Boone Pickens

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Commissioner Jon Niermann, MC 100 — *Via Federal Express*
The Texas Commission on Environmental Quality
12100 Park 35 Circle
Austin TX 78753

Dear Commissioner Niermann:

Texas has been presented with an enormous opportunity in the Volkswagen settlement with $191 million now available to advance our state's key environmental and overall energy objectives. The Texas Commission on Environmental Quality has a great responsibility determining the best path forward. Looking over the agency's proposed spending plan with great interest I must admit some surprise. While I believe this plan is on the right path to ensuring the best deal for Texas, I feel strongly that Texas' plan is missing a major opportunity.

I have argued repeatedly that the terms of the settlement as negotiated by the Environmental Protection Agency under the Obama Administration fails to maximize the utility of the funds. The Commission was given the unique opportunity to correct the areas in which the settlement falls short -- but has not done so in the current iteration of its plan.

This is Texas' settlement, and the Commission's plan must put in place the best plan for Texas. I have outlined two specific recommendations that would make this plan for the funds more appropriate for Texas.

First, President Obama, in the settlement, implemented a provision that leaves a decidedly unlevel playing field. In it, states are permitted to allow grants for private sector electric vehicles (EVs) for up to 75 percent of the cost, while all other fuel types are capped at 25 percent. This is a clear-cut case of governmental overreach and yet another example of government picking winners and losers in the fuel marketplace. The Commission has an opportunity to correct that but has failed to do so in your initial plan, allowing reimbursement for private sector EV purchases of up to 60 percent. I urge you to reconsider that and set reimbursement levels of 25 percent for vehicle purchases no matter the fuel type.

Here's why. For one, there is no environmental or economic case for EVs being prioritized. For example, a near-zero emission natural gas engine for heavy-duty vehicles has been shown to be as clean as zero-emission electric vehicles in California. More importantly, EVs can cost up to twice the amount as vehicles powered by these natural gas engines. Allowing Texas to go for the more cost-effective option means more clean vehicles will get on our roads, with engines that are just as clean as EVs.

The Commission has rightly leveled the playing field for vehicle grants in the public sector, regardless of fuel type. Why is it treating the private sector in Texas differently? The Commission should level the playing field for funding in the private sector as well. Doing so will ensure that the money allotted to Texas' environment achieves the maximum environmental impact intended by the settlement.

Second, under the settlement, grantees are required to scrap a pre-2010 vehicle in order to receive a grant for a new one. The Commission should include the same flexibility that it allows in its Texas Emissions Reduction Program and allow grantees to buy a vehicle to scrap. This way, participation in the program can grow, since grants are not limited to only those fleets which operate trucks that are nearly a decade old. Furthermore, fleets that do operate these old trucks typically do not purchase new trucks.

If incorporated into the Commission's plan, these two steps will make Texas' plan for the funds fairer, and the results greater for our state. And they can also strengthen our state's energy future. Incentivizing the use of NGVs not only reduces emissions but also increases the use of a Texas natural resource, thereby increasing revenues from the state's 7.5 percent natural gas production tax. Those funds help finance our schools and our state's Rainy Day Fund. Using the Volkswagen Texas Environmental Mitigation Trust (EMT) to reduce NOx emissions and stimulate demand for Texas natural gas is a win-win scenario.

Furthermore, NGV incentives would assist with alleviating the natural gas glut in the Permian Basin. The Permian Basin produces large amounts of natural gas along with oil, and the gas lines that serve the region are nearly full. Some producers are in discussions with the Texas Railroad Commission about simply flaring more of the gas because it can't be transported to market without pipelines. With oil prices rising above $70 a barrel, companies can ship crude oil by truck and still turn a profit. Increasing use of natural gas in the transportation sector would serve as an economic and environmentally beneficial piece of the solution.

I strongly urge you to incorporate these suggestions into a revised EMT plan.

Sincerely,

Boone Pickens

T. Boone Pickens

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