. According to evadoption.com, whose figures were used by the

¹ “Texas Emissions Reduction Plan Biennial Report (2019-2020)” TCEQ (Dec. 2020). See generally for figures throughout this testimony.

² Id. at p. 10.



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Texas DMV,³ there were 3,460 battery electric vehicles and 2,320 plug-in hybrid electric vehicles sold in 2019, for a total of 5,780 electric vehicles that were eligible for a grant that year.

More Texans could take advantage of this program to buy electric vehicles if more funding were available. One purpose of LDPLIP is to stimulate the market for electric vehicles. To that end, we recommend expanding project opportunities in LDPLIP and doing more outreach to EV purchasers.

LDPLIP Quick Facts:

- \$11,755,380 in funding for the purchase or lease of 4,872 vehicles since 2014.
- 2,000 projects eligible each year for battery electric, plug-in hybrid electric, and hydrogen fuel cell.
- 1,000 rebates available for compressed natural gas (CNG) and liquefied petroleum gas.
- Electric and plug-in electric hybrid vehicles:
 - \$10,924,130 in rebates,
 - 4,607 vehicles,
 - Average rebate of \$2,371.
- Natural gas vehicles:
 - \$831,250 in rebates,
 - 265 vehicles,
 - Average rebate of \$3,137.

IV. Energy efficiency programs should be expanded in service of a stronger energy efficiency goal.

We recommend expanding funding for energy efficiency (EE) programs in TERP in support of a new, stronger EE goal for Texas.

Of the 28 states that have established energy efficiency goals, Texas' goal is currently the lowest.⁴ We have and will continue to advocate for a stronger energy efficiency goal in Texas.⁵

TERP's energy efficiency program has proven effective at reducing nitrogen oxide pollution. The Energy Systems Laboratory report on EE programs in TERP found that it reduced 28,404 tons of NOx in 2019 and 26,010 tons of NOx in 2018. Just these two years of the program have achieved 29% of the total NOx reductions during the lifetime of TERP's other programs.

³ See "Study on Imposing Fees on Alternatively Fueled Vehicles" Texas Department of Motor Vehicles (1 Dec 2020) available at https://www.txdmv.gov/sites/default/files/report-files/SB_604_AFV-Report_120120.pdf.

⁴ See <https://www.ncsl.org/research/energy/energy-efficiency-resource-standards-eers.aspx>.

⁵ See for example our testimony on SB 243/HB 4556 (87R) available at <https://www.citizen.org/wp-content/uploads/HB-4556-PCT-testimony-for-EE-goal.pdf>.



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V. We support funding that can be used to reduce pollution at ports, particularly Port Houston.

We support funding for programs that can be used at ports such as the Seaport and Rail Yard Areas Emissions Reduction (SPRY) Program and the Port Authority Studies and Pilot Projects (PASPP) program. We believe these programs should be used by ports across the Texas Gulf Coast. Our own advocacy has focused on Port Houston, although we have advocated at other ports including Beaumont/Port Arthur and Freeport.

As the founders of the Healthy Port Communities Coalition (HPCC), we work on issues that affect health and quality of life in communities near the Houston Ship Channel. Public Citizen and the HPCC have regularly supported projects by Port Houston to reduce air pollution from on road, maritime, and area sources. Opportunities include:

- Advanced Maritime Emissions Control System (AMECS) “stack bonnet” technology to reduce emissions from ships.
- Electrification, a.k.a. “Cold ironing” for docked ships.
- Dedicated freight corridors.
- Electrification of drayage trucks, stationary engines, harbor vessels, etc.

We support expanded use of TERP for innovative port projects, particularly at Port Houston. We have regularly supported Port Houston’s applications to TERP in the past, including the \$500,000 received in 2019. We have also supported Port Houston in applications for federal funding from programs including the Diesel Emissions Reduction Act (DERA) and the Multimodal Project Discretionary (MPDG) Grant Program⁶

Conclusion

Thank you for the opportunity to provide this testimony. If you would like to discuss our position further, I can be reached at ashelley@citizen.org, 512-477-1155.

Respectfully,

Adrian Shelley
Texas Director, Public Citizen

CC: Rep. Alex Dominguez, Rep. Jay Dean, Rep. Vikki Goodwin, Rep. Kyle J. Kacal, Rep. John Kuempel, Rep. Penny Morales Shaw, Rep. Geanie W. Morrison, Rep. Ron Reynolds

⁶ See <https://www.citizen.org/article/healthy-port-communities-coalition-hpcc-letter-in-support-of-the-port-of-houstons-mpdg-grant-program-application/>.