



AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.



2015 Partners Meeting Northeast Diesel Collaborative

Quality People.
Quality Projects.



October 26-28, 2015
Providence, RI

- Nation's leading construction trade association
- More than 26,000 member companies
- Nationwide network of 93 chapters
- AGC members involved in all facets of building local and national infrastructure



AGC members are reducing congestion and emissions,



building green,



delivering renewables,



and protecting water quality.



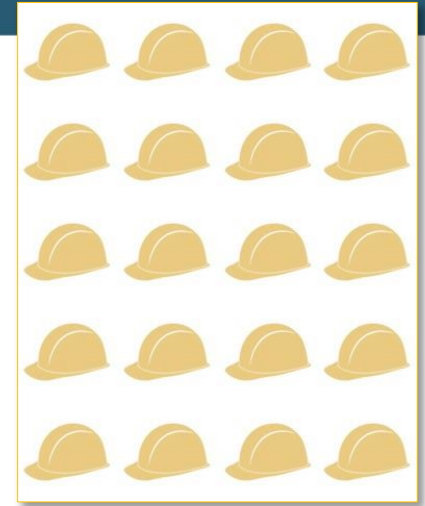
Congratulations to AGC's 2015 Alliant Build America Award Winners.

- AGC members own and operate diesel equipment
- AGC has been actively involved in EPA's National Clean Diesel Campaign since its inception
 - Active in many regional Clean Diesel Collaboratives
 - Recognized “partner” at Clean Diesel 10 Meeting
 - Supporter of grants/rebates


- Construction industry plays important role in U.S. economy
 - Operates in every state
 - Employs more than 6.4 million workers (2015)
- Nonresidential spending in the U.S. in 2014 totaled \$618 billion (\$348 billion private, \$271 billion public)
- Construction contributed 3.8% to national GDP (2014)



- Most construction companies are small, low-margin businesses
 - In 2013, there were 658,500 construction firms in the U.S. – 92% employed ***fewer than 20 workers***
 - *Forbes Magazine* recently reported Highway & Bridge Construction as one of least profitable U.S. industries (avg. net profit margins 2.2%)
 - The net earnings margin before income taxes decreased from 3.2% in 2011 to 2.3% in 2012



Source: Ken Simonson, Chief Economist, AGC of America, from Prof. Stephen Fuller, George Mason University, CFMA Annual Financial Survey and U.S. Government Sources



Company's net worth is a function
of owned equipment

- Equipment lasts 25+ years
- Equipment is a *huge* investment

Key Fact

Equipment in the field today met any applicable federal engine emission rules at the time of purchase

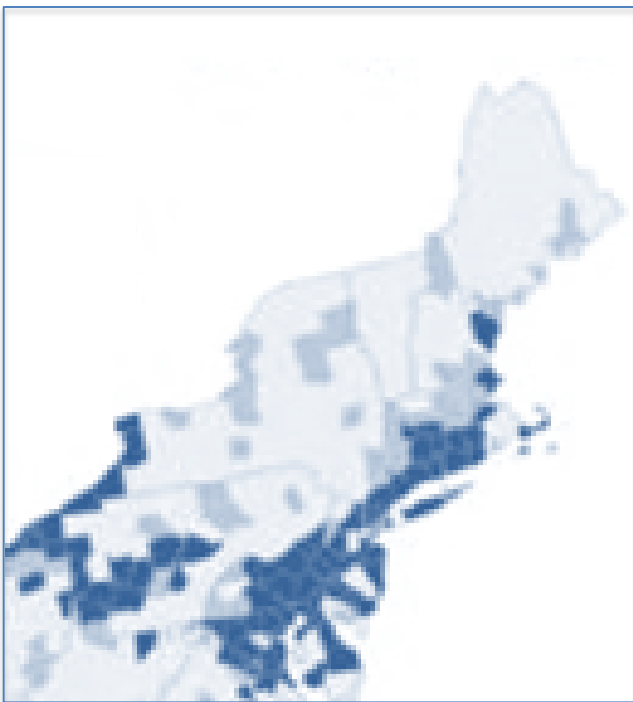
Key Fact

Expectation that it is “legal” to continue to operate equipment “as built” until the end of its useful life

- Successful diesel retrofit program must recognize contractor business interests
- For many construction companies, retrofit =
 - **↑ COST**
Purchase price, installation, owner's time, substitute equipment rental or foregone revenue, engine maintenance, training on new technology, etc.
 - **↑ RISK**
Aftertreatment integration challenges, engine enhancement challenges, few verified technologies, impact to engine warranty, etc.

- Where construction industry finds itself
 - NAAQS are getting tighter
 - Off-road diesel equipment emits PM and NOx

- Road that lies ahead...
 - States struggling to develop compliant SIPs
 - Deficient state SIP = loss federal highway funds
 - Non-attainment areas must demonstration “conformity” of highway/transit plans to SIPs or no new federal approvals or funds



“State and local agencies should check with EPA before promulgating any state or local regulations or programs mandating retrofit projects, due to potential issues related to Clean Air Act section 209 requirements.

Retrofit projects that are preempted under applicable provisions of Clean Air Act section 209 ... may not be included in the SIP.”

- *Diesel Retrofits: Quantifying and Using Their Emission Benefits in SIPs and Conformity - Guidance for State and Local Air and Transportation Agencies* (EPA, Feb. 2014)

Summary of States' Rights to Regulate Nonroad Diesel Engines

| | 0-175 hp | >175 hp |
|--|---|--|
| New <u>Nonroad Engines</u> | No State or Local Emission Control Standards | Only Calif. Can Adopt Emission Control Standards |
| Old (In-use) <u>Nonroad Engines</u> | Only Calif. Can Adopt Emission Control Standards; Other States May "Opt-in" | |

Fundamentals of the OFFROAD Model

For each model year, and each horsepower and equipment category, emissions and/or diesel fuel consumption are equal to the following:



Updated 2009 Emissions Inventory

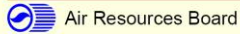
- Started with original OFFROAD model
- Based on DOORS data, updated inputs for Population, Average Maximum Horsepower and Age Distribution
 - Also applied scaling factor to “low use” equipment
- Applied Actual Fuel Consumption factor

Workshop on Information Regarding the Off-Road, Truck and Bus, and Drayage Truck Regulations

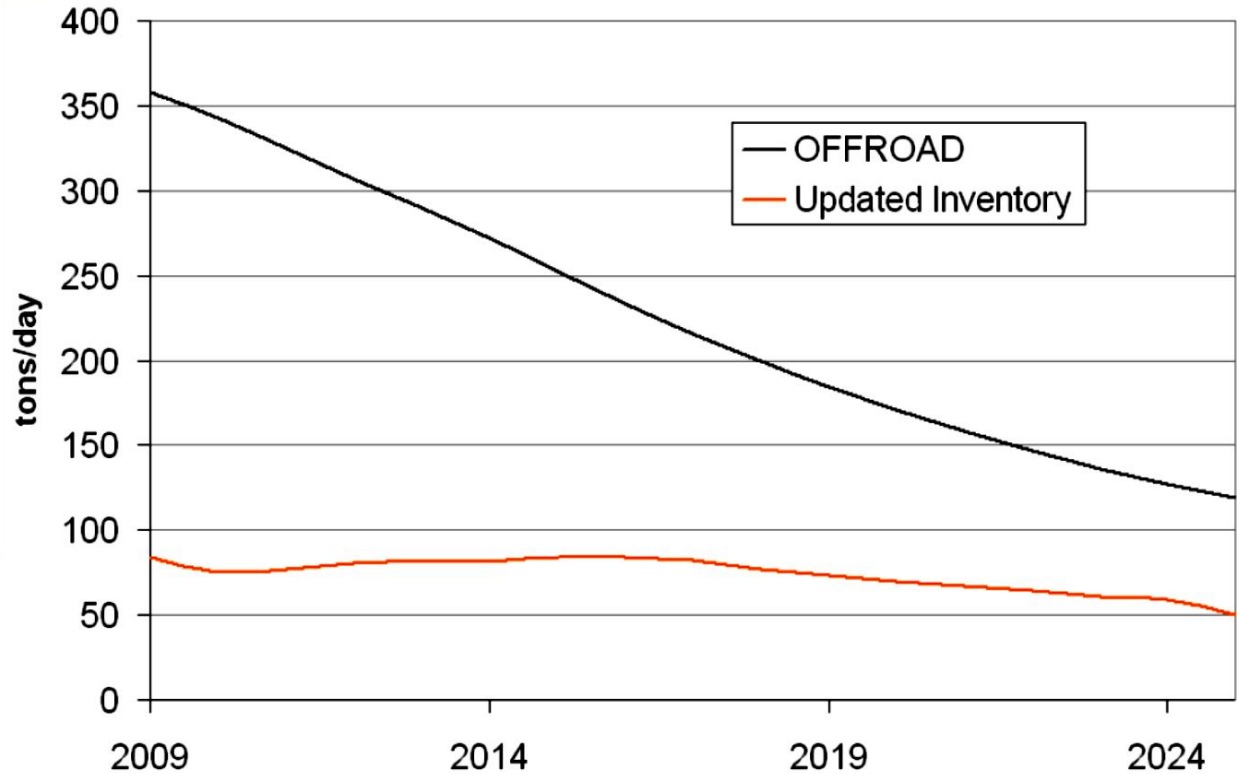


August/September 2010

California Environmental Protection Agency



Statewide Baseline Emissions - NOX



Off-Road Rule Inventory

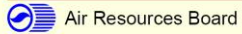


Workshop on Information Regarding the Off-Road, Truck and Bus, and Drayage Truck Regulations

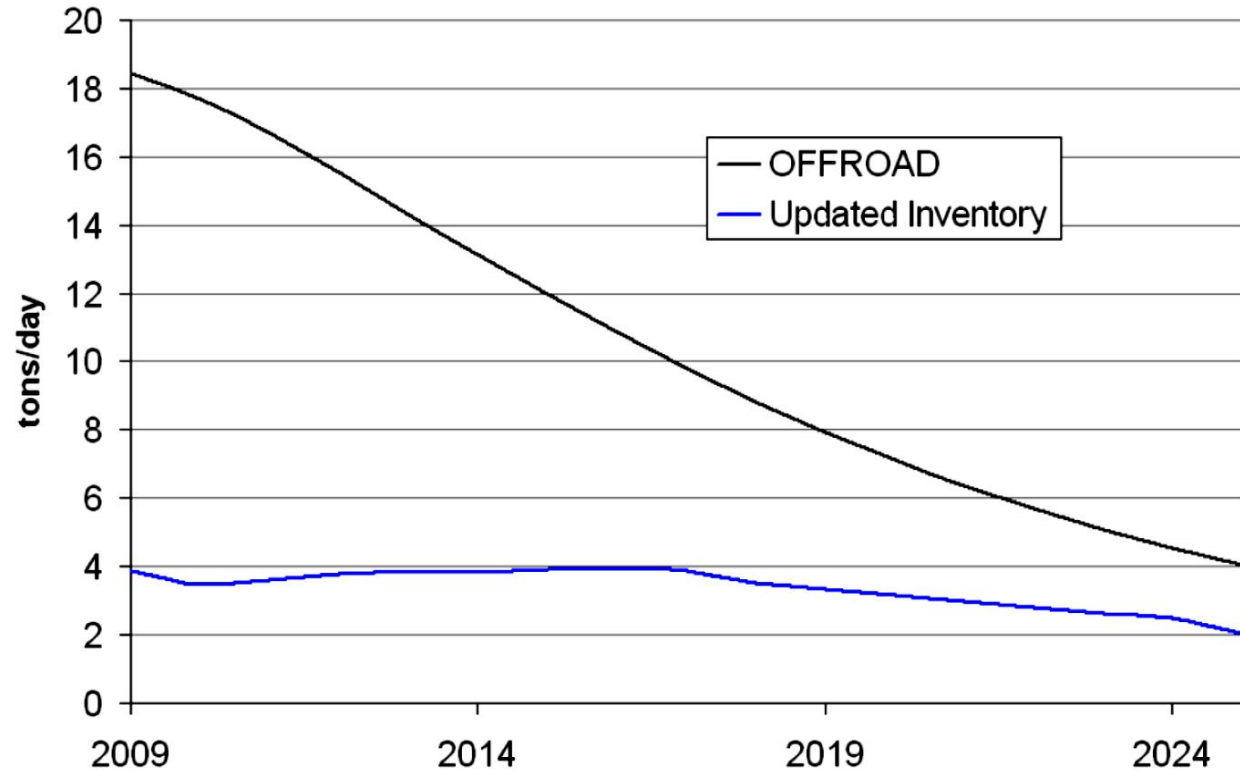


August/September 2010

California Environmental Protection Agency



Statewide Baseline Emissions – PM2.5



Off-Road Rule Inventory



State and Local Decisions Must Be:

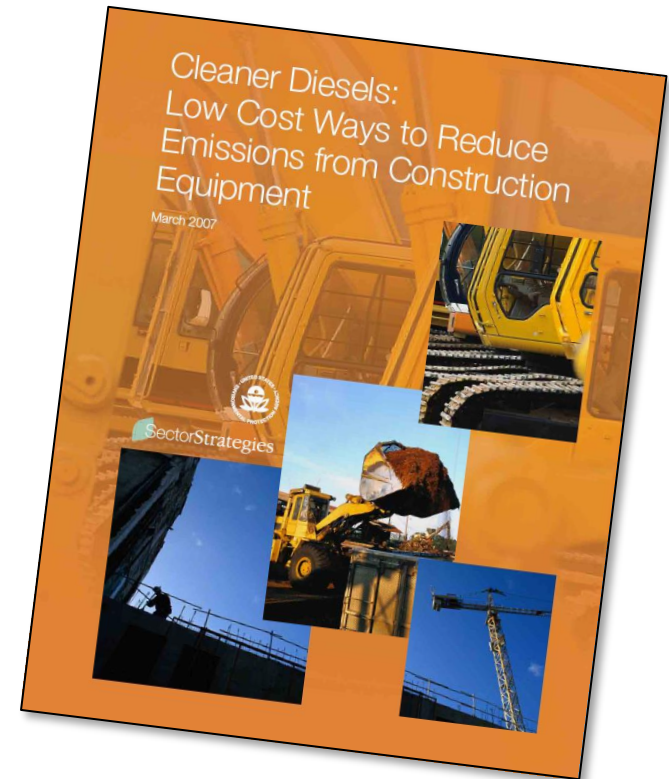
➤ Driven by understanding of industry/equipment ownership

➤ Consistent with Clean Air Act


➤ Based on good data

- What works?
 - Retrofit grant, loan, rebate programs
 - CMAQ Program funds
 - Equipment idle reduction and control
 - Operator training, preventive maintenance
 - Contract INCENTIVES
 - Transportation improvement projects (reduce congestion & improve air quality)

- [Emission Reduction Incentives for Off-road Diesel Equipment Used in Port/Construction Sectors](#) – May 2005
- [Cleaner Diesels: Low Cost Ways to Reduce Emissions from Construction Equipment](#) – March 2007



- What causes concern?
 - Use restrictions on equipment
 - Early fleet turnover or existing fleet obsolescence
 - Mandated equipment modification or replacement
 - Any standard that undermines the federal role in setting engine emissions standards
 - Bid preferences or contract restrictions



Bid preferences and contract restrictions disrupt competitive bid processes; shut out small- and minority-owned businesses, which typically own older fleets.

- Full funding and reauthorization of DERA
- Outreach re: diesel grants, rebates
- Use of CMAQ funds for construction retrofits on federal aid highway projects
- Federal investment tax credit for retrofit expenses
- Communicate acceptable clean diesel strategies; educate on unacceptable strategies

National Funding Assistance Program Grants

AGC Success...



- Constructors Association of Western Pennsylvania (AGC) partnered with Allegheny Cty Health Dept., awarded \$925,000 grant
- AGC of Kentucky awarded \$50,000 and \$2M grants



- AGC of Greater Florida members shared in \$1.6M grant awarded to Florida Refrigeration and Air Conditioning Contractors Assoc.
- AGC of Minnesota members shared in \$3M and \$977,243 grants awarded to Minn. Enviro. Initiative
- Oregon- Columbia AGC was awarded \$120,000 grant
- AGC of Greater Milwaukee received \$500,000 grant
- AGC members also have benefited from funds awarded by EPA to state/local agencies – indicating many public-private partnerships at play

- Investment tax credit for purchase of new diesels
- Investment tax credit for capital expenditures to retrofit, rebuild or repower existing diesel engines to achieve emission control improvements



Thank You!

LEAH F. PILCONIS

Consultant on Environmental Law & Policy

Senior Environmental Advisor to

The Associated General Contractors of America (AGC)

E: pilconisl@agc.org

W: (703) 837-5332