

## Financing Incentives for LNG Trucks at San Pedro Bay Ports



## Clean Air Action Plan

- ▶ Joint Plan by Ports of LA and Long Beach
- ▶ Goal - To reduce emissions from all Port Operations by end of 2011
  - Ships, Railroad Locomotives & Harbor Craft
  - Heavy-Duty Trucks and Cargo Handling Equipment
- ▶ Plan to be Implemented over next 5 years
  - Lease renewals and renegotiations
  - Financial Incentives
  - Funding from Ports and South Coast AQMD
  - Other funding/financial support TBD



## Clean Air Action Plan - Heavy Duty Trucks

- ▶ Focus: 16,800 trucks that account 80% of all traffic
- ▶ 90% are Owner/Operators
  - Current truck = 1,000,000 miles
  - Cost \$25,000 - \$30,000
  - Drivers have less financial resources
- ▶ Trucking Companies Contract with Owner/Operator
  - Deal with Shipping lines & large importers
  - Constant challenge to find, hire and retain drivers
  - Some trucking companies assist drivers with truck financing
  - New trucks may help attract drivers



## Heavy Duty Trucks - Recommended Plan:

- ▶ Replaces 10,622 of Heavy Duty Trucks with:
  - 5,311 Clean Diesel Trucks
  - 5,311 LNG Trucks
- ▶ 120 in FY 2006-07 (Pilot Project)
  - 1,299 per year for next 4 Fiscal Years
  - \$1 Billion funding = 5,311 LNG trucks
- ▶ Ports & AQMD committed \$113 mm for LNG trucks
  - 150+ LNG trucks in year 1
  - \$22 mm in grants for truck replacement program
    - First step- RFP out now
    - Focus on 1989 or older trucks- 7+ visits per week



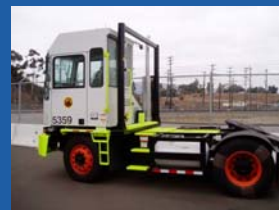
## Why LNG Trucks?

- ▶ Help Compliment Port's Air Quality Goals
  - Reduce NoX, PM and GHG's
- ▶ Diesel exhaust has been declared a toxic air contaminant by CARB
- ▶ Diesel emissions cause cancer & asthma
  - Affects children & elderly
- ▶ The emission reductions of replacing one HD diesel truck is equivalent to removing 325 automobiles off the road!
- ▶ Natural Gas Reduces dependency on Foreign Oil
  - Domestically produced
  - 97% of Natural Gas used is from North America



## LNG Truck Financial Incentives - *How Do Owner Operators Afford Clean Trucks?*

- ▶ Federal Tax Credit
  - Up to \$32,000 per LNG Truck
- ▶ Local Grants from Ports or Air Districts
  - Help Reduce Incremental Cost
  - Brings Net Cost down to \$50-\$75k
- ▶ Opportunity to Increase Revenue
  - Financial Rewards paid to drivers of "Green Trucks"
  - Paid by Private Sector via higher rates
- ▶ Reduced Operating & Maintenance Expense



## Incentives Help Make LNG Trucks Attractive:



- ▶ Current Used Truck – cost of \$25,000 - (36 mo financing)
  - High Mileage – i.e.: 1,000,000 miles
  - Typical Truck Payment - \$200 per week
- ▶ LNG Truck - net cost of \$50,000 - (72 mo financing)
  - New, Under Warranty
  - Typical Truck Payment - \$215 per week
- ▶ “Green Truck” Rate Increase:
  - \$10 per move = \$100/wk = net of \$85
  - \$20 per move = \$200/wk = net of \$185



## Other Examples of Public/Private Support:

- ▶ Clean Truck Emissions Standards
  - Trucks not meeting pay user fee
  - Fees Increase over time
  - Market forces will encourage new clean trucks
- ▶ Loan Guarantees by Public Agencies
  - Helps lower borrowing cost
- ▶ Continued Efficiencies in Terminal Operations
  - Increases Utilization Factor of Trucks
  - Reduces congestion around Ports
  - Economic Benefit to all stakeholders



## Conclusions:

- ▶ Operating Clean Trucks Can Make Sense
  - Economic and Environmental Basis
- ▶ Existing Industry Structure Can Work
  - Owner Operators/Trucking Companies Can Respond
  - Rates for moving goods are too low
  - Goods moving through Ports must help offset costs
- ▶ Economics Must Improve
  - Attract & Retain Drivers
  - Allow for Investment in New Clean Trucks
- ▶ LNG Trucks Can Help Clean Up and Improve Ports

## Questions?

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