

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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