

Cleaner Diesel Fuels Concerns
By Ronald D. White, Los Angeles Times

Six weeks ahead of the rest of the nation, California will roll out a new kind of diesel fuel today that promises to be easier on the environment but may be harder on trucking company profits.

Those higher costs could end up squeezing consumers who buy the products carried by truck or drive diesel-powered cars.

The cleaner fuel, called ultra-low sulfur diesel, is nearly free of sulfur, a substance that corrodes an engine's pollution-control equipment. Although diesel still contains dangerous pollutants, the sharp sulfur reduction is as significant as the elimination of lead was to the pursuit of cleaner-burning gasoline 25 years ago, air quality regulators say.

The policy, which lowers sulfur to 15 parts per million from 150 in California and 500 in the rest of the nation, clears the road for the introduction of new diesel engines with more advanced pollution traps as early as 2007. Last week, Ford Motor Co. said it would bring out Super Duty F-Series pickup trucks powered by an ultra-low sulfur diesel engine early next year.

"It's really a big deal," said Jerry Martin, a spokesman for the California Air Resources Board, which mandated the stricter standards in the state. "In 2000, we said we wanted to reduce diesel pollution by 75% by 2020. We can't get there without this fuel."

The Environmental Protection Agency required refineries nationwide to begin switching 80% of their diesel production to the ultra-low sulfur variety June 1.

Fuel pumps in California must begin selling the new diesel today for all on-road and off-road diesel engines, except locomotives and marine equipment. The rest of the country will follow suit Oct. 15 for on-road vehicles, but off-road engines won't need to comply until 2010.

Trucking firms and independent drivers have been anxiously awaiting the rollout for months. Their cheer at suffering fewer diesel-related health problems is tempered by several worries, including the new fuel's cost and availability.

The refining industry spent \$8 billion to prepare for the switch, and the new fuel costs a few cents more per gallon to make.

Supply glitches and heavy demand have kept diesel prices stubbornly high, the Energy Department said last week.

As of Monday, the average U.S. price of diesel was \$3.027 a gallon, 44 cents higher than a year earlier and 18 cents more than regular gasoline's \$2.845 a gallon, according to an Energy Department survey.

In California, diesel cost an average of \$3.20 a gallon, up 16 cents from a year earlier and a dime more than the gasoline average. About 3 billion gallons of diesel are sold annually in California, compared with 16 billion of regular gas.

"It has been a hot topic of discussion, and we are watching it very closely," said Sandy Soendke, who helps keep the 145,000 members of the Grain Valley, Mo.-based Owner Operator Independent Drivers Assn. up to date through a monthly newsletter called Land Line and the satellite radio program Land Line Now.

Soendke said the transition to ultra-low sulfur diesel is occurring as refineries prepare to produce more home heating oil for the winter months and follows the sudden elimination of the gasoline additive methyl tertiary butyl ether, or MTBE, in parts of the country, which brought price spikes and supply problems.

"We're concerned about shortages," Soendke said.

Similar fears have been heard at Southern California trucking companies.

"The real question is about the supply. Is there enough of it in the pipeline to have a continuous flow of fuel or are we going to have those continual price spikes?" said Patty Senecal, vice president of Rancho Dominguez-based Transport Express Inc. "Even a few pennies will make us go ballistic, and we'll have to pass those costs on."

Even a small increase would cause problems for truckers like Edgar Perez, 39, of San Pedro, an independent driver for Senecal who says he already pays \$400 a week to fill the tank of his 6-year-old Century Class Freightliner. His rig gets 5 miles to the gallon.

"I'm happy my family will have cleaner air," Perez said, "but I'm concerned by how much the price will go up."

Some groups, such as the Washington-based Diesel Technology Forum, see little cause to fret about shortages. The forum is a nonprofit trade group for makers of diesel fuel, engines and vehicles, including BMW Group, BP, Caterpillar, Cummins, DaimlerChrysler, Ford, General Motors and Volvo/Mack Powertrain. "The refineries had to begin producing this new diesel fuel in June," said Allen Schaffer, the Forum's executive director. Added West Coast representative Michael Coates, "It's ready for the pumps."

Commodities experts say the transition in California may be relatively smooth, with a price increase of no more than 4 or 5 cents a gallon. In part that's because California has less risk of contamination from its already cleaner form of diesel.

"It won't be a big deal in California," said Tom Kloza, chief oil analyst for Oil Price Information Service, which monitors fuel markets. "For the rest of the country, taking it down from 500 to 15 [parts per million], they'll have to do the old enema purge. Sometimes you have to run the storage tanks down to empty and clean them. It just takes a few gallons of the old stuff to screw up the mix."

Some, such as Honeywell International's Torrance-based transportation systems division, see opportunities for broad business expansion.

The turbochargers the division produces, largely for the European market, can run smoothly on the continent's standard of 50 parts per million of sulfur but not on U.S. diesel, said Rick Whidden, vice president for strategy and growth in the Torrance office.

Now, the 300-employee division hopes to see a greatly expanded American market for its turbochargers, led by fuel-conscious buyers who might consider a turbo-diesel that delivers more power using fewer cylinders.

"We think the passenger vehicle market for diesel in the U.S. could be very high," Whidden said.

Others hope the cleaner fuel will bring a cleaner image.

"Every truck out there, even the old ones, will be a cleaner truck now. That's just one of those things you look at and say, 'Wow, we should do this!' " said Stephanie Williams, senior vice president of the California Trucking Assn.

Said Bob Curry, president of the California Cartage trucking company in Long Beach, "Maybe this will help convince the people in our communities who don't like diesel that we can coexist and we can keep doing our jobs."

ron.white@latimes.com