July 31, 2006

**Draft Tools Narrative**

Introduction

As noted in [AQM CHALLENGES SECTION] above, today's air quality problems will pose particularly difficult and sometimes different challenges to EPA, the states and tribes than the perceived problems of past years. While our traditional air quality program has focused on reducing emissions from large stationary sources, fuels and new car and truck engines, such strategies alone are not likely to assure attainment of the nation's air quality and public health goals. To meet the next generation of air quality challenges, EPA, states and tribes must tackle emissions from existing cars and trucks (so-called "legacy fleets"), a wider range of engine and vehicle types (e.g., marine vessels), and a plethora of small and middle-size activities. Furthermore, although new engine emissions standards promise to reduce dramatically (sometimes to near zero) the emissions from new cars and trucks and from off-road vehicles and products such as lawn mowers, boats and all-terrain vehicles; the continued growth in travel and the delivery of goods spurred by increasing population and personal income will likely make it necessary to go beyond mere technology-focused strategies to address transportation, land use and energy efficiency in major metropolitan areas. Moreover, although the nation now boasts some of the world's cleanest products, fuels and vehicles, there remains much we can do to accelerate the turnover of existing fleets and to increase the penetration of the cleanest products by implementing demand-side strategies to a greater extent than in the past.

Areas of Focus - Remaining Air Quality Problems and Air Quality Planning Needs

The Committee's consideration of potential tools was guided by input from EPA regarding the most significant remaining air quality problems and regarding other types of future air quality planning needs. We focused on several types of sources, whose relatively un- or under-controlled emissions contribute significantly to ozone or fine particulate matter non-attainment in several areas of the country. Included among those categories so identified were legacy vehicle and engine fleets, ports and goods movement-related sources (e.g., trucks, ships and rail), airports, agricultural emissions, small sources (e.g., bakeries, restaurants, dry cleaners), consumer products and industrial boilers.

The Committee discussed a range of existing needs in the area of measurement. Measurement-related air quality planning needs for criteria pollutants included the need for improved baseline emissions inventory data and ambient air quality data (e.g., due to existing gaps in monitoring). Measurement and planning challenges for hazardous air pollutants were considered even more dramatic, as there is a need for data in many areas, including information regarding ambient levels of exposure to such pollutants, better risk assessment data, speciation data, improved information regarding significance levels and evaluative data regarding the potential impact of such pollutants on sensitive populations. Other identified measurement challenges included consideration of the co-benefits or impacts of various control strategies, including any potential local impacts associated with emissions trading.

The Committee discussed a number of other air quality planning challenges related to the priority problem areas, including how to ensure SIP credit for non-traditional strategies, such as

diesel reduction programs or voluntary incentive programs. It recognized resource limitations faced by many state, local and tribal agencies. Finally, it recognized the current relative lack of incentives in attainment and nonattainment areas to prevent air quality problems from developing or worsening. For example, the Committee discussed the need to encourage conservation on both the user and supplier side in several priority areas, including energy efficiency and consumer travel and purchasing choices.

Many of these air quality planning challenges were addressed in the Committee's overall air quality management recommendations stated above; however, in certain instances (e.g., conservation and efficiency), the Committee also attempted to identify specific tools that could be helpful.

Potential Tools

The Committee evaluated a variety of tools that could be used to address these remaining challenges. The Committee believes that a few of these tools are likely to prove valuable in most areas of the country, for example, where there is a shared need to turn over the legacy engine fleet or to address relatively un- or under-controlled large stationary sources. But other tools may be appropriate for use only selectively in certain areas that face unique difficulties, such as ports and large airports. At large regional ports, for example, the existing and anticipated high density of engines requires that engine turnover or retrofits be accelerated and strategies should promote rapid and large-scale investment in clean fuels and technologies to attain the ozone or fine PM standards and to reduce public health risk. In such latter instances, the Committee has identified several tools that should be considered and that may offer a productive path forward. In some of these situations, the use of innovative tools, such as emissions trading, pricing or other financial strategies, may raise novel or significant public policy questions (e.g., the use of acceptable risk benchmarks, inter-pollutant trading, emissions banking and borrowing, "in lieu" compliance strategies) that would need to be considered carefully at local and regional levels.

The Committee has prepared a table of potential tools, which is presented [*below? Attachment?*]. For illustrative purposes, it also has considered a select few of the tools and has presented below both a more detailed discussion of the potential tools, of their potential benefits and of the policy and implementation issues raised.

Illustrations

*Proposed:*

*(1) Legacy Fleet Turnover – Public Financing Strategies (TRPP and Moyer Funds)*

*(2) Ports and Goods Movement (performance standards and emissions trading)*

*(3)Demand-side strategies (e.g., informational, reward, non-financial tools)*

Discussion of Relative Attributes

*Include?*