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Incentives Program in Full Throttle

The Texas Emissions Reduction Plan is in high gear, thanks to full funding. More grants will be issued this year to projects that curb nitrogen oxides emissions.

TERP aims to lower harmful air emissions

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Now in its fourth year and fully funded, the Texas Emissions Reduction Plan (TERP) has shifted into high gear.

Interest in the program continues to grow, as evidenced by the latest round of submissions in which 316 proposals were received by the Jan. 21 deadline. About \$127 million in grant funding is available this fiscal year.

The TERP is a voluntary program that provides incentive grants for reducing diesel emissions in areas that have violated--or are close to violating--federal ozone standards.

The goal is to obtain reductions of nitrogen oxides (NOX), a major contributor to ozone formation.

"The TERP funding has allowed the TCEQ to make grants available to help several urban areas in Texas achieve their goals in air quality improvement," said TERP Grants Coordinator Steve Dayton.

"These projected emission reductions are crucial to the state's plan to meet federal deadlines under the Clean Air Act. We must lower ozone levels to avoid incurring federal sanctions."

Since its creation in 2001, the TERP has awarded grants to more than 280 projects for a total distribution of \$120.6 million.

Revenue Sources for TERP Grants and Related Research

- A portion of the vehicle title fee (\$15 to \$20).
- 2% surcharge on the retail sale, lease, or rental of new or used nonroad, heavy-duty diesel equipment.
- 2% surcharge for storage, use, and consumption in Texas of new and used equipment.
- 2.5% surcharge on the sale, lease, or use of pre-1997 model year vehicles weighing more than 14,000 pounds; 1% on vehicles of 1997 model year or later.
- \$10 fee on commercial motor vehicles required to be inspected.
- Interest on the fund balance.

Under grants approved so far, the TCEQ estimates that more than 21,000 tons of NOX reductions will be achieved, helping several regions to meet their air quality goals in 2007.

The TCEQ oversees the issuance of grants for eligible projects--primarily vehicles and equipment powered by diesel fuel. Newer vehicles and equipment, or those fitted with the newer technologies, have far fewer emissions than the older, inefficient models.

The program has helped to up-grade heavy-duty vehicles, such as transit buses; stationary equipment, such as gas compressors; and large nonroad equipment, including construction equipment, locomotives, and marine vessels.

Projects are eligible for funding consideration if they are located in the 41 counties identified as ozone nonattainment, near-nonattainment, or an affected area.

The TCEQ also administers grants for small businesses, and oversees a research and development program that supports new technologies that benefit air quality.

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A Tentative Beginning

While the TERP is making its presence felt in several Texas regions--and attracting interest from other states--the program got off to a slower-than-expected start.

The incentive program was authorized by the Legislature in 2001 to replace mandatory restrictions on construction and industrial equipment activities.

But a legal challenge to the main revenue source cost the TERP most of its funding the first biennium.

New revenue sources created in 2003 meant the incentives program would be fully funded for the first time. In two grant rounds last fiscal year, more than 200 projects were approved. Funding decisions for the latest round are expected to be announced this spring.

The TERP primarily has supported economic incentives for improving air quality in the regions of Dallas–Fort Worth, Houston–Galveston, San Antonio, and Austin; other regions affected by ozone have received grants as well.

To ensure the necessary emissions reductions will be achieved, the TCEQ commissioners have approved a funding allocation concept for areas eligible for grants.

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Assistance for Small Businesses

The TERP was expanded in 2003 to help small businesses participate. The program was opened to entities that own or operate no more than two vehicles or pieces of equipment.

Also, the grant application process for small businesses was simplified.

Small business proposals must be located in the 41 eligible counties. Only those projects that propose to replace or repower vehicles and equipment will be considered for funding.

The first round of small business applications produced five proposals, three of which were approved for a total of \$234,655. The second round, which will close March 31, has generated much more activity.

"Interest has been quite high," said Dayton, noting that more than 200 applications had been received by early January.

About \$6.5 million is available this year.

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Supporting R&D

In a related program, grants also are available to aid developing technologies that address air emissions and may be used in TERP-eligible projects.

The New Technology Research and Development Program supports research, development, and commercialization of technologies that can reduce pollution.

TCEQ oversight of the program began in 2003, after the program was transferred from the Texas Council on Environmental Technology.

Eligible projects may include retrofit add-on technologies that reduce emissions from existing vehicles, and advanced technologies for new engines and vehicles that produce zero to low emissions.

Applicants must demonstrate the technology would be offered for sale in Texas within five years.

In the latest round, the TCEQ received 56 grant applications. In December 2004, the agency awarded \$12.4 million to 22 projects.

Among those selected were Frito–Lay's planned testing of hybrid electric delivery trucks and El Paso County's proposal to develop a natural gas–powered hybrid electric transit bus.

A year earlier, 17 applicants were selected to share in a total of \$8.3 million in research grants.

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