

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AGENDA ITEM REQUEST

for Rulemaking Adoption

AGENDA REQUESTED: April 17, 2025

DATE OF REQUEST: March 28, 2025

INDIVIDUAL TO CONTACT REGARDING CHANGES TO THIS REQUEST, IF NEEDED: Gwen Ricco, Agenda Coordinator, (512) 239-2678

CAPTION: **Docket No. 2025-0111-MIS.** Consideration of the adoption of revisions to New Technology Implementation Grant Program: Guidelines for Grants (NTIG; RG-484).

The adoption would revise the New Technology Implementation Grant (NTIG) guidelines to incorporate changes made in Texas Health and Safety Code, Chapter 391, relating to the Texas Emissions Reduction Plan (TERP) NTIG program. This update would ensure that statutory changes made by House Bill (HB) 4885, 88th Texas Legislature, Regular Session (88R), are reflected in the NTIG guidelines by adding “downstream” oil and gas activities, including refining, to the list of eligible project types. In addition, the adoption would update guideline language to be consistent with the statute and current grant solicitation requirements along with minor non-substantive changes. (Brandon Greulich, Amanda Kraynok; Non-Rule Project No. 2024-011-OTH-NR)

Richard Chism

Director

Josalyn McMillon

Division Deputy Director

Gwen Ricco

Agenda Coordinator

Copy to CCC Secretary? NO ☒ YES ☐

[Mark with an "☒" if rulemaking IS/IS NOT subject to Coastal Management Program]

Texas Commission on Environmental Quality

Interoffice Memorandum

To: Commissioners **Date:** March 28, 2025

Thru: Laurie Gharis, Chief Clerk
Kelly Keel, Executive Director

From: Richard Chism, Director *RCC*
Office of Air

Docket No.: 2025-0111-MIS

Subject: Commission Approval for Rulemaking Adoption
New Technology Implementation Grant Program:
Guidelines for Grants (NTIG; RG-484)
Rule Project No. 2024-011-OTH-NR

Background and reason(s) for the rulemaking:

This adoption would revise the New Technology Implementation Grant (NTIG) guidelines to incorporate changes made in Texas Health and Safety Code (THSC), Chapter 391, relating to the Texas Emissions Reduction Plan (TERP) NTIG program. The revision would ensure that statutory changes made by House Bill (HB) 4885, 88th Texas Legislature, Regular Session (88R), are reflected in the NTIG guidelines by adding “downstream” oil and gas activities, including refining, to the list of eligible project types.

Scope of the rulemaking:

A.) Summary of what the rulemaking will do: Changes to the NTIG guidelines will incorporate HB 4885, (88R), which amended THSC, Chapter 391, by adding “downstream” production and “refining” oil and gas activities to projects eligible for grants under the NTIG program. In addition, changes to the NTIG guidelines will make it more consistent with the statute and current grant solicitation requirements.

B.) Scope required by federal regulations or state statutes: THSC, §391.003, requires TCEQ to adopt guidelines for NTIG. Adoption would incorporate new language added by HB 4885, (88R), which amended THSC, Chapter 391, by adding “downstream” production and “refining” oil and gas activities to projects eligible for grants under the NTIG program.

C.) Additional staff recommendations that are not required by federal rule or state statute:
None.

Statutory authority:

THSC, §391.003; THSC, §391.002(b)(3)

Re: Docket No. 2025-0111-MIS

Effect on the:

A.) Regulated community: Entities involved in downstream oil and gas activities, like refining, could qualify for NTIG grants to reduce emissions above and beyond their permit requirements.

B.) Public: The public may benefit from emissions reductions from downstream oil and gas activities.

C.) Agency programs: TCEQ is required to amend NTIG guideline language to reflect changes made by HB 4885 (88R).

Stakeholder meetings:

Because the guideline changes will implement existing statutory language, TCEQ did not hold stakeholder meetings for non-rule adoption. TCEQ updated guidance documents and application forms for the most recent NTIG solicitation and hosted a public webinar on November 12, 2024, to explain the new program requirements to stakeholders and answered any questions they had prior to opening the grant round.

Public Involvement Plan

No.

Alternative Language Requirements

No.

Public comment:

Because the guideline changes will implement existing statute, TCEQ did not solicit public comment.

Significant changes from proposal:

N/A

Potential controversial concerns and legislative interest:

No controversial concerns. Guideline changes will implement changes made by HB 4885 (88R).

Will this rulemaking affect any current policies or require development of new policies? No.

What are the consequences if this rulemaking does not go forward? Are there alternatives to rulemaking?

The NTIG guidelines must be updated to reflect new statutory language added by HB 4885 (88R).

Key points in the adoption rulemaking schedule:

Anticipated agenda date: April 17, 2025

Agency contacts:

Brandon Greulich, Project Manager, Air Grants Division, (512) 239-4921
Amanda Kraynok, Staff Attorney, Environment Law Division, (512) 239-0633
Gwen Ricco Agenda Coordinator, General Law Division, (512) 239-2678

Commissioners

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March 28, 2025

Re: Docket No. 2025-0111-MIS

Attachments: HB 4885 (88R)

cc: Chief Clerk, 2 copies
Executive Director's Office
Patrick Lopez
Jessie Powell
Krista Kyle
Office of General Counsel
Brandon Greulich
Amanda Kraynok
Gwen Ricco

AN ACT

relating to programs established and funded under the Texas emissions reduction plan.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 386.051(b), Health and Safety Code, is amended to read as follows:

(b) Under the plan, the commission and the comptroller shall provide grants or other funding for:

(1) the diesel emissions reduction incentive program established under Subchapter C, including for infrastructure projects established under that subchapter;

(2) the motor vehicle purchase or lease incentive program established under Subchapter D;

(3) the air quality research support program established under Chapter 387;

(4) the clean school bus program established under Chapter 390;

(5) the new technology implementation grant program established under Chapter 391;

(6) the regional air monitoring program established under Section 386.252(a);

(7) a health effects study as provided by Section 386.252(a);

(8) air quality planning activities as provided by

1 Section 386.252(d);

2 (9) a contract with the Energy Systems Laboratory at
3 the Texas A&M Engineering Experiment Station for computation of
4 creditable statewide emissions reductions as provided by Section
5 386.252(a);

6 (10) the Texas clean fleet program established under
7 Chapter 392;

8 (11) the Texas alternative fueling facilities program
9 established under Chapter 393;

10 (12) the Texas natural gas vehicle grant program
11 established under Chapter 394;

12 (13) other programs the commission may develop that
13 lead to reduced emissions of nitrogen oxides, particulate matter,
14 or volatile organic compounds in a nonattainment area or affected
15 county;

16 (14) other programs the commission may develop that
17 support congestion mitigation to reduce mobile source ozone
18 precursor emissions;

19 (15) the seaport and rail yard areas emissions
20 reduction program established under Subchapter D-1;

21 (16) conducting research and other activities
22 associated with making any necessary demonstrations to the United
23 States Environmental Protection Agency to account for the impact of
24 foreign emissions or an exceptional event;

25 (17) studies of or pilot programs for incentives for
26 port authorities located in nonattainment areas or affected
27 counties as provided by Section 386.252(a);

1 (18) the governmental alternative fuel fleet grant
2 program established under Chapter 395; ~~and~~

3 (19) remittance of funds to the state highway fund for
4 use by the Texas Department of Transportation for congestion
5 mitigation and air quality improvement projects in nonattainment
6 areas and affected counties; and

7 (20) the Texas hydrogen infrastructure, vehicle, and
8 equipment grant program established under Subchapter G.

9 SECTION 2. Section 386.252(a), Health and Safety Code, is
10 amended to read as follows:

11 (a) Money in the fund and account may be used only to
12 implement and administer programs established under the plan.
13 Subject to the reallocation of funds by the commission under
14 Subsection (h) and after remittance to the state highway fund under
15 Subsection (a-1), money from the fund and account to be used for the
16 programs under Section 386.051(b) shall initially be allocated as
17 follows:

18 (1) four percent may be used for the clean school bus
19 program under Chapter 390;

20 (2) eight ~~three~~ percent total may be used between
21 the Texas hydrogen infrastructure, vehicle, and equipment grant
22 program established under Subchapter G and ~~for~~ the new technology
23 implementation grant program under Chapter 391, from which at least
24 \$1 million will be set aside for electricity storage projects
25 related to renewable energy and not more than \$8 million may be used
26 for the Texas hydrogen infrastructure, vehicle, and equipment grant
27 program;

1 (3) five percent may be used for the Texas clean fleet
2 program under Chapter 392;

3 (4) not more than \$3 million may be used by the
4 commission to fund a regional air monitoring program in commission
5 Regions 3 and 4 to be implemented under the commission's oversight,
6 including direction regarding the type, number, location, and
7 operation of, and data validation practices for, monitors funded by
8 the program through a regional nonprofit entity located in North
9 Texas having representation from counties, municipalities, higher
10 education institutions, and private sector interests across the
11 area;

12 (5) 7.5 ~~[10]~~ percent may be used for the Texas natural
13 gas vehicle grant program under Chapter 394;

14 (6) not more than \$6 million may be used for the Texas
15 alternative fueling facilities program under Chapter 393, of which
16 a specified amount may be used for fueling stations to provide
17 natural gas fuel, except that money may not be allocated for the
18 Texas alternative fueling facilities program for the state fiscal
19 year ending August 31, 2019;

20 (7) not more than \$750,000 may be used each year to
21 support research related to air quality as provided by Chapter 387;

22 (8) not more than \$200,000 may be used for a health
23 effects study;

24 (9) at least \$6 million but not more than 15 percent
25 ~~[\$16 million]~~ may be used by the commission for administrative
26 costs, including all direct and indirect costs for administering
27 the plan, costs for conducting outreach and education activities,

1 and costs attributable to the review or approval of applications
2 for marketable emissions reduction credits;

3 (10) six percent may be used by the commission for the
4 seaport and rail yard areas emissions reduction program established
5 under Subchapter D-1;

6 (11) 2.5 [~~five~~] percent may be used for the light-duty
7 motor vehicle purchase or lease incentive program established under
8 Subchapter D;

9 (12) not more than \$500,000 [~~\$216,000~~] may be used by
10 the commission to contract with the Energy Systems Laboratory at
11 the Texas A&M Engineering Experiment Station annually for the
12 development and annual computation of creditable statewide
13 emissions reductions for the state implementation plan that are
14 obtained through:

15 (A) wind and other renewable energy resources;

16 (B) energy efficiency programs administered by
17 the Public Utility Commission of Texas or the State Energy
18 Conservation Office; or

19 (C) the implementation of advanced building
20 energy codes [~~for the state implementation plan~~];

21 (13) not more than \$500,000 may be used for studies of
22 or pilot programs for incentives for port authorities located in
23 nonattainment areas or affected counties to encourage cargo
24 movement that reduces emissions of nitrogen oxides and particulate
25 matter; and

26 (14) the balance is to be used by the commission for
27 the diesel emissions reduction incentive program under Subchapter C

as determined by the commission.

SECTION 3. Chapter 386, Health and Safety Code, is amended by adding Subchapter G to read as follows:

SUBCHAPTER G. TEXAS HYDROGEN INFRASTRUCTURE, VEHICLE, AND
EQUIPMENT GRANT PROGRAM

Sec. 386.301. DEFINITIONS. In this subchapter:

(1) "Hydrogen vehicle or equipment" means a heavy-duty motor vehicle or piece of heavy-duty equipment that uses hydrogen to operate the vehicle or equipment, including through the use of hydrogen fuel cells or an internal combustion engine that runs on hydrogen.

(2) "Program" means the Texas hydrogen infrastructure, vehicle, and equipment grant program established under this subchapter.

Sec. 386.302. PROGRAM. (a) The commission shall establish and administer the Texas hydrogen infrastructure, vehicle, and equipment grant program to encourage the adoption of hydrogen infrastructure, vehicles, and equipment. Under the program, the commission shall provide funding for eligible projects to offset the incremental cost of projects that reduce emissions of oxides of nitrogen from high-emitting sources in nonattainment areas and affected counties of this state. The commission shall determine the eligibility of projects.

(b) Projects that may be considered for a grant under the program include:

(1) implementation of hydrogen infrastructure projects;

1 (2) purchase or lease of on-road or non-road hydrogen
2 vehicles or equipment;

3 (3) replacement of on-road or non-road heavy-duty
4 vehicles or equipment with newer on-road or non-road hydrogen
5 vehicles or equipment; and

6 (4) the repower or conversion of on-road or non-road
7 heavy-duty vehicles or equipment with a powertrain that runs on or
8 is powered by hydrogen.

9 (c) A project listed in Subsection (b) is not eligible if it
10 is required by any state or federal law, rule or regulation,
11 memorandum of agreement, or other legally binding document. This
12 subsection does not apply to:

13 (1) an otherwise qualified project, regardless of the
14 fact that the state implementation plan assumes that the change in
15 vehicles, equipment, or operations will occur, if on the date the
16 grant is awarded the change is not required by any state or federal
17 law, rule or regulation, memorandum of agreement, or other legally
18 binding document; or

19 (2) the purchase of a hydrogen vehicle or equipment or
20 facility required only by local law or regulation or by corporate or
21 controlling board policy of a public or private entity.

22 (d) The commission shall prioritize the awarding of grants
23 under this subchapter in the following order:

24 (1) projects to replace on-road heavy-duty vehicles
25 with newer on-road hydrogen vehicles;

26 (2) projects to purchase, lease, repower, or convert
27 on-road heavy-duty vehicles with a powertrain that runs on or is

1 powered by hydrogen;

2 (3) projects to implement hydrogen refueling
3 infrastructure that will be accessible and available to the public
4 at times designated by the grant contract;

5 (4) projects to replace non-road heavy-duty vehicles
6 with newer non-road hydrogen vehicles; and

7 (5) projects to purchase, lease, repower, or convert
8 non-road heavy-duty vehicles with a powertrain that runs on or is
9 powered by hydrogen.

10 (e) Subject to Subsection (d), in awarding grants under this
11 subchapter, the commission shall give preference to the most
12 cost-effective projects that will result in the greatest reduction
13 in emissions of oxides of nitrogen.

14 (f) The commission shall establish additional eligibility
15 and prioritization criteria as needed to implement the program.

16 Sec. 386.303. APPLICATION PACKAGE. (a) The commission
17 shall develop a simple, standardized application package for grants
18 under this subchapter. The package must include:

19 (1) an application form;

20 (2) a brief description of:

21 (A) the program;

22 (B) the projects that are eligible for available
23 funding;

24 (C) the selection criteria and evaluation
25 process; and

26 (D) the required documentation;

27 (3) the name of a person or office to contact for more

1 information;

2 (4) an example of the contract that an applicant will
3 be required to execute before receiving a grant; and

4 (5) any other information the commission considers
5 useful to inform the applicant and expedite the application
6 process.

7 (b) The application form shall require as much information
8 as the commission determines is necessary to properly evaluate each
9 project but shall otherwise minimize the information required.

10 Sec. 386.304. APPLICATION REVIEW PROCEDURES. (a) The
11 commission shall review an application for a grant for a project
12 authorized under this subchapter. If the commission determines
13 that an application is incomplete, the commission shall notify the
14 applicant with an explanation of what is missing from the
15 application. The commission shall evaluate the completed
16 application according to the appropriate project criteria. Subject
17 to available funding, the commission shall make a final
18 determination on an application as soon as possible.

19 (b) The commission shall make every effort to expedite the
20 application review process and to award grants to qualified
21 projects in a timely manner. To the extent possible, the commission
22 shall coordinate project review and approval with any timing
23 constraints related to project purchases or installations to be
24 made by an applicant.

25 (c) The commission may deny an application for a project
26 that does not meet the applicable project criteria or that the
27 commission determines is not made in good faith, is not credible, or

1 is not in compliance with this chapter and the goals of this
2 chapter.

3 (d) Subject to availability of funds, the commission shall
4 award a grant under this subchapter in conjunction with the
5 execution of a contract that obligates the commission to make the
6 grant and the recipient to perform the actions described in the
7 recipient's grant application. The contract must incorporate
8 provisions for recapturing grant money in proportion to any loss of
9 emissions reductions compared with the volume of emissions
10 reductions that was projected in awarding the grant. Grant money
11 recaptured under the contract provision shall be deposited in the
12 fund and reallocated for other projects under this chapter.

13 SECTION 4. Section 391.002(b), Health and Safety Code, is
14 amended to read as follows:

15 (b) Projects that may be considered for a grant under the
16 program include:

17 (1) advanced clean energy projects, as defined by
18 Section 382.003;

19 (2) new technology projects that reduce emissions of
20 regulated pollutants from stationary sources;

21 (3) new technology projects that reduce emissions from
22 upstream, ~~and~~ midstream, or downstream oil and gas production,
23 completions, gathering, storage, processing, ~~and~~ transmission,
24 or refining activities through:

25 (A) the replacement, repower, or retrofit of
26 stationary compressor engines;

27 (B) the installation of systems to reduce or

1 eliminate the loss of gas, flaring of gas, or burning of gas using
2 other combustion control devices; or

3 (C) the installation of systems that reduce
4 flaring emissions and other site emissions; and

5 (4) electricity storage projects related to renewable
6 energy, including projects to store electricity produced from wind
7 and solar generation that provide efficient means of making the
8 stored energy available during periods of peak energy use.

9 SECTION 5. This Act takes effect September 1, 2023.

H.B. No. 4885

President of the Senate

Speaker of the House

I certify that H.B. No. 4885 was passed by the House on April 28, 2023, by the following vote: Yeas 108, Nays 37, 2 present, not voting; and that the House concurred in Senate amendments to H.B. No. 4885 on May 25, 2023, by the following vote: Yeas 127, Nays 13, 1 present, not voting.

Chief Clerk of the House

I certify that H.B. No. 4885 was passed by the Senate, with amendments, on May 23, 2023, by the following vote: Yeas 27, Nays 4.

Secretary of the Senate

APPROVED: _____

Date

Governor

**Summary of Revisions to
Texas Emissions Reduction Plan:
New Technology Implementation Grant Program: Guidelines for Grants
(NTIG; RG-484).**

April 17, 2025

The Texas Commission on Environmental Quality (TCEQ) proposes revisions to *Texas Emissions Reduction Plan New Technology Implementation Grant Program: Guidelines for Grants (NTIG; RG-484)*. The revisions incorporate changes to Texas Health and Safety Code (THSC), Chapter 391, by House Bill (HB) 4885, 88th Texas Legislature, Regular Session, 2023.

Besides non-substantive changes to improve readability, changes are needed for the guidelines to be consistent with the statute, current section titles, current agency standards, and current application and form submission requirements.

Changes are highlighted in the document and explained in this summary. Notation is provided for changes necessary as a result of the statutory changes.

1. Proposed Changes to Texas Emissions Reduction Plan, New Technology Implementation Grant Program: Guidelines for Grants (NTIG; RG-484)

The Texas Emissions Reduction Plan (TERP) was established in THSC, Chapter 386, to provide grant funding for projects that reduce nitrogen oxides (NO_x) emissions and other pollutants. The New Technology Implementation Grant (NTIG) Program was established under THSC, Chapter 391, to provide grants to offset the incremental cost of emissions reductions from facilities and other stationary sources in Texas.

The NTIG guidelines are revised to make them consistent with the language adopted under HB 4885(88R)

A. Summary of Proposed Changes to Chapters 1-5

Document Template Update

- Agency publications template was updated in October 2023; publication updated to match current template.

Agency Standards Update and other Non-Substantive Changes

- Updated the formatting of chapter names for better accessibility.
- Formatting hyperlinks to current standards (ex: <www.terpgrants.org> to terpgrants.org)
- Changing the word “email” to “e-mail” to match current standards.
- Removed extra spaces (ex: double spaces after periods).

- Updated the use of bolding in the Glossary so its use was consistent in this section.
- Removed inappropriate commas that didn't impact sentence structure or overall meaning.
- Corrected capitalization.
- Corrected acronyms so they are introduced with the first use of the spelled-out acronym [ex: moved the acronym "(HB)" to the first appearance of "House Bill" in the section History of Program].

Title Page

- Changed "Revised" date from "June 2022" to "April 2025."
- Added the subtitle "A Grant Program of the Texas Emissions Reduction Plan" to comply with the agency template.

Footer

- Changed document date from "June 2022" to "April 2025."

Chapter 1

- Included language regarding the impact of House Bill 4885, 88th Texas Legislature, 2023, Regular Session, on NTIG.
- Updated section's title to current title "Program Coordination Section B."

Chapter 2

- In the definition of "advanced clean energy," revised it to "advanced clean energy project" to align with statute and also updated the citation to THSC 382.003(1-a)(A) to clarify that projects defined by THSC 382.003(1-a)(B) as ineligible for grants, as NTIG statute [THSC 391.002(b)(1)] only allows consideration of advanced clean energy projects that meet the definition in THSC 382.003(1-a)(A).
- In the definition of "cost-effectiveness," updated the definition to be more consistent with the definition of cost-effectiveness currently utilized under the other TERP grant programs (e.g., THSC 386.101).
- In the definition of "emission factor," replaced the word "to" with "with" so the definition would better align with EPA's definition of emission factor found in the Introduction section of AP-42: Compilation of Air Emissions Factors from Stationary Sources.
- In the definition of "incremental cost," added the citations THSC §§ 391.001(4) and 386.001(6).
- In the definition of "stationary source," added the citation to agree with

statute that references the definition of stationary source in 42 U.S. Code 7602(z).

Chapter 3

- Updated the citation to THSC 382.003(1-a)(A) to clarify that projects defined by THSC 382.003(1-a)(B) as ineligible for grants, as NTIG statute [THSC 391.002(b)(1)] only allows consideration of advanced clean energy projects that meet the definition in THSC 382.003(1-a)(A).
- Added “downstream” and “refining” to the sentence:
 - “New technology projects that reduce emissions from upstream, midstream, and downstream oil and gas industry activities— completions, production, gathering, storage, processing, transmission, and refining—through any of the following three means:”.
- Added commas after “upstream” and “midstream” and “transmission”.
- Moved “and” after “midstream” before “downstream”.
- Moved “and” after “transmission” before “refining”.
- Replaced the word “compressors” with “compressor engines” to match the language used in statute.
- Removed the language “by capturing waste heat to generate electricity solely for on-site services” from the following sentence to match language used in statute.
 - “The installation of systems that reduce flaring emissions and other site emissions by capturing waste heat to generate electricity solely for on-site services.”

Chapter 4

- Updated the application submission instructions so a revision to the publication is not needed when the application submission instructions change within the Request for Grant Applications.

Chapter 5

- Corrected a typographical error and removed a period (“.”) to improve the clarity of the sentence.
- Enhanced clarity by consolidating reimbursement-related language into the Reimbursement section and refined the Report section to specify TCEQ will provide reporting templates and instructions.
- Updated reporting frequency during the implementation period from monthly to quarterly to align with current default NTIG contract requirements.
- Updated the reimbursement and reporting submission instructions so a revision to the publication is not needed when the application submission

instructions change within these forms.



New Technology Implementation Grant Program: Guidelines for Grants

A Grant Program of the Texas Emissions Reduction Plan

Prepared by
Air Grants Division

TCEQ RG-484
Revised April 2025

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY • PO BOX 13087 • AUSTIN, TX 78711-3087

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Chapter 1: Summary

These guidelines contain the criteria for grants under the New Technology Implementation Grant (NTIG) program, authorized under Texas Health and Safety Code Chapter 391 (THSC 391).

NTIG recipients must comply with all applicable statutory provisions. In addition, they must also adhere to the criteria herein.

The Texas Commission on Environmental Quality (TCEQ) may also establish more specific criteria consistent with these requirements through a Request for Grant Applications (RFGA), contracts, or other funding mechanisms.

History of Program

In 2009, House Bill (HB) 1796, 81st Texas Legislature, authorized TCEQ to administer the NTIG program. These guidelines establish the standards and criteria for grants issued under the NTIG program as administered by TCEQ.

In 2013, HB 2446, 83rd Texas Legislature, Regular Session, amended the definition of an Advanced Clean Energy project to include projects involving natural gas. In addition, Senate Bill 1727, 83rd Texas Legislature, Regular Session, removed the requirement that an Advanced Clean Energy project must involve capital expenditures exceeding \$500 million to be eligible under the NTIG program.

In 2017, Senate Bill 1731, 85th Texas Legislature, Regular Session, included new technology projects that reduce emissions from upstream and midstream oil and gas industry activities—completions, production, gathering, storage, processing, and transmission—through any of the following three means:

- The replacement, repower, or retrofit of stationary compressors.
- The installation of systems to reduce or eliminate the loss of gas, flaring of gas, or burning of gas using other combustion-control devices.
- The installation of systems that reduce flaring emissions and other site emissions by capturing waste heat to generate electricity solely for on-site services.

In 2021, HBs 2361 and 4472, 87th Texas Legislature, Regular Session, removed the requirement that flaring and other oil and gas site emissions reduction projects must capture waste heat to generate electricity solely for on-site service. The legislation also added projects that reduce flaring emissions and other site emissions to the list of projects to which TCEQ shall give preference when awarding grants. Finally, the legislation allowed grant funds to be used for the lease of necessary equipment and the costs for operating and maintaining a grant-funded system.

In 2023, HB 4885, 88th Texas Legislature, Regular Session, added “downstream” production and “refining” oil and gas activities to projects eligible for grants under the NTIG program.

Purpose

The primary objective of the program is to offset the incremental cost of emissions reductions from facilities and other stationary sources in Texas. [THSC 391.002(a)]

Funding

This program is funded through revenue from the Texas Emissions Reduction Plan (TERP) fund. [THSC 386.251] The fund consists of fees and surcharges established by the Texas Legislature.

The amount of funds available for grants during each year may vary depending upon the cash flow to the program, the amount of revenues received, appropriations made to the program, and reallocations of TERP funds pursuant to THSC 386.252. TCEQ will periodically issue notices and information regarding the grants, including the amount of funds available.

How to Contact Us

Anyone interested should check our website for information about the grant program. The NTIG webpage at terpgrants.org contains links to this document and application forms, as well as other information that may be helpful to a potential applicant.

If you are unable to access the website or you want additional information, the staff at TCEQ is available to answer questions about this program. If you are unclear as to whether your proposed project would qualify for a grant, please feel free to contact us to discuss the project.

You may contact the program by calling 800-919-TERP (8377), 8 a.m. to 5 p.m., Monday through -Friday. You may contact us by mail at:

Program Coordination Section B (NTIG), MC-204
Air Grants Division
Texas Commission on Environmental Quality
P.O. Box 13087
Austin, TX 78711-3087

You may also contact us by e-mail, at terp@tceq.texas.gov.

Chapter 2: Glossary

A number of terms that apply to this program are defined in THSC 386 and TCEQ rules (30 Texas Administrative Code (TAC) § 114.620). Other relevant terms are defined below.

advanced clean energy project. Any project for which an application for a permit or for an authorization to use a standard permit, under Chapter 382 of the Texas Health and Safety Code, is received by the commission on or after Jan. 1, 2008, and before Jan. 1, 2020, and meets all the requirements of THSC § 382.003(1-a)(A).

best available control technology (BACT). An emission limitation based on the maximum degree of reduction of each pollutant subject to regulation, emitted from or which results from any major emitting facility, which the permitting authority, on a case-by-case basis, taking into account energy, environmental, and economic impacts and other costs, determines is achievable for such facility through application of production processes and available methods, systems, and techniques, including fuel cleaning, clean fuels, or treatment or innovative fuel-combustion techniques for control of each such pollutant. [42 USC § 7479(3)] Industry-specific BACTs are available online at tceq.texas.gov/goto/bact or by contacting TCEQ Air Permits Division at 512 239 1250.

cost-effectiveness. The total dollar amount expended divided by the total number of tons of qualifying emissions reduced attributable to that expenditure.

emission factor. A representative value that relates the quantity of a pollutant released to the atmosphere with an activity associated with the release of that pollutant.

EPA. The United States (U.S.) Environmental Protection Agency.

facility. A discrete or identifiable structure, device, item, equipment, or enclosure that constitutes or contains a stationary source, including appurtenances other than emission-control equipment. A mine, quarry, well test, or road is not considered to be a facility. [THSC § 382.003(6)]

incremental cost. The cost of a project less a baseline cost that would otherwise be incurred by the applicant in the normal course of business. It may include added lease or fuel costs, as well as additional capital costs. [THSC §§ 391.001(4); 386.001(6)]

implementation plan. A plan for the installation and operation of emissions-reducing technologies.

new technology. Emissions-control technology that results in emissions reductions that exceed state or federal requirements in effect at the time of submission of an NTIG application. [THSC § 391.001(5)]

notice to proceed. A written notice from TCEQ to a grant recipient confirming that adequate funding is available to support the grant agreement.

person. Not only an individual, but also a corporation, organization, government or governmental subdivision or agency, business trust, partnership, association, or any other legal entity.

public financial assistance. Tax credits or deductions, financial funding, or other financial incentives—such as a property-tax reduction or a grant—to a person by a government agency, whether county, city, state, or federal.

regulated pollutant. A pollutant subject to federal regulation under new-source review, including any pollutant for which a national ambient air quality standard has been promulgated and any constituents or precursors for such a pollutant that have been identified by the EPA, or other pollutants based on the standards of the federal Clean Air Act, sections 108, 111, and 112, and Title VI.

renewable energy. Energy generated from resources that are naturally replenished—such as sunlight, wind, rain, tides, and geothermal heat.

repower. To replace an old engine with a new engine, a used engine, a remanufactured engine, or one or more electric motors, drives, or fuel cells.

retrofit. To equip an engine or a fuel system or both with new emissions-reducing parts or technology after the manufacture of the original engine or fuel system.

stationary source. Generally, any source of an air pollutant except those emissions resulting directly from an internal-combustion engine used for transportation purposes or from a non-road engine or non-road vehicle as defined in section 7550 of Title 42 of the U.S. Code (Clean Air Act, Title II, Section 216). [42 USC § 7602(z)]

testing protocol. A written document detailing how, when, and where testing of new technologies will be conducted. Potential applicants should review the EPA's criteria for testing new technologies.

Chapter 3: Eligibility Requirements

Eligible Applicants

The primary objective of the NTIG program is to offset the incremental cost of emissions reductions of pollutants from facilities and other stationary sources in Texas.

Owners or operators of stationary sources that emit pollutants, or of electricity-storage projects related to renewable energy, may apply for a grant. Only applicants in Texas are eligible for funding under the program. All applicants must certify compliance with all applicable Texas laws.

Each proposed new-technology applicant will need to demonstrate the projected potential for reduced emissions and the cost-effectiveness of the technology once it has been implemented, and the potential for the technology to contribute significantly to air quality goals; each applicant must also submit a substantial implementation plan.

We, TCEQ, will evaluate proposals according to the selection criteria in the RFGA. The criteria may focus on the potential for reducing emissions, while remaining neutral as to the type of technology proposed or may target particular types of promising technologies.

Applicants will be required to submit the following (if applicable):

- articles of incorporation
- authorization to sign grants or contracts
- evidence of required insurance
- resumés or qualifications of all principal staff involved in the project
- an implementation plan
- a project plan (including drawings, photos, etc., to clarify the project)
- a project schedule (including a schedule of deliverables)
- a subcontracting plan
- a detailed budget

Eligible Projects (Categories)

In general, activities eligible for funding under this program are those that implement new technologies to reduce emissions in Texas from stationary sources.

The specific activities that may be eligible under this program are outlined below. (In any particular funding period, however, TCEQ may more narrowly define or limit the types of eligible activities.)

1. Advanced Clean Energy projects as defined by THSC § 382.003(1-a)(A) for new or modified sources. E.g.:
 - Projects that involve the generation of electricity using any of the following fuels:
 - coal
 - biomass
 - petroleum coke
 - solid waste
 - natural gas
 - fuel cells that use derived hydrogen
 - Creation of liquid fuel outside of the existing fuel production infrastructure, while co-generating electricity.
2. New technology projects that reduce emissions of regulated pollutants from stationary sources.
3. New technology projects that reduce emissions from upstream, midstream, or downstream oil and gas industry activities—completions, production, gathering, storage, processing, transmission, or refining—through any of the following three means:
 - The replacement, repower, or retrofit of stationary compressor engines.
 - The installation of systems to reduce or eliminate the loss of gas, flaring of gas, or burning of gas using other combustion-control devices.
 - The installation of systems that reduce flaring emissions and other site emissions.
4. Electricity-storage projects related to renewable energy, such as:
 - compressed-air energy storage
 - pumped hydropower
 - sodium-sulfur storage batteries
 - energy-retaining flywheels
 - lithium-ion batteries

Chapter 4: Application and Award Procedures

How to Apply

TCEQ will periodically issue a RFGA and indicate the dates that project selections will be made. Copies of the RFGA and the necessary application forms will be available on TCEQ's NTIG webpage at terpgrants.org and directly from TCEQ.

To find out more or to obtain copies of the application forms, see terpgrants.org. You may also contact us directly to discuss your project. Program staff members may be reached at 800-919-TERP (8377).

Apply for each distinct project separately. Costs should be broken down so that partial funding could be considered for any grant. Please enter all necessary information on the application forms in accordance with the accompanying instructions. Incomplete applications may delay review or be deemed ineligible or unresponsive. Refer to the RFGA for instructions on how to submit an application and the necessary attachments.

Project Review

Initial Review

We, TCEQ, will review the application for completeness. If your application is found to be incomplete or ineligible for funding during initial review, we will notify you, the applicant. TCEQ staff members will provide details about what is missing from the application or why the proposed project is not eligible for funding.

Project Evaluation

We will evaluate properly completed applications according to the criteria established in these guidelines and the RFGA and determine the funding eligibility of each activity included in the project application.

An application for a technology grant awarded under the NTIG program, in accordance with THSC 391, must show reasonable evidence that the proposed technology project will reduce emissions and be cost effective, and must also include a strong implementation plan.

We will consider all the following points in each application:

- the projected potential for reduced emissions of regulated pollutants
- project maturity
- cost-effectiveness of emissions reduction
- potential air quality benefit
- strength of the implementation plan
- other environmental impacts
- strength of the project team
- project timeline or schedule
- potential funding from other sources
- the uniqueness of the plan or product being considered for funding and its ability to offer long-term environmental benefits

If we require additional information to complete or review a submitted application, then you may be asked to submit additional or supporting documentation within a reasonable set time period. Substantially incomplete applications or those for which the requested additional information is not submitted will be deemed incomplete or unresponsive. Incomplete applications will receive a letter of ineligibility and will not be considered for grant funding.

Testing Protocol

If you submit testing results or propose to test equipment submitted as part of the application, we will require that testing protocols be included in the application. Testing may include (but is not limited to) stack sampling or continuous emissions monitoring or both.

The testing protocol will be reviewed for acceptability by the appropriate community or authority (e.g., the EPA). However, its inclusion in the application will allow us to facilitate review and acceptance of an applicable test protocol in parallel with the grant negotiations and grant award and thereby help minimize the time lapse before testing can begin.

Testing protocols must be developed considering a broad range of interested parties (the manufacturer of the original equipment, the developer of the new technology, installers of the new equipment, testing facilities, etc.) that must reach agreement about how the test will be conducted.

The first part of the protocol consists of the initial readings or analysis before and after the application of the new technology. The second part is durability testing, demonstrating how long the new technology will last. The end of the process is a consensus-developed final report presenting all the data, including the facilities and industries that would experience similar results.

An acceptable written testing protocol initiates the process and carries it through to the final report. The testing data and final report will be sent as documentation to the EPA for determination of emission-reduction credits.

There are many companies in the United States capable of performing the full range of testing that is required to evaluate emissions from stationary sources.

Project Selection

Project selections will be made using ranking and scoring procedures that will be explained in the RFGA. In general, the selection criteria may include priority funding among different types of technology, the maturity of the project, and air quality benefits. TCEQ executive management or their designee will make the final project selections.

Awarding of Grants and Contracting

Projects selected for funding will be awarded a grant, not to exceed 50 percent of the implementation costs, through the execution of a contract between the recipient and TCEQ. If necessary, our grant-management staff will coordinate with the recipient on any additional information necessary to complete the contract, including the scope of work and the budget. All grant recipients should review the contract language carefully before accepting and signing the contract.

Because the funding for this program is derived from revenue that is received throughout the year, all grant awards and contracts will be contingent upon the receipt of sufficient revenue to cover the grant. TCEQ may issue grant contracts on a contingency basis, subject to issuance of a notice to proceed once sufficient funds are available.

The applicant will need to sign the grant contract and return the document to TCEQ for final signature and execution. A copy of the signed contract will then be provided to the grant recipient.

An application for a Texas payee identification number (PIN) will also be supplied to the grant recipient with the contract. This number must be assigned before the Texas comptroller will make payment from state funds. Potential applicants without a PIN should consider applying for one as soon as possible. A grant recipient that has not already been assigned a PIN will need to return a completed PIN application form to us along with the signed contract. We will forward the application to the comptroller so that the required number can be assigned. Lack of a PIN will not affect project evaluation or selection.

Chapter 5: Grant Administration

Restriction on Use of Grant

A recipient of a grant under this chapter must use the grant to pay the incremental costs of the purchase, lease, or installation of the project for which the grant is made, which may include reasonable and necessary expenses for the labor needed to install emissions-reducing equipment. The recipient may use the grant for the costs of operating and maintaining the emissions-reducing equipment

Reimbursement

Grant payments are reimbursements, meaning that payment will be made after the eligible expense has been incurred and paid by the grant recipient. The grant recipient must request reimbursement of expenses by submitting a completed, original, signed TCEQ Request for Reimbursement (RFR).

The grant contract and the reimbursement forms will include requirements for documentation of expenses. Copies of all purchase orders, receipts, and paid invoices for expenditures must be submitted with each RFR of payments. Documentation of paid expenses (including canceled checks) and any required insurance must be provided in accordance with the provisions of the applicable grant contract.

TCEQ TERP staff will review the reimbursement forms and accompanying documentation. To be eligible for reimbursement, all expenses must meet all applicable requirements of the Texas Grant Management Standards.

Reporting

The grant recipient must submit quarterly reports (or as specified by the contract) during the implementation of the project, as well as a final report upon completion of the overall project. The implementation and final report will be posted on TCEQ's website. Following TCEQ acceptance of the final report, the grantee will be required to continue submitting annual activity reports for at least five years.

Based on the activities funded, TCEQ will determine what information the activity reports should contain. Each report must clearly identify the project and be written so that a lay person can understand the project.

TCEQ will supply report templates to grantees and provide instructions for completing and submitting reports.

Grant Adjustments and Authorizations

Grant recipients must complete the project according to the timelines established in the grant agreement. Recipients should request approval for adjustments to the schedule as needed, according to the provisions of the grant agreement; however, a thorough explanation is required as to why additional time is needed. TCEQ will have sole discretion to approve any modifications to timelines. Any changes to the timeline must be justified since the project's timing is considered in the evaluation and selection of an application. Consistent with the grant contract, TCEQ may also choose to terminate a project early due to delays, particularly if the delays will put the project completion date past the end of the eligible funding period.

Once the grant contract is signed and the project begins, any desired changes to the grant agreement—including work activities, authorized representative, schedule, or budget—must be requested in writing to TCEQ. In accordance with the grant agreement provisions, TCEQ may approve any changes through an amendment to the contract. TCEQ has the sole discretion to approve any changes to the contract. Instructions for budget changes will be included in the contract provisions. Applicants are encouraged to carefully analyze all costs in the grant application before execution of a contract.

Closeout and Release of Claims

Upon completion of the project, the grant recipient must submit an RFR for all remaining unreimbursed expenses, all required expense documentation, and a final project report. This documentation must be submitted no later than the deadline established in the grant contract.

TCEQ must review and accept all deliverables due as part of the grant project before final reimbursement or closeout of the grant. The contract will contain provisions for the grantee to submit deliverables to TCEQ for review and comment. Review and comment must be accounted for in the project timeline and schedule. The grantee will also have a contractual obligation to respond to TCEQ's review comments before finalizing reports or other deliverables.

The final RFR must include a completed and signed release of claims. Once the TCEQ receives a release-of-claims form, and if the recipient has met all other contract requirements, TCEQ will close out the grant contract.

TCEQ will also complete a contractor evaluation in accordance with the provisions that will be outlined in the grant contract. The grant recipient will be notified of the results of the evaluation and will be given the opportunity to respond. This evaluation, which is required for all contracts administered by TCEQ, is used to track the compliance and effectiveness of all TCEQ contractors and grant recipients.

Texas Commission on Environmental Quality



ORDER ADOPTING GUIDELINES REVISIONS

Docket No. 2025-0111-MIS

Rule Project No. 2024-011-OTH-NR

On April 17, 2025, the Texas Commission on Environmental Quality (Commission) adopted revisions to the New Technology Implementation Grant Program: Guidelines for Grants (guidelines).

Under Tex. Health & Safety Code Ann. §§ 382.011, 382.012, and 382.023 (Vernon 2011), the Commission has the authority to control the quality of the state's air and to issue orders consistent with the policies and purposes of the Texas Clean Air Act, Chapter 382 of the Tex. Health & Safety Code.

Additionally, the Commission has authority under Chapter 391 of the Tex. Health & Safety Code to administer a grant program to assist the implementation of new technologies to reduce emissions from facilities and other stationary sources in this state. Under Tex. Health & Safety Code § 391.003, the Commission is to adopt guidelines and criteria consistent with Chapter 391 of the Tex. Health & Safety Code and may revise the guidelines and criteria as necessary to improve the ability of the New Technology Implementation Grant Program (NTIG) to achieve its goals.

IT IS THEREFORE ORDERED BY THE COMMISSION that the revisions to the guidelines are hereby adopted. The Commission further authorizes staff to make any non-substantive revisions to the guidelines necessary for final publication. The adopted revisions to the guidelines are incorporated by reference in this Order as if set forth at length verbatim in this Order.

The provisions of Tex. Health & Safety Code, § 391.003, exempt revisions to the guidelines from the rulemaking requirements of Chapter 2001, Tex. Government Code. This Order constitutes the Order of the Commission required by the Administrative Procedure Act, Tex. Government Code, Chapter 2001 (West 2016).

If any portion of this Order is for any reason held to be invalid by a court of competent jurisdiction, the invalidity of any portion shall not affect the validity of the remaining portions.

TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY

Brook T. Paup, Chairwoman

Date Signed