Statement

Of

Leah F. Wood

On behalf of

The Associated General Contractors of America

Regarding

Future Regulation of Nonroad Diesel Engines and Fuel

Before the

EPA Nonroad Work Group

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The Associated General Contractors of America (AGC) is a national trade association of more than 33,000 firms, including 7,500 of America's leading general contracting firms. They are engaged in the construction of the nation's commercial buildings, shopping centers, factories, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, dams, water conservation projects, defense facilities, multi-family housing projects and site preparation/utilities installation for housing development.

The Associated General Contractors of America
333 John Carlyle Street, Suite 200, Alexandria, VA 22314 • Phone: 703.548.3118 • FAX: 703.837.5407

Good afternoon. My name is Leah Wood and I am here on behalf of The Associated General Contractors of America (AGC). AGC is the nation's largest and oldest construction trade association, founded in 1918. AGC represents more than 33,000 firms, including 7,500 of America's leading general contracting firms. AGC's general contractor members have more than 25,000 industry firms associated with them through a network of 101 AGC chapters. AGC member firms are engaged in the construction of the nation's commercial buildings, factories, warehouses, highways, bridges, airports, waterworks facilities, waste treatment facilities, dams, water conservation projects, defense facilities, multi-family housing projects, site preparation, and utilities installation for housing developments. AGC members rely on nonroad diesel vehicles powered by diesel fuel to successfully complete construction jobs.

Nationwide, diesel systems—that is engines and fuel—power the majority of the heavy-duty equipment that constructs and repairs our roads, bridges and factories. For over a century, around the world diesel systems have been the technology of choice for virtually all commercial applications.

The construction industry relies on diesel technology for many reasons: diesel fuel contains more energy per unit volume than gasoline; diesel is a safer fuel than gasoline because it is less volatile and has a lower flash point, making it far less likely to ignite or explode if spilled or released; diesel fuel is cheaper than gas and diesel engines are more fuel efficient; diesel engines have much more torque, or pulling power, enabling equipment to carry or tow heavier loads than gas powered engines; and diesel engines are more durable, with 250,000-mile lifetimes. To date, there is no technological substitute for diesel fuel.

Moreover, new diesel engines also are more environmentally friendly than gasoline engines, when judged by emissions of carbon dioxide and smog-contributing hydrocarbons. Because of the greater efficiency of diesel engines and the significant fuel economy advantage, diesel engines emit 30-35 percent fewer carbon emissions than gasoline engines.

In light of the importance of diesel systems to construction, AGC appreciates the opportunity to discuss the industry's views on future regulation of nonroad diesel engines and fuel.

In EPA's 1998 nonroad diesel regulations, the agency announced that it would review the feasibility of the most stringent tier of the standard—known as Tier 3—in 2001 and make adjustments at that time. AGC is aware that EPA currently is considering a more stringent rulemaking that would lower emission standards for nonroad construction equipment even more and reduce the amount of sulfur used in nonroad diesel fuel. Although such stringent requirements already are in place for highway diesel fuel and heavy-duty vehicles that burn such fuel, AGC would like make clear that an identical approach may not be appropriate for nonroad equipment.

Future Nonroad Engine Emission Standards & Low-Sulfur Fuel Requirements
In other rulemakings covering highway engines, EPA has coupled the fuel and engine standards to each other because its emission standards would not be feasible without a fuel change. AGC supports the use of a systems approach to setting future nonroad fuel and engine standards, recognizing that engines and fuel are both part of an integrated diesel power system. However, AGC opposes any new nonroad engine emission standards or low-sulfur fuel requirements that would disrupt power output, durability, ease of maintenance, safety, cost, or other factors important to users of nonroad diesel systems.

Diesel-powered construction equipment is needed to maintain the quality of life that we enjoy today. AGC urges EPA not to propose further reductions in nonroad diesel engine emissions unless (or until) it demonstrates that the required technology (emission control devices) and accompanying low-sulfur fuel will work effectively in all nonroad applications.

AGC member-companies have expressed concern that low-sulfur diesel fuel may make nonroad diesel engines less efficient, stating that it may reduce horsepower by up to 14 percent. Moreover, AGC members are hearing from equipment dealers that they will not warranty an engine that uses a "watered down" fuel. This is because extremely low-sulfur diesel fuel may decrease the life of a nonroad engine. Leading engine manufacturers have indicated that low-sulfur fuel actually may accelerate the wear of an engine.

In developing future nonroad rules, EPA must recognize that nonroad construction equipment demands superior performance and a source of power that is efficient, economical, durable, and reliable to meet the requirements of the job.

In addition, AGC asks that emission control devices be available in nonroad engine markets several years prior to implementation of a new standards for nonroad engines. Furthermore it is equally important to the construction industry that the costs of meeting a new engine emission standard do not dramatically increase the purchase price of typical new nonroad diesel equipment.

Nonroad Diesel Fuel—Supply Disturbances and Price Volatility
Turning now to nonroad diesel fuel...EPA currently does not regulate diesel fuel that is not intended for use in highway engines. Specifically, diesel fuel sold for use in most nonroad applications such as construction equipment has sulfur on the order of 3,300 parts per million (ppm). In comparison, current standards for fuel used in highway diesel engines limit sulfur concentrations to a maximum of 500 ppm and the cap will drop even lower to 15 ppm in June 2006.

AGC recognizes that EPA's ability to set more stringent standards for nonroad engines may be limited by the high sulfur levels in nonroad diesel fuel. However, AGC is concerned about the ability of refiners to provide higher quality nonroad fuel in Tier 3 (the most stringent tier of the 1998 nonroad rule), which begins when large sulfur reductions for gasoline and highway diesel fuel are mandated.

Desulfurization of diesel fuel to very low levels will involve substantial capital investments and added operating expenses by petroleum refiners. AGC believes refiners are the best equipped to evaluate the potential cost and supply impact of a proposal to lower sulfur in nonroad diesel fuel. However, AGC urges EPA to appropriately sequence, with minimum overlap, the fuel specification changes to mitigate the potential for major disruptions in supply and resulting significant price variation.

Applicability

The chapters and members of AGC support the objective of clean air. However, AGC believes that the nonroad rulemaking process should focus on (1) the industry investment needed to support clean air efforts, as discussed above, and (2) the resulting cost to the consumer. To this end, AGC believes that further controls on nonroad diesel engines must not apply to existing construction equipment. Only equipment with engines built after a rule's implementation dates should be regulated under a new standard.

It would be extremely damaging to the construction industry if EPA were to enact a rule that requires a certain percentage of nonroad equipment to meet emission standards by a certain date. Smaller contractors would not be able to comply as quickly as larger companies due to financial constraints. Contractors hold on to the same piece of construction equipment for up to 15 years. Therefore, small contractors operating older equipment would be forced to purchase new equipment before the old equipment is amortized.

For similar reasons, EPA must be wary of requiring an accelerated upgrade of nonroad diesel engines, which would require substantial retrofits.

Conclusion

AGC welcomes the opportunity to work closely with EPA to encourage the proper maintenance of construction equipment. Through a positive joint effort, AGC would be willing to disseminate information to help the construction industry understand the value of properly maintaining nonroad construction equipment. Such materials might focus on the economic and environmental benefits of operating properly serviced equipment.