



## SmartWay Clean Diesel Finance Program FY2009

[www.epa.gov/cleandiesel](http://www.epa.gov/cleandiesel)

**Funding is now available for clean diesel activities in FY09.** Last year, EPA received funding for the first time under the Energy Policy Act (2005) to help reduce harmful emissions from heavy-duty diesel engines. Funding will again be available for this year. Through the National Clean Diesel Campaign, the Environmental Protection Agency (EPA) will award grants to assist its eligible partners in building diesel emission reduction programs across the country that improve air quality and protect public health.

### Why Clean Diesel?

Reducing emissions from diesel engines is one of the most important air quality challenges facing the country. Even with EPA's more stringent heavy-duty highway, nonroad, locomotive and marine engine standards taking effect over the next decade, millions of diesel engines already in use will continue to emit large amounts of nitrogen oxides, particulate matter and air toxics, which contribute to serious public health problems. These emissions are linked to thousands of premature deaths, hundreds of thousands of asthma attacks, millions of lost work days, and numerous other health impacts every year.

### What is the SmartWay Clean Diesel Finance Program?

As part of the National Clean Diesel Program, the SmartWay Clean Diesel Finance Program will issue competitive grants to establish national low-cost revolving loans or other financing programs that provide funds to fleets to reduce diesel emissions throughout the United States. For fiscal year 2008, funding was \$3.4 million.

EPA will issue grants through this program to eligible entities to establish low-cost revolving loans or other similar financing mechanisms for fleets within a state or a region anywhere in the U.S. The SmartWay Clean Diesel Finance program is soliciting projects that reduce diesel emissions on vehicles and engines traveling through more than one State. Through separate solicitations, EPA Regional Offices may also offer grants to establish low-cost revolving loans or other financing programs for diesel engines or equipment that operate exclusively within a State.

### What is an Eligible Use of Funding?

Finance Program grants are used to establish loans. The loans must:

- Lower costs to the buyer (by providing lower interest rate or closing costs, for example)
- Reinvest program income generated to further project goals aligned with the National Clean Diesel Program goals (e.g., additional loans for the purchase of cleaner vehicles)

#### Finance proposals may include:

- issuance of loan guarantees
- purchase of insurance as a loan guarantee
- equity investments that leverage additional funds
- issuance of tax exempt or taxable bonds
- another types of finance programs which feature loans that:
  - offer lower costs to the buyer of eligible engines or equipment and,
  - require that money repaid on the loan be used to further the purposes of the project and
  - align with the goal of reducing emissions from diesel fleets.

## Who Can Apply?

Eligible entities are U.S. regional, State, local, tribal or port agencies with jurisdiction over transportation or air quality; and nonprofit organizations or institutions that represent or provide pollution reduction or educational services to persons or organizations that operate diesel fleets; or has as its principle purpose the promotion of transportation or air quality. School districts, federally recognized Indian tribes, municipalities, metropolitan planning organizations (MPOs), cities and counties are all eligible entities under this program.

In some cases, an eligible entity may partner with others, such as a financial institution or diesel fleet or equipment distributor or dealer, to implement the project. In some cases, an eligible entity may have direct knowledge and experience with finance programs. However, in many cases, an eligible entity should partner with financial entities for this grant program. Likewise, eligible entities should partner with dealerships and distributors of eligible engines and equipment, to ensure that future reporting requirements are met. The partners do not need to be an eligible entity.

## What Fleets Qualify?

The following types of fleets qualify for funding:

Buses

Medium or heavy-duty trucks

Marine engines

Locomotives or

Nonroad engines, stationary engines, or vehicles used in construction, handling of cargo (including at a port or airport), agriculture, mining, or energy production.

At least half the funds will be for the benefit of public fleets. This includes private fleets contracted or leased for public purpose, such as private school buses, refuse haulers, or equipment at public ports. However, only eligible entities can apply directly to EPA for this funding (e.g., a school district would apply and administer a project on behalf of a private school bus contractor).

## What Projects will Receive Priority in the Funding Assistance Competitions?

Under the law, priority projects are those that accomplish the following:

- Maximize public health benefits;
- Are the most cost effective;
- Serve areas with highest population density; that are in poor air quality areas including
  - nonattainment and maintenance areas, nature areas,
  - areas with toxic pollutant concerns
  - areas that receive a disproportionate quantity of air pollution from diesel fleets including truck stops, ports, rail yards, terminals and distribution centers,
  - areas that use a community-based multi-stakeholder collaborative process to reduce toxics emissions;
- Maximize the useful life of any certified engine configuration, verified technology, or emerging technology;
- Conserve diesel fuel; and
- Use diesel fuel with a sulfur content of less than or equal to 15 ppm (for nonroad engines).

## Project Examples:

- An eligible entity creates a loan program to deploy verified idle reduction technologies on diesel trucks. The loan offers a low-interest rate. As the loans are repaid, the lender then issues additional loans for more clean diesel activities.
- An eligible entity takes the grant funds and leverages additional funds from a financial institution. The additional money, borrowed from a financial institution, comes at a lower interest rate. This lower rate is passed on to the buyer of a truck equipped with an EPA verified emission control device. Consequently, the truck with the emission control device costs less than the same truck without the device.
- An eligible entity takes the grant funds to underwrite the cost of issuing a bond which is then used to create a low-cost revolving loan to deploy trucks with EPA verified emission control devices. As in the example above, the truck with the emission control device costs less than the same truck without the device.



**National Clean Diesel Campaign**