

Tier 2 Study

April 23, 1998

DRAFT

I. EXECUTIVE SUMMARY

Purpose of the Tier 2 Study

This Tier 2 Study examines whether it is appropriate to require more stringent emission standards for new passenger cars and light duty trucks, which make up the majority of motor vehicles on the road today. As directed by Congress, the Environmental Protection Agency (EPA) in this examination assesses the air quality need, technical feasibility and cost effectiveness of such technologies. This study is the first step in determining if more stringent vehicle standards are needed to meet the National Ambient Air Quality Standards.

The Clean Air Act (CAA) directs the EPA to identify and set national ambient air quality standards (NAAQS) for pollutants that cause adverse effects to public health and the environment. EPA set standards for six common air pollutants, known as "criteria pollutants". They are ground-level ozone (an important component of smog), carbon monoxide, lead, nitrogen dioxide, sulfur dioxide, and particulate matter (measured as PM₁₀ and PM_{2.5}). For each of these six pollutants, EPA set health-based or "primary" standards to protect public health, and welfare-based or "secondary" standards to protect the environment (crops, vegetation, wildlife, buildings and national monuments, visibility, etc).

The CAA sets specific exhaust emission standards, beginning with the 1994 model year, for light-duty vehicles (LDV), or passenger cars, and light-duty trucks (LDT), including sport utility vehicles, minivans, and pick-up trucks. These are "Tier 1 standards". The Act requires the study of whether or not further reductions in emissions from these vehicles should be required, called "Tier 2" emission standards. This assessment must address the need for further reductions in motor vehicle emissions to attain and maintain the NAAQS, including, at a minimum, three factors:

- the air quality need for more stringent standards,
- the availability of technology to implement more stringent standards,
- the cost effectiveness of more stringent motor vehicle standards, as well as alternative means to attain and maintain the NAAQS.

This "Tier 2 Study" addresses these factors, as well as others relevant to the consideration of whether to establish more stringent standards. For example, the study incorporates in its analysis the National Low Emission Vehicle (National LEV or NLEV) program, a voluntary agreement among auto makers and Northeastern states to produce cleaner cars nationally. The National LEV program ensures that vehicles, beginning in model year 1999 and fully phased in by model year 2001, will meet more stringent emission standards by harmonizing with the more stringent exhaust emission standards required by California.

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The requirements of the Tier 2 Study and the manner by which the study was developed are described in *Chapter II. Introduction*. Following public review and comment on this draft study, EPA will issue a Report to Congress that will include the Tier 2 Study with comments summarized and incorporated as appropriate.

This study does not include proposed new emission standards. If it is determined that more stringent emission standards are necessary and viable, the Agency will, through a rulemaking process, promulgate such standards by the end of 1999.

Status of Air Quality in the United States

Air quality in the United States continues to improve. Nationally, the 1996 air quality levels are the best on record for all six criteria pollutants. In fact, the 1990s show a steady trend of improvement.

The improvements in air quality and economic prosperity that have occurred since EPA initiated air pollution control programs in the early 1970s illustrate that economic growth and environmental protection can be compatible. Since 1970, national total emissions of the six criteria pollutants declined 32 percent, while U.S. population increased 29 percent, gross domestic product increased 104 percent, and vehicle miles traveled increased 121 percent.

Despite these continued improvements in air quality, however, approximately 46 million people live in counties where air quality levels exceeded the level of the national air quality standards for at least one of the six criteria pollutants that were in effect in 1996.

Even taking into consideration the trend toward improving air quality, many areas will not be in attainment with the NAAQS in 2007, in spite of implementation of the National Low Emission Vehicle (National LEV) program, regional transport programs and other air pollution controls. And, areas that are in attainment will need ongoing programs to maintain their attainment, especially in light of continued economic growth.

Motor Vehicles' Contribution to Air Pollution

While current cars are almost 97% cleaner than 1970 models, emissions from motor vehicles contribute a large portion of our air pollution. Nationwide, mobile sources are estimated to contribute more than half of the nitrogen oxides (NO_x) inventory; 42% of the volatile organic compounds (VOC) inventory; one-quarter of the particulate matter-10 (PM-10) inventory; and 80% of the carbon monoxide (CO) emissions.

In 1996, LDVs and LDTs contributed more than 25% of national VOC emissions. LDV and LDTs contributed more than 53% of national CO and contributions to national NO_x were almost 22%.

American motorists traveled 2.5 trillion miles in 1997, with a nearly constant growth of

2% a year. In addition, sport utility vehicles, minivans and small pick-up trucks comprise almost half of the passenger vehicles sold in the United States today, dramatically changing the overall composition of motor vehicles on the road, as well as the emissions inventory. If vehicle emissions are not further reduced, shortly after the turn of the century, EPA projects that emissions increases due to increases in vehicle miles traveled (VMT) will likely overtake emissions reductions.

Overview of the Tier 2 Study

Emissions from motor vehicles include volatile organic compounds, carbon monoxide, nitrogen oxides, and particulate matter. VOC and NO_x emissions combine to produce ozone, or smog, in the atmosphere. Gaseous VOC, and NO_x emissions also help form PM in the atmosphere. Elevated levels of ambient ozone, CO, and PM have been associated with increases in both human morbidity and mortality. In addition, VOC emissions from motor vehicles include known and probable human carcinogens. NO_x emissions contribute to impaired visibility and crop damage. NO_x emissions contribute to the acidification of lakes and estuaries.

Chapter III. Assessment of Air Quality Need describes and assesses the air quality need for more stringent control of LDV and LDT emissions. The available evidence, discussed in this chapter, supports the need for emission reductions beyond that provided by the Tier 1 standards, the National LEV program and other control programs. Motor vehicle emissions will remain a significant contributor to air pollution in many areas of the country.

LDV and LDT emissions primarily affect the attainment of NAAQS for three pollutants: ozone, particulate matter, and carbon monoxide. Motor vehicles' emissions of these pollutants or their precursors and the effects on NAAQS attainment is discussed. The atmospheric pathways through which LDV and LDT emissions affect these NAAQS are identified, as well as health and welfare impacts that are not directly addressed by the NAAQS.

This assessment finds that, in the time frame contemplated for Tier 2 standards, there will be an air quality need for emission reductions to aid in meeting and maintaining the NAAQS for both ozone and PM. Air quality projections of both ozone and PM-10 in the years 2007 to 2010 show continued nonattainment in a number of local areas, even after the implementation of existing emission controls. The contribution of LDVs and LDTs to VOC and NO_x emissions that form ozone is projected to be substantial. Further VOC and/or NO_x emission reductions beyond those provided by the Tier 1 light-duty motor vehicle standards, National LEV, and other programs are still needed in order for all areas of the nation to attain the NAAQS for ozone. These reductions would also provide needed assistance to additional areas in maintaining their projected compliance with the ozone NAAQS.

Further reductions in PM emissions, as well as emissions of PM precursors, beyond those provided by the Clean Air Act are still needed in order for all areas of the nation to attain the NAAQS for PM₁₀. These reductions would also provide needed assistance to additional areas in

maintaining their projected compliance with the PM₁₀ NAAQS.

While emissions of PM from LDVs is relatively small, the trend toward heavier vehicles and the use of diesel fuel makes this an issue that must be analyzed. PM emissions from gasoline-fueled vehicles are quite low, but PM emissions from diesel vehicles meeting the Tier 1 PM standards are at least an order of magnitude greater. Widespread use of the diesel engine in LDVs and LDTs without more stringent Tier 2 standards for particulate emissions could significantly increase ambient levels of PM₁₀, worsening compliance further.

In contrast with ozone and PM, EPA does not project significant numbers of CO nonattainment areas in the future, and that future exceedences will occur during wintertime conditions. The air quality need for further CO emission reductions are being evaluated separately, in the context of the requirement to evaluate cold CO emission reductions.

Chapter IV. Assessment of Technical Feasibility examines the technological feasibility of controlling light-duty vehicle and light-duty truck emissions beyond the level of control provided for by Tier 1 emission standards. The technological feasibility of more stringent LDV and LDT emission standards is apparent. There is abundant evidence that technology exists to reduce LDV and LDT emissions below Tier 1 levels.

The review of vehicle emission control technology begins with a discussion of the emission performance of current Tier 1, National LEV, and California Low Emission Vehicle (LEV) technology vehicles and reviews the status and potential of a number of emission control technologies which could be used to get emission control beyond Tier 1, and even beyond National LEV, standards. Various technologies that could be used to reduce vehicle emissions below levels currently incorporated in the National LEV and California LEV programs are described, ranging from improvements to base engine designs to advancements in exhaust after-treatment systems. The effect fuel sulfur may have on potential Tier 2 technologies is examined.

The technologies discussed in this chapter are either in production on at least one or more vehicle models or are in the final stages of development. Given the rapid pace of technological advances made in the motor vehicle manufacturing industry in recent years, one can assume even greater opportunities available in 2004 and beyond. Automotive manufacturing companies are already producing LDVs that meet National LEV standards, achieving much lower emission levels. Some manufacturers have committed to market LDTs that meet National LEV standards as soon as the 1999 model year.

An examination of the cost effectiveness of more stringent light-duty emissions standards is found in *Chapter V. Assessment of Cost and Cost Effectiveness*, including a review of the cost effectiveness of both mobile and stationary source controls for the primary pollutants of concern. Information on costs and cost effectiveness for potential future emission control technologies is presented in this chapter. This includes the cost effectiveness of LEV technologies, as well as

technologies that achieve emission reductions beyond LEV standards. The chapter estimates cost effectiveness of certain emission reductions without making a determination of the specific numerical values of potential regulatory standards.

Estimates of the cost of future technologies are highly uncertain and often inflated. Invariably, engineers from the auto industry, as well as government regulators and outside experts, predict future costs that eventually prove to be too high when the technology is actually manufactured and installed on mass-produced vehicles. As stated previously, Tier 2 standards cannot be effective until the 2004 model year at the earliest. Therefore, although the cost estimates included in this study are EPA's best assessment of future technology, they may be conservatively high.

EPA evaluates specific motor vehicle emission control technologies, including tighter air-fuel controls and improved catalyst designs. EPA estimates that these techniques, relative to Tier 1, should be able to reduce NMHC (Nonmethane Hydrocarbons) by as much as 77% and NO_x emissions by 80%, at a cost well below \$5000 per ton. Comparing these reductions relative to National LEV yields a 7% reduction in NMHC and 30% in NO_x, at a cost also well below \$5000 per ton.

EPA evaluates the cost effectiveness of other current or potential control methods for controlling emissions. The techniques for reducing LDV and LDT emissions appear to be comparable to or more cost effective than many alternative methods of emission reduction. In developing the National LEV regulations, EPA found that the National LEV standards provided cost effective emission reductions from the Tier 1 standards relative to other emission control programs (roughly \$2000 per ton of NMHC and NO_x controlled).

In addition to estimations of cost, this chapter also attempts to quantify the emission reduction capabilities of these future technologies. In this way, the cost effectiveness, in units of dollars per ton of emissions reduced, can be calculated and compared.

Next Steps

Given these findings regarding air quality need, technical feasibility and cost effectiveness, EPA plans to develop proposed Tier 2 emission standards for LDVs and LDTs. EPA will develop the Tier 2 standards, using the rulemaking process, providing significant and frequent opportunities for the involvement of interested parties.

In its rulemaking, EPA will examine additional issues, as discussed in Section VI of this Tier 2 study. They will include the relative stringency of LDV and LDT standards, the appropriateness of having separate standards for gasoline and diesel vehicles versus a uniform approach, and effects of sulfur in gasoline on catalyst efficiency, particularly for low emission vehicles.

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All LDVs have historically been required to meet the same numerical emission standards. For example, large luxury cars and small sub-compacts both meet the same emission standards, because both types of vehicles are used as personal transportation. In contrast, higher numerical emission standards have historically been established for LDTs. As LDTs become a larger portion of the passenger fleet, they have a disproportionate impact on in-use emissions. Options for setting LDT emission standards given a particular set of LDV standards include: requiring LDTs to meet the same numerical emission standards as LDVs; setting the LDT standards to require use of the same emission control technology as the LDV standards; or set different standards based on vehicle use.

Uniform standards refers to the application of the same emission standards to similar vehicles regardless of what fuel is utilized. Here, the primary fuel options for conventional vehicles are gasoline and diesel fuel. The pollutants of most interest with regard to fuel neutrality are NO_x and PM exhaust emissions. Both diesel and gasoline vehicles appear to be capable of meeting the range of possible Tier 2 Hydrocarbons (HC) and CO emission standards, so the issue of equivalent standards does not arise with respect to these pollutants.

Sulfur in gasoline affects emissions of HC, CO and NO_x by inhibiting the performance of the catalyst, by inhibiting the performance of the three-way catalyst (TWC). Recent information from the sulfur test programs performed by the Coordinating Research Council (CRC) and the auto industry, suggests that not only do LEV and Tier 1 vehicles exhibit decreased emissions performance due to fuel sulfur, but the more advanced the technology, the more sensitive (on a percentage basis) the catalysts are to sulfur. The studies indicate that increasing sulfur content could more than double NO_x emissions and have a less severe, though noticeable, effect on HC emissions. EPA addresses this issue in a soon-to-be released Staff Paper.

Following submission of this Report to Congress, EPA will by rule, determine whether: 1) there is an air quality need for further emission reductions; 2) the technology for meeting more stringent emissions standards will be available; 3) obtaining further reductions in emissions from light-duty vehicles and certain light-duty trucks will be needed and cost effective, and, if these conditions exist, EPA will promulgate emission standards for such vehicles by December 1999.

II. INTRODUCTION

In drafting the Clean Air Act, as amended in 1990, Congress envisioned that it may be necessary to require additional emission reductions from new passenger vehicles in the beginning of the 21st Century to provide needed protection of public health. Section 202 (i) of the CAA outlines a process for assessing whether more stringent exhaust emission reductions from light-duty vehicles and light-duty trucks should be required. Congress required the Environmental Protection Agency to report the results of this assessment to Congress. Congress identified specific standards ¹ that EPA must consider in making this assessment, but stated that the study should also consider other possible standards. These standards, referred to as the “Tier 2 standards” in this study, would be more stringent than the standards required for LDVs and LDTs in the CAA beginning in model year 1994², but could not be implemented prior to the 2004 model year.

Specifically, Congress mandated that this study examine³:

- 1) the need for further reductions in emissions in order to attain or maintain the National Ambient Air Quality Standards, taking into consideration the waiver provisions of section 209(b).,
- 2) the availability of technology (including the costs thereof) in the case of light-duty vehicles and light-duty trucks with a loaded vehicle weight of 3750 lbs or less, for

¹ Clean Air Act; Section 202 (i); Table 3: Pending Emission Standards for Gasoline and Diesel Fueled Light-duty Vehicles and Light-duty Trucks 3,750 lbs LVW or Less.

| Pollutant | Emission Level in grams per mile |
|-----------|-------------------------------------|
| NMHC..... | 0.125 gpm |
| NOx..... | 0.2 gpm |
| CO..... | 1.7 gpm |

² Section 202 (g) and (h).

³ Section 202 (i), Congress specified that, "The Administrator, with the participation of the Office of Technology Assessment, shall..." However, the 104th Congress voted to cease funding the Office of Technology Assessment after September 30, 1995, prior to the Agency developing plans for the Tier 2 study.

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meeting more stringent emission standards than those provided in subsections (g) and (h) for model years commencing not earlier than after January 1, 2003, and not later than model year 2006, including the lead time and safety and energy impacts of meeting more stringent emission standards; and

- 3) the need for, and cost effectiveness of, obtaining further reductions in emissions from such light-duty vehicles and light-duty trucks, taking into consideration alternative means of attaining or maintaining the national primary ambient air quality standards pursuant to state implementation plans and other requirement of this Act, including their feasibility and cost effectiveness.

As this study was being completed, an historic agreement between automakers and the states, coordinated by EPA, established a voluntary National Low Emission Vehicle program. This program requires that vehicles, sold model year 1999 in the Northeast and sold nationwide in model year 2001, meet more stringent emission standards than current federal Tier 1 standards. The National LEV program also harmonizes, to the greatest practical extent, federal requirements with the more stringent exhaust emission standards established by the state of California.⁴ This program was prompted by the established air quality need in the northeastern United States to assist states in meeting the National Ambient Air Quality Standards. The National LEV program provides an additional feasibility and cost effectiveness baseline for more stringent exhaust emission standards in the future time-frame prior to that identified by Congress for the Tier 2 standards.

In conducting this study, EPA ensured that issues relevant to the study were explored using a public process. The Agency published a Staff White Paper (See 62 FR 18346; April 15, 1997) and conducted a public workshop on April 23, 1997. In addition, the Agency participated in numerous stakeholder meetings with states, environmentalists and industry representatives.

This is a draft of the study to be presented to Congress. The draft study addresses the topics specified by Congress, and identifies particular aspects of EPA's review that will need to be evaluated in any future rulemaking regarding whether Tier 2 standards are appropriate. (See *Chapter VI. Regulatory Issues*) As required by Congress, this draft study is being published in order to provide reasonable opportunity for public comment. Once the public has had an opportunity to comment on this draft, EPA will summarize the comments received, modify this draft study as necessary, and submit the final report and the summary of public comments to Congress.

Following submission of this report to Congress, EPA will by rule, determine whether: 1)

⁴ California has the authority under section 209(b) of the CAA to establish state specific vehicle and engine emissions and testing programs.

there is a need for further emission reductions; 2) the technology for meeting more stringent emissions standards will be available; and, 3) further reductions in emissions from light-duty vehicles and certain light-duty trucks will be needed and cost effective, taking into consideration other alternatives. If EPA determines that these conditions exist, then EPA shall promulgate emission standards for such vehicles.

III. ASSESSING THE AIR QUALITY NEED

The goal of this chapter is to assess the air quality need for additional control of motor vehicle emissions that hinder areas of the country from attaining and/or maintaining National Ambient Air Quality Standards, in particular those for ozone, particulate matter and carbon monoxide.⁵ To understand the impact of these pollutants, and ozone precursors, this chapter outlines their threat to public health and welfare and the manner in which they are formed and transported in air. In assessing air quality need, EPA examined projections of future areas of NAAQS nonattainment, as well as projections of areas needing to closely monitor maintenance plans in the future. This chapter then assesses the contribution of light-duty vehicles (LDVs) and light-duty trucks (LDTs) to the overall inventory for each pollutant and briefly explains other benefits of LDV and LDT emission controls. Finally, this chapter reviews future projections of air quality given all known and projected control strategies in the time frame contemplated for potential Tier 2 controls. Evidence that additional motor vehicle controls should be considered would include the fact that motor vehicles contribute to total emission inventories in nonattainment areas and in areas which affect nonattainment through transport, as well as areas that may have difficulty maintaining their attainment status.

The available data indicate that in the time frame contemplated for Tier 2 standards there will be an air quality need for emission reductions to aid in meeting the NAAQS for both ozone and PM. The air quality need for further CO emission reductions is continuing to be evaluated in the context of the requirement to evaluate cold CO emission reductions as discussed later in this chapter. The available evidence also indicates that motor vehicle emissions will remain a significant contributor to air pollution in a significant number of areas of the country.

A. Health and Welfare Effects of Ozone

⁵ The Tier 2 standards would have no direct impact on the NAAQS for sulfur dioxide. However, gasoline sulfur controls to enable tighter Tier 2 standards, as discussed in Chapter VI, would reduce ambient levels of sulfur dioxide. These sulfur-related impacts are addressed in a separate, recently published staff paper.

Ground-level ozone is the prime ingredient of smog, the pollution that blankets many areas during the summer.⁶ Short-term exposures (1-3 hours) to high ambient ozone concentrations have been linked to increased hospital admissions and emergency room visits for respiratory problems. Repeated exposures to ozone can exacerbate symptoms and the frequency of episodes for people with respiratory diseases such as asthma. Other health effects attributed to short term exposures include significant decreases in lung function and increased respiratory symptoms such as chest pain and cough. These effects are generally associated with moderate or heavy exercise or exertion. Those most at risk include children who are active outdoors during the summer, outdoor workers, and people with pre-existing respiratory diseases like asthma. In addition, long-term exposures to ozone may cause irreversible changes in the lungs which can lead to chronic aging of the lungs or chronic respiratory disease.

Ambient ozone also affects crop yield, forest growth, and the durability of materials. Because ground-level ozone interferes with the ability of a plant to produce and store food, plants become more susceptible to disease, insect attack, harsh weather and other environmental stresses. Ozone chemically attacks elastomers (natural rubber and certain synthetic polymers), textile fibers and dyes, and, to a lesser extent, paints. For example, elastomers become brittle and crack, and dyes fade after exposure to ozone.

Ozone is also an effective greenhouse gas, both in the stratosphere and the troposphere.⁷ That is, ozone absorbs infrared radiation emitting from the earth, captures it before it escapes into space, and re-emits a portion of it back toward the earth's surface. The specific role of ozone in climate change is very complex and not yet well understood. Ozone concentrations in the atmosphere vary spatially, both regionally and vertically, and are most significant in urban areas where precursor gases are abundant. This variability makes assessment of global, long-term trends difficult.

Ozone is not emitted directly into the atmosphere, but is formed by a reaction of VOC and NO_x in the presence of heat and sunlight. Ground-level ozone forms readily in the atmosphere, usually during hot summer weather. VOCs are emitted from a variety of sources, including motor vehicles, chemical plants, refineries, factories, consumer and commercial products, and other industrial sources. VOCs are also emitted by natural sources such as vegetation. NO_x is emitted from motor vehicles, power plants and other source of combustion. Changing weather patterns contribute to yearly differences in ozone concentrations and differences from city to city. Ozone can also be transported into an area from pollution sources

⁶ Ozone occurs naturally in the stratosphere and provides a protective layer high above the earth.

⁷ Intergovernmental Panel on Climate Change (IPCC), Working Group I, "Climate Change 1992 - The Supplementary Report to the IPCC Scientific Assessment," supplement to: Intergovernmental Panel on Climate Change (IPCC), Working Group I, "Policymakers Summary of the Scientific Assessment of Climate Change", Fourth Draft, 25 May 1990.

found hundreds of miles upwind.

VOC emissions are not only important for their contribution to ambient ozone; Some fraction of the VOCs emitted from motor vehicle are toxic compounds. At elevated concentrations and exposures, human health effects from air toxics can range from respiratory effects to cancer. Other health impacts include neurological , developmental and reproductive effects.

NOx emissions produce a wide variety of health and welfare effects. Nitrogen dioxide can irritate the lungs and lower resistance to respiratory infection (such as influenza). NOx emissions are an important precursor to acid rain and may affect both terrestrial and aquatic ecosystems. Atmospheric deposition of nitrogen leads to excess nutrient enrichment problems ("eutrophication") in the Chesapeake Bay and several other nationally important estuaries along the East and Gulf Coasts. Eutrophication can produce multiple adverse effects on water quality and the aquatic environment, including increased nuisance and toxic algal blooms, excessive phytoplankton growth, low or no dissolved oxygen in bottom waters, and reduced sunlight causing losses in submerged aquatic vegetation critical for healthy estuarine ecosystems. Nitrogen dioxide and airborne nitrate also contribute to pollutant haze, which impairs visibility and can reduce residential property values and revenues from tourism.

B. Role of VOC and NOx Emissions in Producing Atmospheric Ozone

The production of ozone from VOC and NOx emissions⁸ involves a complex set of chemical reactions, and different mixtures of VOCs and NOx can result in different ozone levels. For example, large amounts of VOC and small amount of NOx make ozone rapidly, but are quickly limited by removal of the NOx. VOC reductions under these circumstances show little effect on ozone while NOx reductions reduce ozone. (This condition is referred to as NOx limited.)

Large amounts of NOx and small amounts of VOC result in the formation of inorganic nitrates, but little ozone. In these cases, reduction of VOC emissions reduces ozone, but the reduction of NOx emissions can actually increase ozone. (This condition is referred to as VOC limited.) The highest levels of ozone are produced when both VOC and NOx emissions are present in significant quantities.

The formation of ozone is further complicated by biogenic (natural) emissions, meteorology and transport of ozone and ozone precursors. The contribution of VOC emissions from biogenic sources to local ambient ozone concentrations can be significant and often

⁸ CO also participates in the production of ozone, much like a slowly reacting VOC.

produces conditions which are NOx limited. Many of the above chemical reactions are sensitive to temperature. When ambient temperatures remain high for several days and the air is relatively stagnant, ozone and its precursors can actually build up and produce more ozone than typically would occur on a single high temperature day. When air is moving, ozone and its precursors can be transported downwind and contribute to elevated ozone levels there.

This study focuses on the response of ambient ozone to the reduction in either VOC or NOx emissions, or both. In general, specific local areas are often described as being VOC or NOx limited. Rural areas are almost always NOx limited, due to the relatively large amounts of biogenic (from plants and trees) VOC emissions there. Urbanized areas can be either VOC or NOx-limited, or a mixture of the two (moderate sensitivity to either pollutant, versus strong sensitivity to one and little sensitivity to the other). In projecting future attainment of the revised ozone NAAQS, EPA found that significant reductions in both VOC and NOx emissions would be necessary.

C. Current Compliance with the Ozone NAAQS

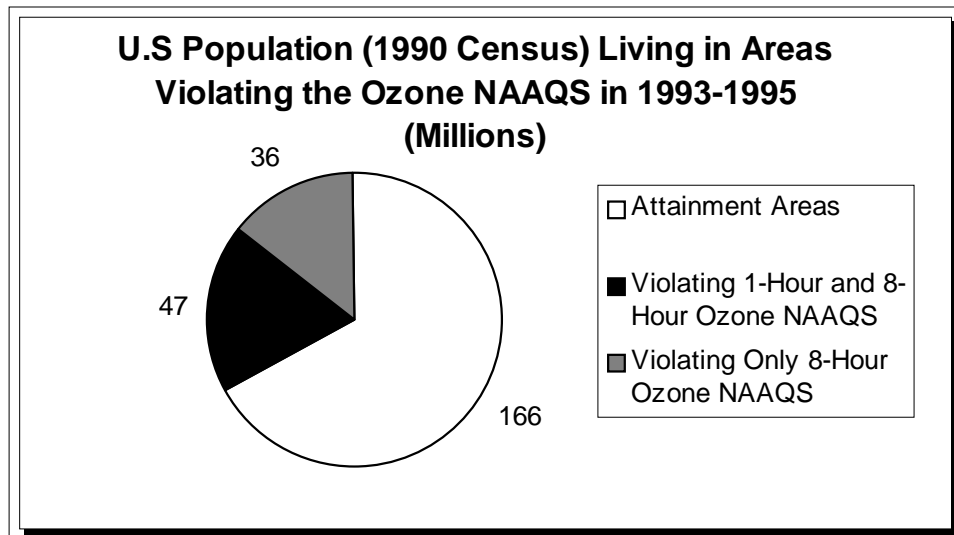
As of October, 1997, EPA classified 59 ozone nonattainment areas with respect to the 1-hour ozone standard, encompassing all or part of 249 counties. The population of these 59 areas, based on the 1990 Census, is approximately 102 million, or 40 percent of the total U.S. population. These areas are located in the 37 easternmost states, Arizona, New Mexico, and California.

In July 1997, EPA established a new 8-hour ozone NAAQS to better protect against longer exposure periods at lower concentrations than the current 1-hour standard. The 1-hour NAAQS is still applicable in certain areas during the transition to the eight-hour standard (62 FR 38856, July 17, 1997). EPA reviewed ambient ozone monitoring data for the period 1993 through 1995 to determine which counties violated either the 1-hour or 8-hour NAAQS for ozone during this time period.^{9,10} Eighty-four counties violated the 1-hour NAAQS during this 3-year period, while 248 counties violated the 8-hour NAAQS. The 84 counties had a 1990 population of 47 million, while the 248 counties had a 1990 population of 83 million. EPA is reviewing more recent air quality data for 1996 and 1997. A preliminary assessment of 1994 through 1996 ozone monitoring data reveals only marginal changes in the number of counties experiencing a

⁹ This use of the term "nonattainment" in reference to a specific area is not meant as an official designation or future determination as to the attainment status of the area.

¹⁰ U.S. Environmental Protection Agency, Finding of Significant Contribution and Rulemaking for Certain States in the Ozone Transport Assessment Group Region for Purposes of Reducing Regional Transport of Ozone; Proposed Rule, 62 FR 60318 (November 7, 1997) ("OTAG SIP Call NPRM").

nonattainment problem with the 8-hour NAAQS, and essentially no change in the population levels impacted by nonattainment.



D. Future Ambient Ozone Levels

The analysis of future ozone attainment provides a basis for assessment of the need for additional emission reductions to achieve attainment and assure maintenance of the NAAQS. EPA recently performed two projections of future ozone attainment status in the years 2007 to 2010. The first supported EPA's assessment of the need to revise the NAAQS for ozone. The second was conducted for the EPA's recent notice of proposed rulemaking regarding requirements for State Implementation Plans for 37 easternmost states. Through a two-year effort known as the Ozone Transport Assessment Group (OTAG), EPA worked in partnership with state and local government agencies in the 37 easternmost states, industry and academia to address ozone transport. The work resulted in a proposed rule to reduce the regional transport of ozone (OTAG SIP Call NPRM). The ozone projections supporting the OTAG SIP Call NPRM used more advanced regional ozone modeling tools than those made in support of the revised ozone NAAQS. However, the ozone NAAQS analysis covered the entire nation, while the OTAG SIP Call NPRM only addressed ozone levels in the eastern U.S. Therefore, both are discussed below.

As part of the Regulatory Impact Analysis for the revised ozone NAAQS, EPA projected future ambient ozone levels in 2010 using a Regional Oxidant Model (ROM) extrapolation methodology. One of the scenarios evaluated was a 2010 baseline, which included emission controls which have already been implemented or mandated by the Clean Air Act, and regional NOx emission control in the eastern U.S. estimated to be associated with the OTAG SIP Call NPRM as well as a National Low Emission Vehicle program. This set of emission control

strategies represents all of the emissions reductions which may be expected from measures currently adopted or planned by the states.

EPA used ROM air quality modeling, historical ozone air quality monitoring data and emission inventory estimates to project baseline 2010 ozone levels for counties in the 48 contiguous states. For the purpose of this study, the standard and consolidated metropolitan statistical areas (MSAs and CMSAs) containing these counties were identified. Nine areas with a population of approximately 39 million people were projected to be in nonattainment of the 1-hour ozone standard and 19 areas (with approximately 60 million people) were expected to be in nonattainment with the 8-hour ozone NAAQS. The 60+ million people living in the projected nonattainment areas represent more than a quarter of the U.S. population in 1990.¹¹

Once an area attains a NAAQS, the CAA requires that it establish a plan for maintaining this attainment. Otherwise, future economic and population growth can increase emissions to the point where the area again violates the NAAQS. To estimate the number of areas that need to be concerned about ozone NAAQS compliance in the future, EPA (for the Tier 2 study) also identified metropolitan areas containing counties that were projected to be below the 8-hour ozone NAAQS, but with a relatively small margin of safety (i.e., 10%). VOC and NO_x emission reductions associated with the Tier 2 standards would assist these areas in maintaining their compliance.

In the ozone NAAQS RIA, EPA also projected that available local VOC and NO_x controls (up to \$10,000 per ton of VOC or NO_x in 1990 dollars) could bring only two of these 19 areas into attainment with the new 8-hour NAAQS. Seventeen (17) of the 19 areas remained out of attainment after all available local controls. Overall, the available local controls in the 19 areas only achieved 38% and 23% of the necessary VOC and NO_x emission reductions required. Clearly, these areas would need additional emission reductions in order to achieve the new ozone NAAQS. As mentioned above, both the OTAG SIP Call and National LEV programs were included in the baseline projections. Therefore, only motor vehicle controls beyond those provided by Tier 1 and National LEV would qualify as additional control.

In the OTAG SIP Call NPRM, EPA proposed that 22 states and the District of Columbia be required to submit revised SIPs demonstrating reductions in NO_x emissions in order to reduce the transport of ozone into ozone nonattainment areas. EPA relied upon the ambient ozone modeling conducted during the OTAG process in developing the proposed emission reductions. OTAG evaluated a wide variety of VOC and NO_x emission controls for stationary, area and mobile sources over a two year period. EPA reviewed OTAG ozone modeling which included utility NO_x emission reductions most closely resembling those being proposed, and controls for

¹¹ Populations in 1990 are presented in this study because of their ready availability and accuracy. Populations in future NAAQS nonattainment and maintenance areas will generally be much higher.

other sources (stationary, areas and mobile) required by the CAA or which had already been implemented. This modeling, like that conducted during the ozone NAAQS revisions process, also assumed the implementation of a National LEV program. Complete details of the modeling process can be found in the OTAG SIP Call NPRM and associated documents. A list of the specific emission control strategies assumed in this modeling is presented in *Appendix A. Future Ozone Nonattainment Projections*.

For the purpose of the Tier 2 study, EPA reviewed the results of the OTAG SIP Call NPRM analyses and developed the following projections of ozone nonattainment and maintenance areas in 2007.

| 2007/2010 Ozone Nonattainment with CAA Controls, OTAG SIP Call and NLEV | | | |
|---|--------------------|-------------------------|-------------------|
| | OTAG Region (2007) | Non-CA, Non-OTAG (2010) | California (2010) |
| Violating 1-Hour NAAQS | | | |
| Number of Areas | 8 | 0 | 4 |
| 1990 Population (millions) | 41 | 0 | 18 |
| Violating 8-Hour NAAQS | | | |
| Number of Areas | 15 | 1 | 6 |
| 1990 Population (millions) | 63 | 2 | 27 |
| Maintenance of the 8-Hour NAAQS (within 15% of NAAQS) | | | |
| Number of Areas | 85 | 11 | 7 |
| 1990 Population (millions) | 118 | 11 | 9 |

This analysis projects that eight metropolitan areas in the OTAG area would exceed the 1-hour ozone standard after all implemented or planned emission controls presumed in the model were applied. These eight areas have a 1990 population of 38 million. In addition, 15 metropolitan areas in the OTAG area, using the current definition of ozone nonattainment areas, were projected to exceed the 8-hour ozone standard after the emission controls were applied. These 15 metropolitan areas had a 1990 population of 63 million. These projected nonattainment areas only apply within the 37-state OTAG region. The other areas projected to be in nonattainment by the ozone NAAQS analysis noted above were not addressed by the OTAG analysis. If Phoenix, Arizona is added to the OTAG SIP Call NPRM projections, then counties in 16 metropolitan areas outside of California are projected to be in nonattainment with the 8-hour ozone NAAQS. As shown above, counties in a number of California metropolitan areas are also projected to be in nonattainment with the 1-hour and 8-hour ozone NAAQS in 2010. The metropolitan areas containing the counties projected to be in nonattainment are presented in

Appendix A.

For the purposes of this study, EPA also identified the Standard Metropolitan Statistical Areas (SMSA) and CMSAs containing counties within the OTAG region which were projected to be below the 8-hour ozone NAAQS, but within 15% of the NAAQS. EPA found 96 non-California areas to have projected ozone levels within 15% of the NAAQS, with a 1990 population of 129 million. As already stated, additional emission reductions would certainly assist such areas to maintain their attainment status and may actually be required, given meteorological variability and uncertainties in emission and ozone modeling.

These projections of future ozone nonattainment provide evidence for the need for additional VOC and NO_x emission reductions beyond those considered in these studies. The CAA provides states flexibility in selecting local emission control strategies to achieve the NAAQS. EPA has augmented these local controls with cost effective national programs, some mandated by the CAA and others using EPA's discretionary authority under the CAA. The above analyses indicate that both local and national measures appear to be necessary for the nation to achieve the ozone NAAQS. Tier 2 standards for LDVs and LDTs appear to be a reasonable national control option for consideration. Because the above ozone projections of future nonattainment already assumed and incorporated the permanent implementation of the National LEV program, the focus for motor vehicle control programs should be on VOC and NO_x emission controls beyond the National LEV standards.

E. Contribution of LDV/LDT Emissions to Total VOC and NO_x Inventories

Since motor vehicles and their fuels were first regulated 25-30 years ago, their relative contribution to ozone nonattainment problems has diminished, in spite of explosive growth in the amount of travel. The relative cost of adopting further motor vehicle controls compared to other reduction strategies depends in part on their future contribution to VOC and NO_x emissions in ozone nonattainment areas and areas contributing to ozone nonattainment through pollutant transport. Auto industry comments received by EPA after publication of a preliminary white paper on Tier 2 standards issues indicated that an updated assessment should be made of the importance of LDVs and LDTs to the ozone nonattainment problem. Specifically, commenters suggested that new information about the durability of emission control systems would alter the projections of nonattainment made in the studies mentioned previously, perhaps to the extent that no additional measures would be needed.

Emissions from motor vehicles are usually estimated by combining estimates of emissions per mile (commonly called emission factors) with local estimates of vehicle miles traveled. EPA developed a series of models to project in-use emission factors from on-road motor vehicles. EPA is currently revising the MOBILE5 model. MOBILE6 will be issued in 1999.

While the analytical efforts involved in developing MOBILE6 are still underway, EPA performed preliminary assessments of four key factors which could affect the need for Tier 2 standards.¹² These factors are:

- 1) In-use emission deterioration rates for Tier 1 vehicles, LEVs, and late model Tier 0 vehicles;
- 2) The effect of "off-cycle" driving patterns and conditions on LDV and LDT emissions, as well as the effect of off-cycle emission standards on these emissions;¹³
- 3) The effect of fuel sulfur on emissions from CA LEVs; and
- 4) The characterization of the LDT fleet (i.e., relative LDV and LDT sales, and LDT registrations and annual mileage versus age)

Regarding the first factor, recent testing of in-use vehicles produced since the late 1980s shows much lower deterioration rates than were projected in 1993. As most of the in-use emissions from LDVs and LDTs projected by MOBILE5 were due to deterioration in emission control after a vehicle was first sold, reducing this deterioration decreases projected in-use emissions dramatically.

In contrast, updated estimates of the other three factors all tend to increase in-use emission projections. Emissions during driving conditions not represented in EPA's certification driving cycle tend to be higher than those included in the test, since prior to implementation of the Supplemental FTP there is little incentive for manufacturers to reduce these "off-cycle" emissions. Higher levels of fuel sulfur have been shown to increase emissions by reducing catalyst efficiency. In-use in-use emissions increase whenever vehicles operate on fuel containing more sulfur than certification fuel. Moreover, vehicles with very low emissions, such as LEVs, now appear to be much more sensitive to sulfur than Tier 1 vehicles. Finally, LDTs tend to emit more than LDVs as their emission standards have traditionally been numerically higher. The recent dramatic trend toward the purchase of LDTs (e.g., sport utility vehicles) over LDVs was not predicted in MOBILE5b. Increasing the fraction of in-use driving represented by LDTs increases fleet-wide emission projections.

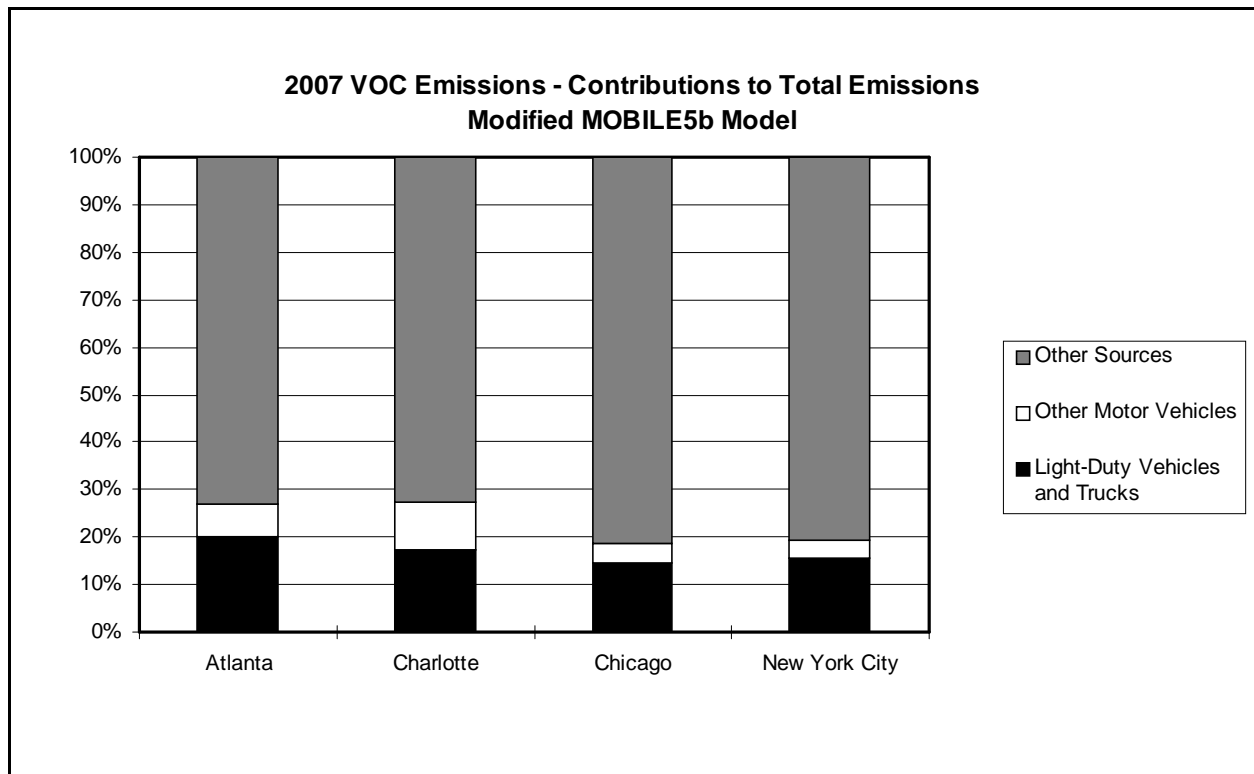
¹² MOBILE6 is being developed through an extensive and open process which is continuing in parallel with the Tier 2 standards process. The changes to MOBILE5b described herein should not be construed as pre-judging the outcome of the MOBILE6 development process, but simply represent EPA's current best estimate of some of the factors which are most relevant to the evaluation of the Tier 2 LDV/LDT standards.

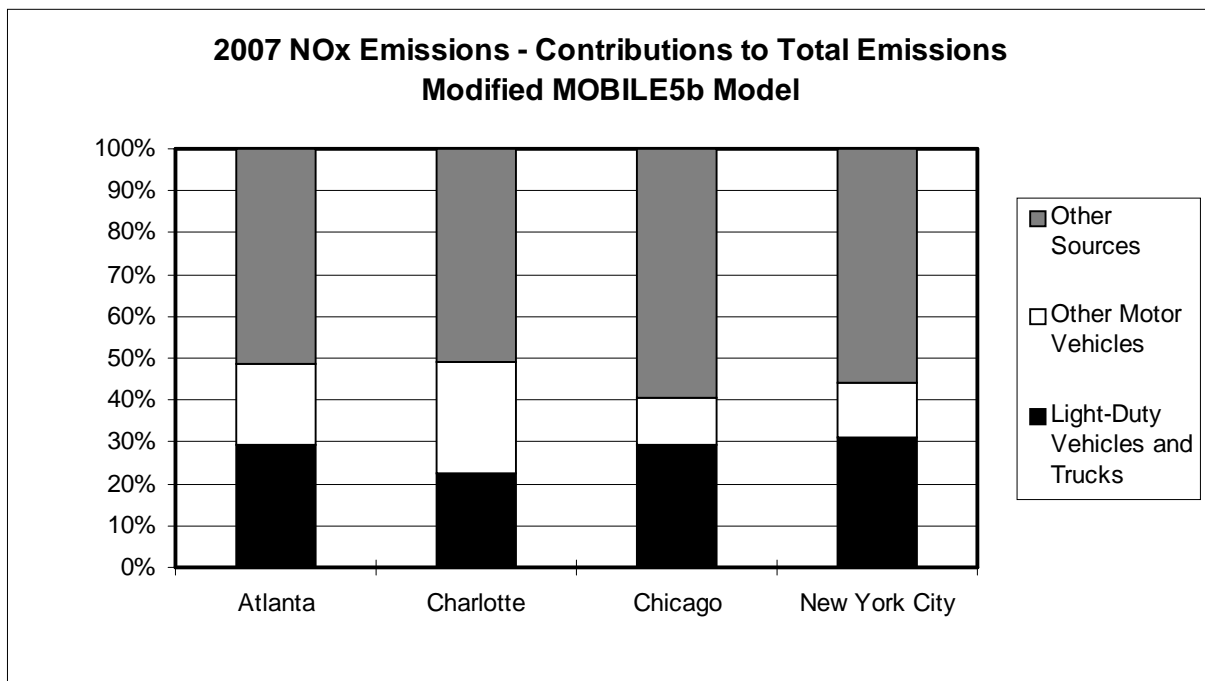
¹³ "Off-cycle" emissions are those which occur during driving conditions not included in EPA's historical certification driving cycle, the LA-4 cycle. The specific off-cycle driving conditions addressed here are aggressive driving (high speeds and high accelerations) and driving with the air conditioner on.

Overall, the four changes to MOBILE5b increase projected in-use emissions from LDVs and LDTs (relative to Mobile5b) in areas with enhanced Inspection and Maintenance (I/M) programs. CO and NOx emissions also increase in areas without I/M. However, NMHC emission projections decrease in areas without I/M. A more detailed discussion of this analysis and the modifications made to MOBILE5b can be found in *Appendix A*.

EPA used the modified MOBILE5b model described above to estimate the contribution of LDV and LDT emissions in four urban ozone nonattainment areas. The four areas were: New York City, Chicago, Atlanta, and Charlotte. The first three areas represent the three greatest ozone air quality challenges in the eastern U.S. according to the OTAG ozone modeling. Charlotte represents a smaller, but growing area with a growing ozone problem.

The LDV/LDT and total motor vehicle contributions to total VOC and NOx emissions in the four ozone areas are shown in the figures below. Light-duty vehicles and trucks contribute 14-20% of total VOC emissions and 22-32% of total NOx emissions based on the modified MOBILE5b model. All of these percentage contributions are higher than would have been predicted using MOBILE5b.





Given that the modified MOBILE5b model projects higher emissions than MOBILE5b, the number of ozone nonattainment areas projected to exist in 2007 should be at least as high as was described above. Thus, the new MOBILE6 model is unlikely to eliminate the need for further VOC and NOx emission reductions in order for all areas to attain the ozone NAAQS. The contribution of LDVs and LDTs to emission inventories in ozone nonattainment areas is also sufficiently large to be considered a reasonable target for further emission control.

F. Health and Welfare Effects of Particulate Matter

Particulate matter is the general term for the mixture of solid particles and liquid droplets found in the air. Particulate matter includes dust, dirt, soot, smoke, and liquid droplets that are directly emitted into the air from natural and manmade sources, such as windblown dust, motor vehicles, construction sites, factories, and fires. Particles are also formed in the atmosphere by

condensation or the transformation of emitted gases such as sulfur dioxide, nitrogen oxides, and volatile organic compounds.

Scientific studies show a link between particulate matter (alone or in combination with other pollutants in the air) and a series of health effects. Studies of human populations and laboratory studies of animals and humans have established linkages to major human health impacts including breathing and respiratory symptoms; aggravation of existing respiratory and cardiovascular disease; alterations in the body's defense systems against foreign materials; damage to lung tissue; carcinogenesis, and premature mortality.

PM also causes damage to materials and soiling; It is a major cause of substantial visibility impairment in many parts of the U.S.

Motor vehicle particle emissions and the particles formed by the transformation of motor vehicle gaseous emissions tend to be in the fine particle range. Fine particles (those less than 2.5 micrometers in diameter) are of health concern because they easily reach the deepest recesses of the lungs. Scientific studies have linked fine particles (alone or in combination with other air pollutants), with a series of significant health problems, including premature death; respiratory related hospital admissions and emergency room visits; aggravated asthma; acute respiratory symptoms, including aggravated coughing and difficult or painful breathing; chronic bronchitis; and decreased lung function that can be experienced as shortness of breath.

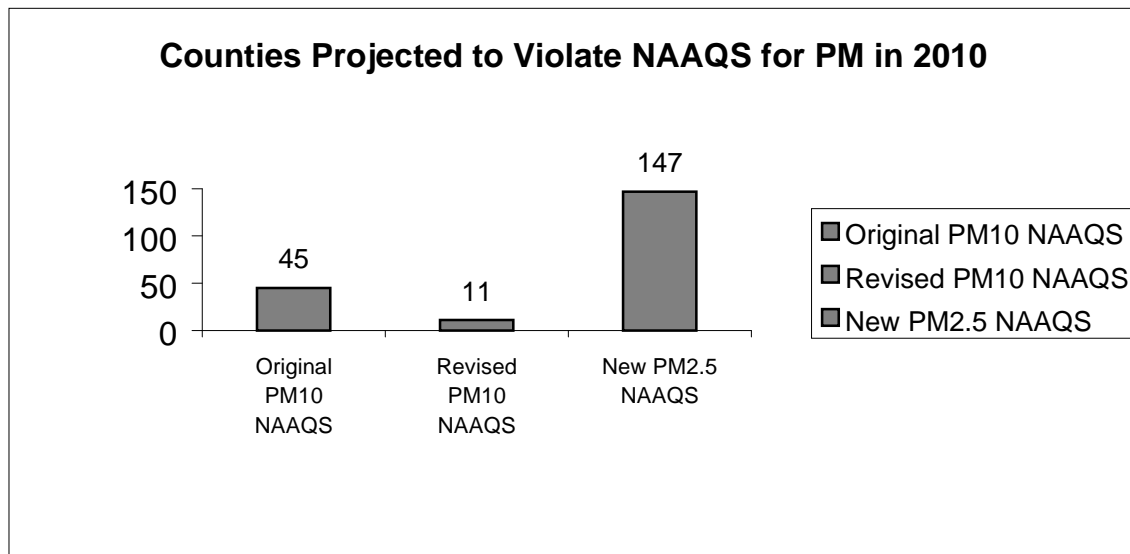
G. Current and Future Nonattainment Status

The first NAAQS for particulate matter regulated total suspended particulate in the atmosphere. In 1987, EPA replaced that standard with one for inhalable PM (PM_{10} - particles less than ten microns in size), because the smaller particles, due to their ability to reach the lower regions of the respiratory tract, are more likely responsible for the adverse health effects. The major source of PM_{10} is fugitive emissions from agricultural tilling, construction, fires, and unpaved roads. Some revisions to the PM_{10} standards were made in 1997. EPA has also recently added new fine particle standards ($PM_{2.5}$). Most of the particulate due to motor vehicles falls in the fine particle category. These standards have both an annual and a daily component. The annual component is set to protect against long-term exposures, while the daily component protects against more extreme short-term events.

EPA recently projected ambient PM_{10} levels and the number of U.S. counties expected to be in violation of the revised PM_{10} NAAQS in 2010.¹⁴ Forty-five CMSAs, SMSAs and

¹⁴ Regulatory Impact Analyses for the Particulate Matter and Ozone National Ambient Air Quality Standards and Proposed Regional Haze Rule, Innovative Strategies and Economics Group, Office of Air Quality Planning and Standards, U.S. Environmental Protection Agency, Research Triangle Park, N.C., July 16, 1997.

counties¹⁵ were projected to be in nonattainment of the original PM₁₀ standards in 2010; Eleven CMSAs, SMSAs and counties were projected to be in nonattainment of the revised PM₁₀ standards. Using the same methodology, 102 CMSAs, SMSAs and counties were projected to violate the new PM_{2.5} NAAQS. More information about this analysis may be found in *Appendix A*.



Based on the 1990 census, about 23 million people lived in the 11 areas and counties projected to be in nonattainment of the revised PM₁₀ NAAQS, with about half living in California. Ambient PM reductions from more stringent motor vehicle standards would primarily affect areas outside of California, because California has its own motor vehicle emission control program. California areas would also benefit, however, through the temporary travel and permanent migration of out-state vehicles into California. Of the nonattainment areas outside of California, seven are urban areas (Phoenix, Dallas, Philadelphia, Reno, New Haven, Spokane, Salt Lake City). These urban areas contain the vast majority of the non-California, nonattainment population.

About 55 million people lived in 1990 in the 92 areas and counties projected to be in nonattainment with the new PM_{2.5} NAAQS, with 23% living in California.

Overall, a significant number of areas are projected to exceed the PM₁₀ NAAQS in 2010 with existing emission controls, indicating that further particulate emission reductions appear to

¹⁵ Current definitions of PM₁₀ nonattainment counties were used. These definitions sometimes include the entire CMSA or SMSA and sometimes include only a county.

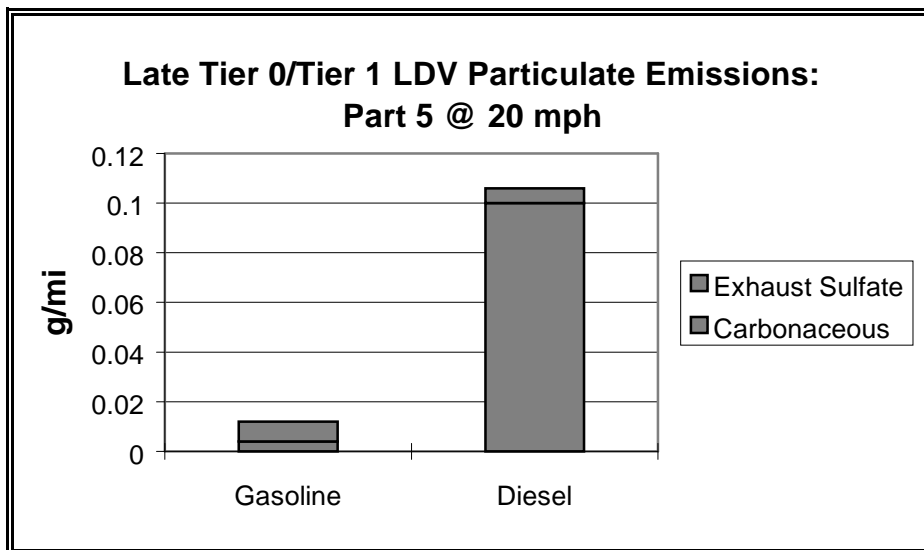
be needed. Tier 2 particulate standards would reduce ambient levels of $PM_{2.5}$, as well as PM_{10} (or at least prevent increases), since the majority of particulate emissions from both gasoline and diesel powered vehicles are smaller than 2.5 micrometers in diameter. As mentioned above, the number of counties projected to violate the new $PM_{2.5}$ NAAQS is much larger than that for the revised PM_{10} standards. Thus, Tier 2 particulate standards intended to assist attainment of the PM_{10} NAAQS could also benefit areas with elevated $PM_{2.5}$ levels.

H. Particulate Emissions from Light-Duty Vehicles and Trucks

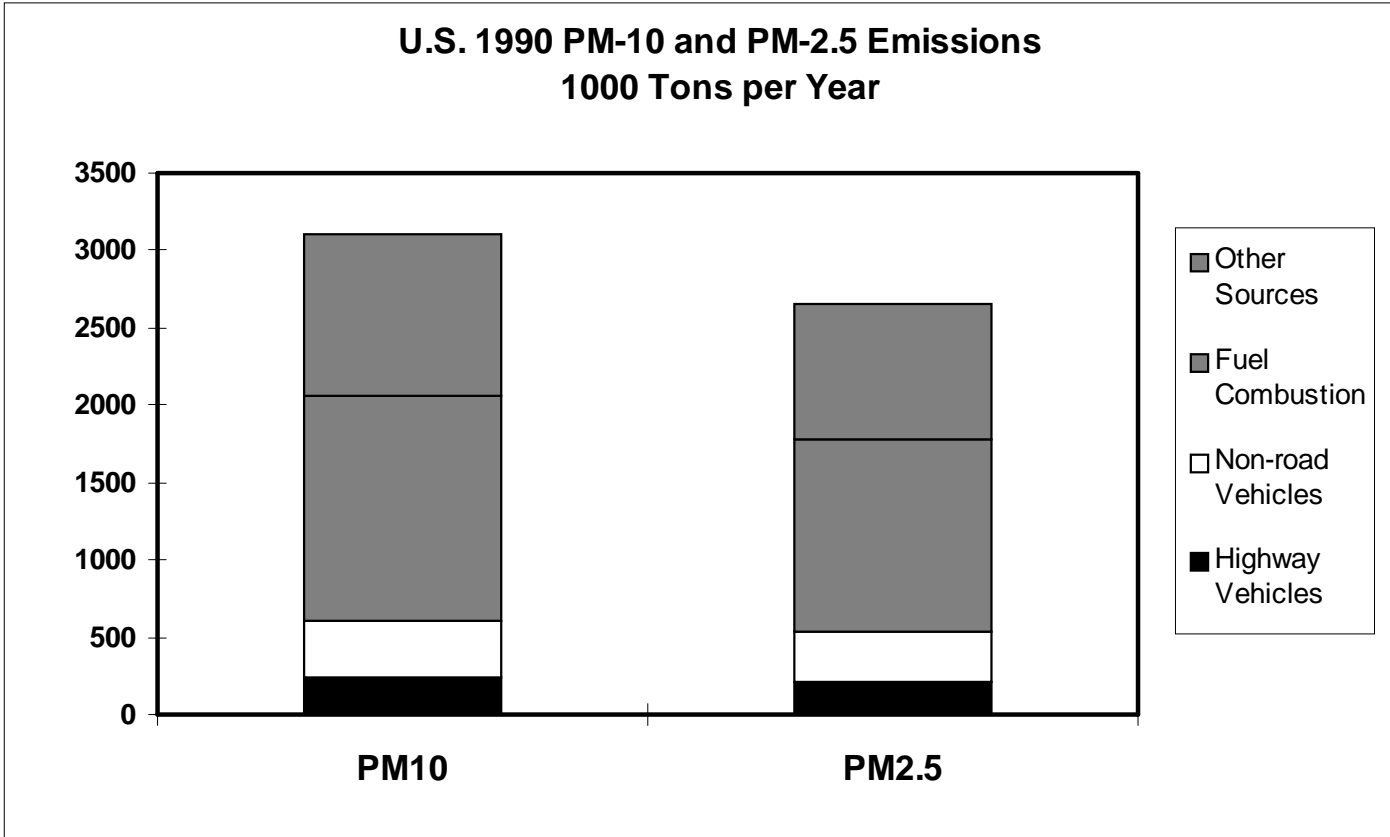
1. Direct Tailpipe Emissions

Congress set Tier 1 PM emission standards for LDVs and LDTs in the 1990 amendments to the CAA. These standards are 0.10-0.12 g/mi at 100,000 miles. Tier 1 and LEV gasoline LDVs and LDTs emit well below these Tier 1 PM standards (less than 0.010 g/mi). Diesel vehicles meet the standards, but with very little compliance margin.

EPA projects that PM emissions from Tier 1 and LEV LDVs and LDTs average 0.01 g/mi at 20 mph and 0.02-0.03 g/mi at 35 mph (from PART5 model). In contrast, diesel vehicles are projected to emit 0.10-0.11 g/mi PM. Thus, diesel PM emissions are 3.5-10 times higher than those from gasoline vehicles. The greater PM emission level of light-duty diesels currently has a limited impact on ambient PM levels, due to the small number of light-duty diesels being sold. However, diesel engines are becoming a more popular option for larger LDTs and lighter HDVs, particularly pick-ups and sport utility vehicles. PM emissions from the light-duty fleet could increase dramatically if diesel sales increased without a change in the Tier 1 diesel PM standard.



The following chart shows the relative contribution of vehicles versus other fine particle emission sources (excluding fugitive dust emissions).



1. Secondary Formation of PM from Gaseous Emissions

In addition to their direct tailpipe PM emissions, gaseous emissions from LDVs and LDTs can also affect ambient PM levels. In particular, gaseous emissions of SO_x, NO_x and VOC form aerosols in the atmosphere through chemical transformation. These aerosols exist as PM in the atmosphere.

The great majority of sulfur that enters the gasoline engine via the fuel is emitted in the form of sulfur dioxide. A small fraction (1-2%) of the sulfur is emitted directly as sulfuric acid. Sulfur dioxide reacts in the atmosphere to produce sulfur trioxide, which quickly combines with water to form sulfuric acid. Sulfuric acid exists as a particulate matter in the atmosphere, due to its low vapor pressure. Sulfuric acid can subsequently react with ammonia to form ammonium

bi-sulfate and ammonium sulfate, both of which also exist as PM in the atmosphere.

Most NO_x emitted converts to gaseous nitric acid in the atmosphere. Nitric acid can react with ammonia to form ammonium nitrate, which becomes PM in the atmosphere. However, ammonia reacts preferentially with sulfuric acid over nitric acid. As there is generally an excess of sulfuric acid in the atmosphere relative to ammonia, the presence of sulfuric acid suppresses the formation of ammonium nitrate and therefore the contribution of NO_x emissions to fine ambient PM. Implementation of control programs required by the CAA is leading to significant reductions in sulfur dioxide emissions, which will reduce ambient levels of sulfuric acid. Therefore, the conversion of NO_x to nitrate PM could increase.

Organic aerosol can be formed in the atmosphere from gaseous VOC emissions. The reactions that form secondary organic aerosol are generally more complex than those forming sulfates and nitrates, primarily because of the great variety of specific organic molecules comprising VOCs.¹⁶ Cyclic-olefins and aromatics produce the most secondary organic aerosol per mass of VOC. Coniferous trees are the primary source of cyclic-olefins (pinene and terpinene), while gasoline-fueled vehicles are a primary source of ambient aromatics.

I. Health and Welfare Effects of Carbon Monoxide

Carbon monoxide (CO) is a tasteless, odorless, and colorless gas produced through the incomplete combustion of carbon-based fuels. CO enters the bloodstream through the lungs and reduces the delivery of oxygen to the body's organs and tissues. The health threat from CO is most serious for those who suffer from cardiovascular disease, particularly those with angina or peripheral vascular disease. Healthy individuals also are affected, but only at higher levels. Exposure to elevated CO levels is associated with impairment of visual perception, work capacity, manual dexterity, learning ability and performance of complex tasks.

1. Current and Future Nonattainment Status

Since 1979, the number of areas in the nation violating the NAAQS for CO¹⁷ has decreased by a factor of almost ten, from 48 areas in 1979 to five areas in 1995 and 1996. For the 1997 calendar year through the end of November 1997, only one area of the country had experienced an exceedance of the standard.

¹⁶ A more detailed discussion of secondary organic aerosol can be found in Appendix 1.

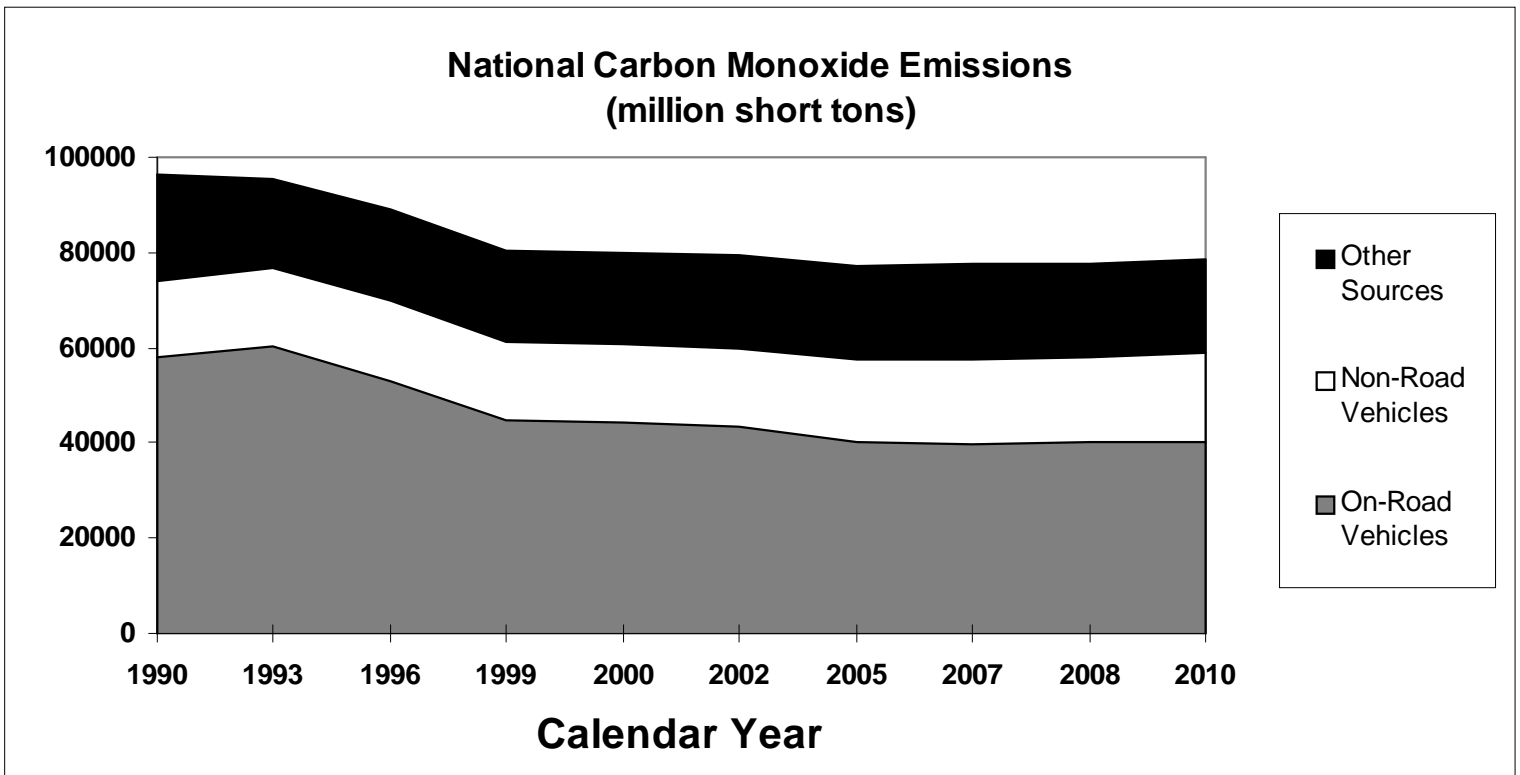
¹⁷ The NAAQS for CO as defined in *40 CFR Part 50.8* is: "9 parts per million for an 8-hour average concentration not to be exceeded more than once per year."

In addition to the substantial decrease in the number of areas where the NAAQS is exceeded, the severity of the exceedances has also decreased significantly. From 1979 to 1996, the measured atmospheric concentrations of CO during an exceedance decreased from 20-25 ppm at the beginning of the period to 10-12 ppm at the end of the period. Expressed as a multiple of the standard, atmospheric concentration of CO during an exceedance was two to almost three times the standard in 1979. By 1996, the CO levels present during an exceedance decreased to 10-30% over the 9 ppm standard.

Unlike the case with ozone and PM, EPA has not made any recent comprehensive projections of future ambient CO levels and attainment and maintenance of the CO NAAQS. However, similar to the Congressional requirement for this Tier 2 study, section 202(j) of the CAA requires a separate study of the need for more stringent Cold CO standards. EPA is currently conducting this study.

2. Contribution of LDVs/LDTs to Carbon Monoxide Emissions

At the national level, motor vehicle exhaust is estimated to contribute more than three-fourths of all CO emissions; In cities, 95 percent of all CO emissions are produced by automobiles. Other sources of CO include industrial processes within large factories, power plants, and natural sources such as wild fires.



Exceedences of the CO NAAQS over the past three years tended to occur during winter months of the year. This may indicate that further reductions in emission standards should be directed towards emissions during cold weather ("cold CO standards," which apply at temperatures of 15 to 25 degrees Fahrenheit), rather than warm weather (Tier 1 CO standards, which apply at temperatures of 68-86 degrees Fahrenheit). However, as many of the CO nonattainment areas are in the southern part of the U.S., more stringent "warm weather CO" standards should not be ruled out at this time.

J. Air Toxic Emissions from Motor Vehicles

The Clean Air Act lists 188 hazardous air pollutants (HAPs) or air toxics requiring EPA evaluation and regulation (see CAA Section 112). The measurable health effects of exposure to air toxics include not only cancer, but also non-cancer effects, such as immunological, neurological, reproductive, developmental, and respiratory effects. Usually cancer incidence is chosen to measure the problem since non-carcinogenic end points are much more difficult to relate to specific toxic emissions.

EPA is developing an Integrated Urban Air Toxics Strategy, to be finalized by the end of 1998. The strategy will include emission standards for stationary and area sources of urban HAP emissions and reduce cancer incidence from these urban HAP emissions by 75%. Another goal, per section 202(l) of the Clean Air Act, is to develop cost-effective standards for motor vehicles and their fuels for at least benzene and formaldehyde.

Mobile sources contribute significantly to only a small subset of the 188 HAPs. In 1993, EPA published the Motor Vehicle-Related Air Toxics Study (MVRATS). This study comprehensively summarized what was known about motor vehicle-related air toxics, focusing on carcinogenic risk. Only qualitative discussion of non-cancer effects was included due to the lack of sufficient health data to quantify these effects. The primary carcinogens examined were benzene, formaldehyde, 1,3-butadiene, acetaldehyde and diesel particulate matter. Roughly 8-9% of total VOC emissions from gasoline vehicles consist of benzene, formaldehyde, 1,3-butadiene, or acetaldehyde. In general, emissions of air toxics from gasoline vehicle exhaust are expected to decrease proportionately with reductions in VOC emissions. The primary diesel-related air toxic addressed quantitatively by MVRATS is diesel particulate. The consideration of Tier 2 particulate emission standards is addressed in more detail in Chapter VI on Regulatory Issues.

CHAPTER IV. ASSESSMENT OF TECHNICAL FEASIBILITY

The purpose of this chapter is to examine the technical feasibility of controlling light-duty vehicle emissions beyond the level of control provided for by Tier 1 emission standards. This chapter reviews and describes a variety of technologies capable of reducing emissions from Tier 1 levels. This chapter also estimates the emission reductions of selected technologies. Automotive emission control technology has made remarkable advances in the past several years and many of the technologies discussed in this chapter are technically feasible.

Some of the technologies discussed in this chapter, such as improvements to base engine designs (to reduce engine-out emissions) and advancements in exhaust aftertreatment systems (improved catalyst designs), are either in production on at least one or more vehicle models or are in the final stages of development and will likely be introduced in model year (MY)1999 or MY2000 vehicles. Other technologies are in earlier stages of development and are potentially feasible by MY2004.

The next question to be addressed by this study is how cost effective these technologies are. The cost-effectiveness discussion can be found in *Chapter V. Assessment of Cost and Cost Effectiveness*. For illustrative purposes, this chapter will provide a brief discussion of potential Tier 2 technologies. A more extensive discussion of the various technologies can be found in *Appendix B. Vehicle Technology*.

In section 202(i), Table 3, of the CAA, Congress provided specific numerical values for Tier 2 standards for EPA to consider in this study. Congress also instructed EPA to consider standards that were different (either more or less stringent) than those specified in the CAA, as long as such standards were more stringent than the Tier 1 standards. The emission reductions associated with the selected emission control technologies discussed in this study will be compared with those required to meet the standards described in Table 3 of the CAA.

The review of vehicle emission control technology begins with a discussion of the emission performance of technology found on current Tier 1, National LEV, and California Low Emission Vehicle (LEV) technology vehicles. The first section also reviews the status and potential of a number of emission control technologies which could be used to get emission control beyond Tier 1 standards. The second section describes various technologies that could be used to reduce vehicle emissions below levels currently incorporated in the National LEV and California LEV programs. The third section provides a brief overview of the effect fuel sulfur may have on potential Tier 2 technologies.

A. Currently Feasible Vehicle Emission Control Technology

There have been considerable advances in emission control technology on conventional vehicles over the past several years. Many of these advances occurred as a result of the standards

incorporated in the California LEV program which are more stringent than Tier 1 levels, i.e., Transitional Low Emission Vehicle (TLEV), LEV, and Ultra Low Emission Vehicle (ULEV). These standards are included in the NLEV program, which will generally require the introduction of vehicles meeting the LEV standards nationwide in MY2001. In fact, there are already many vehicles in production, including some federal models, that meet TLEV and LEV standards, and in some cases, ULEV standards.

Table 4.1 Tier 1, Default Tier 2, and LEV LDV Emission Standards and Certification Levels *

| | | 50,000 Mile (g/mi) | | | 100,000 Mile (g/mi) | | |
|-------------|---------|--------------------|----------|-----------------|---------------------|---------|-----------------|
| | | NMHC | CO | NO _x | NMHC | CO | NO _x |
| Standard | Tier 1 | 0.25 | 3.4 | 0.4 | 0.31 | 4.2 | 0.60 |
| | Tier 2* | -- | -- | -- | 0.125 | 1.7 | 0.20 |
| | LEV | 0.075 | 3.4 | 0.2 | 0.09 | 4.2 | 0.30 |
| Cert Levels | Tier 1 | 0.03-0.25 | 0.47-3.3 | 0.03-0.40 | 0.04-0.24 | 0.6-3.4 | 0.04-0.60 |
| | LEV | 0.04-0.06 | 0.2-1.3 | 0.06-0.13 | 0.023-0.078 | 0.2-1.7 | 0.07-0.26 |

* Particulate standards: Tier 1 = 0.08 g/mi (50,000 miles), 0.10 g/mi (100,000 miles)
 LEV = 0.08 g/mi (100,000 miles)

** Default Tier 2 standards in Table 3 of the CAA

Certification data in Table 4.1 derives from manufacturer certifications for 1998 LEV-certified vehicles. As the data show, manufacturers are certifying LEVs with NMHC emissions and NO_x emissions at less than one-third the level of the 100,000 mile standards. Certification to one-half or more of the standard is more typical. EPA recognizes that this additional margin gives manufacturers the ability to ensure their LEVs comply with the standards even with in-use variability and uncertainty of vehicle performance of the newer LEV vehicles, but it also demonstrates that the technology is feasible to produce vehicles with emissions well below Tier 1 levels. It is quite clear, given current federal and California certification information, that the technology exists for essentially all conventional vehicles to achieve lower emissions than are required by Tier 1 standards.¹⁸

EPA also analyzed various individual technologies for their ability to provide further

¹⁸ This study focuses on feasible technology that can achieve HC and NO_x reductions. Even though technology relating specifically to CO reductions is not discussed in detail, EPA notes that many of the technologies used to reduce HC emissions also yield CO reductions as well.

emissions reductions. Improvement in emission controls requires reducing emissions levels coming out of the engine (“engine-out” emissions) or increasing the efficiency of exhaust aftertreatment systems. Typically, manufacturers use both approaches when trying to lower emission levels. Emission reduction improvements for conventional vehicle technology (i.e., vehicles equipped with gasoline-fueled engines) come from four main technological areas. These are improvements in base engine design, more precise air-fuel ratio control, better fuel delivery and atomization, and continued advances in exhaust aftertreatment. The table below summarizes technologies that can be used to reduce emissions from Tier 1 vehicles. It is important to point out that the use of all of the following technologies is not required to further reduce emissions. The choices and combinations of technologies will depend on several factors, such as cost, current engine-out emission levels, effectiveness of existing emission control systems and individual manufacturer preferences. As noted above, with the exception of a few technologies, many of these technologies are used on at least a few Tier 1, TLEV, LEV and ULEV vehicles already in production.

**Table 4.2 Feasible Technologies for Emission Reductions
(Reductions from Tier 1 Levels)**

| Technology | HC | NO _x |
|--|--------|-----------------|
| Modifications to combustion chamber | 3-10% | 3-10% |
| Multiple valves with variable valve timing | 30% | 3-10% |
| Increased EGR (including electronic control) | 0% | ≥10% |
| Improved A/F control (i.e., improved HEGO, improved power-train control module microprocessor, faster fuel injectors, transient adaptive fuel control algorithms, dual HEGO, and improved calibration) | 10% | 20% |
| UEGO | 5% | 23-35% |
| Air/fuel control in individual cylinders | 22% | 3% |
| Increased EGR (including electronic EGR) | 0% | ≥10% |
| Air-assisted fuel injectors | 3-10% | 0% |
| Catalyst improvements (thermal stability, washcoat, cell densities) | 10% | 10% |
| Increased catalyst loading and volume | 10% | 20% |
| Advanced catalyst designs (tri-metal, multi-layered) | 20-37% | 30-57% |
| Close-coupled catalysts | 50-70% | 0-10% |

| | | |
|-------------------------------|------|-------|
| Electrically-heated catalysts | ≥10% | 5-10% |
| HC adsorbers | ≥10% | 0% |

The following discussion, focusing on technology needed for HC and NO_x reductions, is based on “Low-Emission Vehicle and Zero-Emission Vehicle Program Review”, a staff report published in November, 1996 by the California Air Resources Board (CARB) as part of its biannual review of the California LEV program, information from the Manufacturers of Emission Controls Association (MECA) and numerous vehicle manufacturers. EPA also contracted Energy and Environmental Analysis, Inc. (EEA) to conduct a study evaluating the potential availability of emission control technology to meet more stringent emission standards for light-duty vehicles and light-duty trucks. The report is titled “Benefits and Cost of Potential Tier 2 Emission Reduction Technologies.” A detailed discussion of these technologies is provided in *Appendix B. Vehicle Technology*.

1. Base Engine Improvements

There are several design techniques that can be used to reduce engine-out emissions, especially for HC and NO_x. The main causes of excessive engine-out emissions are unburned fuel for HC and high combustion temperatures for NO_x. Methods for reducing engine-out HC emissions include the reducing of crevice volumes in the combustion chamber, reducing the combustion of lubricating oil in the combustion chamber and developing leak-free exhaust systems. Leak-free exhaust systems are listed under base engine improvements because any modifications or changes made to the exhaust manifold can directly affect the design of the base engine. Base engine control strategies for reducing NO_x include the use of “fast burn” combustion chamber designs with increased exhaust gas recirculation (EGR) and multiple valves (intake and exhaust) with variable-valve timing.

2. Improvements in Air-Fuel Ratio Control

Modern three-way catalysts require the air-fuel ratio (A/F) to be as close to stoichiometric operation (the amount of air and fuel just sufficient for nearly complete combustion) as possible. This is because three-way catalysts simultaneously oxidize HC and CO, and reduce NO_x. Since HC and CO are oxidized during A/F operation slightly lean of stoichiometry, while NO_x is reduced during operation slightly rich of stoichiometry, there exists a very small A/F window of operation around stoichiometry where catalyst conversion efficiency is maximized for all three pollutants (less than 1% deviation in A/F or roughly ± 0.15). Thus, it is imperative to maintain the A/F ratio within this tight window of stoichiometric operation if emissions are to be further reduced. In fact, the tighter the A/F ratio can be maintained, the higher the overall three-way catalyst conversion efficiency that can generally be achieved, resulting in further reductions to emissions. Therefore, technologies that enhance tighter A/F control can realize significant

reductions in HC, CO, and NO_x emissions.

Contemporary vehicles have been able to maintain stoichiometric operation, or very close to it, by using closed-loop feedback fuel control systems. At the heart of these systems is a single heated exhaust gas oxygen (HEGO) sensor. The HEGO sensor continuously switches between rich and lean readings. By attempting to maintain an equal number of rich readings with lean readings over a given period, the fuel control system is able to maintain stoichiometric operation. While this fuel control system is capable of maintaining the A/F ratio with the required accuracy under steady-state operating conditions, the system accuracy is challenged during transient operation where rapidly changing throttle conditions occur.

In addition to improved HEGO sensor designs, an additional post-catalyst HEGO sensor can be used for additional fuel control refinements, resulting in a more robust and precise fuel control system and reductions in HC and NO_x. Another technology that can improve A/F control is the use of an universal exhaust gas oxygen (UEGO) sensor, also known as a "linear oxygen sensor," in lieu of a conventional HEGO sensor. UEGO sensors are capable of recognizing both the direction and magnitude of A/F transients since the voltage output is "proportional" with changing A/F ratio (each voltage value corresponds to a certain A/F), facilitating faster response of the fuel feedback control system and tighter control of the A/F ratio.

Rich and lean A/F spikes that occur during transient operation can result in high emissions. Therefore, any technologies that can help the fuel control system better anticipate these A/F spikes can result in lower emissions. There are several technologies that can help achieve this, such as controlling the A/F in each individual cylinder, rather than for the entire engine, and the incorporation of transient adaptive fuel control algorithms that compensate for component tolerances, component wear, varying environmental conditions, varying fuel composition conditions, etc., that occur during transient operation. Finally, the use of electronic throttle control in lieu of conventional mechanical systems, faster response fuel injectors, and a quicker power-train control module microprocessor can help further tighten A/F control.

3. Improvements in Fuel Atomization

In addition to maintaining a stoichiometric A/F ratio, it is also important that a homogeneous air-fuel mixture be delivered at the proper time and that the mixture is finely atomized to provide the best combustion characteristics and lowest emissions. Poorly prepared air-fuel mixtures, especially after a cold start and during the warm-up phase of the engine, result in significantly higher emissions of unburned HC, since combustion of the mixture is less complete. By providing better fuel atomization, more efficient combustion can be attained, which should aid in improving fuel economy and reducing pollutants. Sequential multi-point fuel injection and air-assisted fuel injectors are examples of technologies available for improving fuel atomization.

Typically, conventional multi-point fuel injection systems inject fuel into the intake manifold by injector pairs. This means that rather than injecting fuel into each individual cylinder, a pair of injectors (or even a whole bank of injectors) fires simultaneously into several cylinders. Since only one of the cylinders is actually ready for fuel at the moment of injection, the other cylinder(s) gets fuel at inappropriate times. With this less than optimum fuel injection timing, fuel puddling and intake manifold wall wetting can occur, both of which can hinder complete combustion. Sequential injection, on the other hand, delivers a more precise amount of fuel to each cylinder at the appropriate time. Because of the emission reductions and other performance benefits “timed” fuel injection offers, sequential fuel injection systems are very common on today’s vehicles and are expected to be incorporated in most, if not all, vehicles soon.

Another method to further homogenize the air-fuel mixture is through the use of air-assisted fuel injection. By injecting high pressure air into the fuel injector, and subsequently, the fuel spray, greater atomization of the fuel droplets can occur. Since achieving good fuel atomization is difficult when the air flow into the engine is low, air-assisted fuel injection can be particularly beneficial in reducing emissions at low engine speeds. In addition, industry studies show that the short burst of additional fuel needed for responsive, smooth transient maneuvers can be reduced significantly with air-assisted fuel injection due to a decrease in wall wetting in the intake manifold.

4. Improvements to Exhaust Aftertreatment Systems

Tremendous advancements in exhaust aftertreatment systems have emerged in the last few years. The advancements in exhaust aftertreatment systems are probably the single most important area of emission control development. Such advancements allow manufacturers to more effectively reduce exhaust emissions, both during warmed-up operation as well as right after a cold start, when the majority of emissions occur. Catalyst manufacturers are progressively moving to palladium as the main precious metal in automotive catalyst applications. Improvements to catalyst thermal stability and washcoat technologies allow manufacturers to place catalysts closer to the engine, thereby increasing the catalyst’s light-off time and thus increasing its emission reduction capability. The design of higher cell densities and the use of two-layer washcoat applications increases catalyst efficiency. There has also been much development in HC and NO_x absorber technology, which act to trap pollutants during cold starts and release them after the catalyst is operating effectively. The use of secondary air injection systems and insulated or dual wall exhaust pipes also contribute to the improvements in exhaust aftertreatment and reduction in HC emissions. A detailed discussion of these technologies is provided in *Appendix B. Vehicle Technology*.

5. Improvements in Engine Calibration Techniques

One of the most important emission control strategies is not hardware-related. Rather, it

is the software and, more specifically, the algorithms and calibrations contained within the software that are used in the power-train control module (PCM) which control how the various engine and emission control components and systems operate. Advancements in software along with refinements to existing algorithms and calibrations can have a major impact in reducing emissions. As the PCM becomes more powerful with greater memory capability and speed, algorithms can become more sophisticated. Advancements in computer processors, engine control sensors and actuators and computer software, in conjunction with experience in developing calibrations, allows manufacturers to improve and refine their calibration skills, resulting in even lower emissions.

Manufacturers have suggested to EPA that perhaps the single most effective method for controlling NO_x emissions will be tighter A/F control which could be accomplished with advancements in calibration techniques without necessarily having to use advanced technologies, such as UEGO sensors. Manufacturers have found ways to improve calibration strategies such that meeting federal cold CO requirements, as well as complying with LEV standards, have not required the use of additional hardware, such as electrically heated catalysts (EHC) or adsorbers.

Since emission control calibrations are typically confidential, it is difficult to predict what advancements will occur in the future. It is clear, however, that improved calibration techniques and strategies are a very important and viable method for further reducing emissions.

6. Technology for Reduction of Particulate Emissions

Particulate emissions from gasoline-fueled vehicles consist of both carbon- and sulfur-containing compounds. The carbonaceous particulate is produced from both the gasoline fuel and engine lubricating oil. Available data indicate that particulate emissions are highest during cold starts and lower during hot starts and warmed up operation. Technology aimed at reducing gaseous NMHC emissions, such as improved air-fuel ratio control, tends to reduce carbonaceous particulate emissions, as well. Carbonaceous particulate emission control from gasoline vehicles will likely accompany required NMHC emission control. The predominant form of sulfur-containing particulate from motor vehicles is sulfuric acid (commonly referred to as sulfate). This sulfate is produced in both the engine and the exhaust system by the oxidation of sulfur dioxide. However, the current approach of operating engines as close to stoichiometric as possible coupled with advanced three-way catalysts appears to keep sulfate emissions at very low levels. Therefore, the primary technique available for reducing sulfate emissions is to reduce gasoline sulfur levels.

Diesel particulate emissions also consist of both carbonaceous and sulfate particulate. Unlike gasoline emissions, carbonaceous particulate and NMHC emissions from a diesel engine are not as directly related. Engine-related techniques for reducing particulate emissions include higher fuel injection pressures, electronic engine control of injection timing, rate and duration and turbo charging/aftercooling. Exhaust aftertreatment techniques include the use of an

oxidation catalyst or a trap. The oxidation catalyst primarily reduces the heavy organic portion of the carbonaceous particulate, which usually represents 30-50% of total carbonaceous particulate emissions. Traps can reduce both organic and solid carbon particulate and are capable of controlling 70-90% of carbonaceous particulate emissions.

Diesel-powered LDVs and LDTs produced in the late 1980s were capable of meeting particulate emission standards in the range of 0.1-0.2 g/mi without the use of exhaust aftertreatment. One manufacturer also produced some vehicles equipped with traps. A few light-duty diesel models are being certified to the current Tier 1 standards of 0.1-0.12 g/mi without the need for aftertreatment.

Sulfate emissions from a diesel engine form primarily in the engine and generally represent 2% of the total sulfur in the fuel. The primary method to reduce sulfate emissions is to reduce the sulfur content of diesel fuel. Under some conditions, the use of an oxidation catalyst or a catalyst-containing trap can increase tailpipe out sulfate emissions.

B. Advanced Technologies

In addition to the technologies described above to reduce emissions from conventional vehicles, technologies providing even greater reductions are being analyzed and developed. These technologies are in various stages of development and some of them could be introduced on ULEVs and zero emission vehicles (ZEV) to meet state and federal programs. Manufacturers are also developing non-conventional vehicle technologies, in part as a response to the desire for vehicles with lower emissions than those vehicles currently available or expected in the next few model years. Many of these technologies could be utilized in the next generation of vehicles sold nationwide.

California's emission control program has served as the impetus for development of advanced emissions control technology, and technologies used to meet current stringent standards in California could also be feasible for introduction nationwide.¹⁹ The California LEV emission control program requires manufacturers to produce ULEV vehicles in order to meet the

¹⁹ California proposed more stringent emission control standards in December, 1997. The California LEV 2 program would reduce by 75% the current NO_x standard for LEVs and ULEVs and introduce a new category of standards, the super ULEV (SULEV: NMOG = 0.01 g/mi, CO = 1.0 g/mi, and NO_x = 0.02 g/mi). The SULEV standards are 120,000 mile standards. California is expected to make a final decision regarding the LEV 2 program in November, 1998. EPA and California are trying to harmonize their programs when possible (e.g., National LEV). EPA is closely monitoring California's actions regarding its LEV 2 proposal and will determine which parts of the program, if any, are appropriate to include in the federal program.

fleet average NMOG requirements.²⁰ In many instances, manufacturers will use a combination of the technologies described above to design and produce vehicles which comply with ULEV standards. As California noted in its November, 1996 staff report, manufacturers may also need to introduce EHCs on some vehicles where emissions control is more difficult, such as vehicles with limited underhood space or larger displacement engines. Electrically-heated catalysts use an auxiliary heating device to bring the catalyst up to its operating temperature more quickly than typical heating by engine exhaust. One manufacturer announced it has developed a gasoline-powered vehicle that utilizes advanced engine designs and catalysts to reduce emissions levels to significantly below ULEV standards. Some manufacturers also chose to produce ULEVs using engines that burn compressed natural gas. These engines give manufacturers additional flexibility in designing and producing vehicles that meet the tighter ULEV standards. In general, these engines are similar to gasoline-powered engines, but have modified fuel delivery and storage systems. Compressed natural gas (CNG) powered vehicles also have lower evaporative emissions than gasoline-powered vehicles.

California also requires manufacturers to develop ZEV technology, with widespread introduction targeted for MY2003. Much of the development effort to date has focused on electric vehicles, and many manufacturers have already made ZEVs available to consumers and fleet purchasers. These vehicles use many newer technologies, such as advanced charging and regenerating systems and vehicle structural design. Battery technology, which has been the major technical limitation to date, has been and will be the focus of much developmental work. Improved nickel-metal hydride, sodium nickel-chloride, lithium polymer, and lithium ion batteries are some of the battery types being developed for use in electric vehicles produced in the near future.

Manufacturers are also actively developing other non-conventional vehicle propulsion systems which could emit pollutants at lower rates, possibly even significantly lower, than current Tier 1 vehicles. While none of these systems are currently available in the United States, they could be technologically feasible early in the next century. One system utilizes a hybrid propulsion system, which combines a gasoline or diesel-powered engine with an electric motor and is optimized to operate at maximum efficiency over changing driving conditions. These designs can result in very high fuel efficiency and also very low emission levels (a manufacturer estimates up to one tenth the current levels of HC, CO, and NO_x).²¹

²⁰ The National LEV program does not require ULEVs to be produced for a manufacturer to meet the fleet average NMOG requirements. However, manufacturers are likely to produce and sell vehicles meeting ULEV standards under the National LEV program, especially if a manufacturer needs to offset Tier 1 or TLEVs in its fleet after MY2000 or if a manufacturer produces 50-state ULEV engine families and wants to generate fleet average NMOG credits.

²¹ One manufacturer has introduced in Japan a hybrid vehicle which incorporates a gasoline engine and an electric motor. Emissions are reduced in part by operating the engine under a constant load and thus minimizing

This type of propulsion is also being developed as part of a joint venture between the federal government and the domestic auto manufacturers. The Partnership for a New Generation Vehicle (PNGV) has a design goal of producing production prototypes by 2004 that would achieve up to 80 miles per gallon with very low emissions. Design work is focusing on hybrid electric drives, powered by direct-injection drives or fuel cells, advanced batteries, advanced combustion engines using renewable fuels and petroleum fuels, and increased use of lightweight materials in vehicle construction. Technologies developed from this process, in addition to being integrated into a PNGV vehicle, could be used to reduce emissions from vehicles meeting more stringent standards.

Fuel cells are a promising propulsion system that is being developed for possible introduction to consumers early in the next century. A fuel cell is an electrochemical device that generates electricity from a chemical reaction between hydrogen and oxygen. The necessary hydrogen can either be carried as a compressed gas or extracted from a fuel, such as gasoline or methanol, carried on the vehicle. The electricity produced from a fuel cell drives a traction motor that in turn drives the wheels. Fuel cell use gives a vehicle long range, good performance, rapid refueling and low or even zero emission levels.

C. Sulfur's Effect on Tier 2 Technology

The sulfur found in gasoline does not affect engine-out emissions of HC, CO, and NO_x, but it increases exhaust emissions of these pollutants by inhibiting the performance of the three-way catalyst (TWC). The degree of sulfur inhibition to the catalyst has been shown to be variable and depends upon both catalyst formulation and operating conditions. (Sulfur inhibition is very sensitive to A/F ratio.) Sulfur strongly competes with pollutants for "space" on the active catalyst surface. This limits the efficiency of catalyst systems to convert pollutants. Current evidence, however, indicates that sulfur is not a permanent catalyst poison like lead (Pb). This means that increases in emissions caused by high sulfur fuels can be reversed once the high sulfur fuel is no longer used. Studies are underway to determine how quickly and easily the sulfur will come off the catalyst when the vehicle is refueled with a low sulfur fuel.

Recent information from the sulfur test programs performed by the Coordinating Research Council (CRC) and the auto industry, suggests that not only do LEV and Tier 1 vehicles exhibit decreased emissions performance due to fuel sulfur, but the more advanced the technology, the more sensitive (on a percentage basis) the catalysts are to sulfur. The studies indicate that increasing sulfur content could more than double NO_x emissions and have a less severe, though noticeable, effect on HC emissions. In addition, vehicle manufacturers claim that elevated fuel sulfur levels can interfere with the functioning of vehicle onboard diagnostic systems by triggering the illumination of the vehicle's malfunction light. Any development of

air-fuel ratio changes.

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Tier 2 standards will review the effect of sulfur on possible Tier 2 technologies, and possible ways to reduce such effect. For example, some catalyst formulations show less sulfur sensitivity than others and EPA will pursue this issue further in an effort to better understand why some models respond differently to sulfur. EPA is aware that the American Petroleum Institute (API), as well as some catalyst manufacturers, are further analyzing this issue. These issues are addressed in the EPA Staff paper on gasoline sulfur, as discussed further in *Chapter VI. Regulatory Issues*. The Agency will assess appropriate sulfur control programs for commercial fuel and appropriate certification fuel specifications that are more representative of sulfur levels in commerce, as discussed in *Chapter VI. Regulatory Issues*.

CHAPTER V. ASSESSMENT OF COST AND COST EFFECTIVENESS

The Clean Air Act requires EPA to examine "the need for, and cost effectiveness of, obtaining further reductions in emissions from light-duty vehicles and light-duty trucks, taking into consideration alternative means of attaining or maintaining the national primary ambient air quality standards ..." (emphasis added). As discussed in the previous chapter, technology is available today to reduce emissions from light duty vehicles well below Tier 1 levels. The National LEV program assures that passenger cars and light trucks will be produced beginning in the 1999 model year to LEV levels. The purpose of this chapter is to present information on costs and cost effectiveness for potential emission control technologies beyond Tier 1 technologies. This includes the cost effectiveness of LEV technologies, as well as technologies that achieve emission reductions beyond LEV standards. The chapter estimates cost effectiveness of certain emission reductions without making a determination of the specific numerical values of potential regulatory standards.

One lesson to be learned from the past 30 years of controlling motor vehicle pollution is that the costs of future technologies are usually less than originally estimated. The auto industry, as well as government regulators and outside experts, over-predict future costs. The actual costs are usually lower than predicted when the technology is manufactured and installed on mass-produced vehicles. As stated previously, Tier 2 standards cannot be effective until the 2004 model year at the earliest. That is over five model years from the present. Therefore, although the following cost estimates are EPA's best assessment of the technology discussed in *Chapter IV. Assessment of Technical Feasibility*, they may prove to be over-predictions when viewed several years into the future.

In addition to estimations of cost, this chapter also attempts to quantify the emission reduction capabilities of these technologies. In this way, the cost effectiveness, in units of dollars per ton of emissions reduced, can be calculated and compared.

The sources for the emissions reductions and costs of the various emission control technologies were the EEA report, the CARB report, MECA, API, confidential information from vehicle manufacturers and EPA technical assessments. Of these sources, only EEA, CARB and several vehicle manufacturers supplied information on costs. Consequently, these are the sources that are primarily used for establishing cost effectiveness.

A. Cost Effectiveness of Low Emission Vehicle Technologies

It is not necessary to incorporate all of the technologies discussed in the previous chapter in order to produce vehicles capable of emitting below Tier 1 levels. The choices and combinations of technologies will depend on several factors, such as current engine-out emission levels, effectiveness of current emission control technologies, and individual manufacturer preferences.

As discussed in *Chapter IV. Assessment of Technical Feasibility*, two of the most promising emission control strategies for reducing emissions below Tier 1 levels are more precise air/fuel (A/F) control and improved catalyst designs. One or the other or a combination of these technologies are, in fact, what manufacturers have indicated they will utilize to achieve LEV standards under the California or national LEV programs.

A vehicle designed to meet LEV standards will achieve the following emission reductions relative to Tier 1 vehicles:

Table 5.1 Percent Reduction in Emissions of a LEV Vehicle Compared to Tier 1

| <u>Pollutant</u> | <u>Percent Emissions Reduction</u> |
|------------------|------------------------------------|
| NMHC | 70% |
| NOx | 50% |

In the Regulatory Impact Analysis (RIA) prepared in support of the National LEV rulemaking, EPA estimated the emission reduction benefits of National LEV vehicles in 49 states (other than California). The costs in the RIA were based on California Air Resources Board (CARB) estimates of California LEV (CALEV) program vehicle costs, revised in 1996. As summarized in the table below, the total net present value HC emission reductions were estimated to be 28.0 kilograms (kgs), while the NOx emission reductions were estimated to be 25.3 kgs. The net present value cost was estimated to be \$115 per vehicle.

Table 5.2 Emissions Reduction, Cost and Cost Effectiveness of a LEV Vehicle

| <u>Pollutant</u> | <u>Emissions Reduction (kgs/vehicle)</u> | <u>Cost/vehicle (\$)</u> | <u>Cost Effectiveness (\$/ton)</u> |
|------------------|--|--------------------------|------------------------------------|
| NMHC | 28.0 | 57.5* | 2054. |
| NOx | 25.3 | 57.5* | 2273. |
| NMHC+NOx | 53.3 | 115.++ | 2158. |

* Cost per vehicle assigned 50% each to NMHC and NOx.

++ After full phase in 2001 LEV cost is estimated to be \$95 per vehicle.

As can be seen, the overall cost effectiveness of National LEV vehicles, based on a 1996 estimate, is \$2158 per ton. Note that the above analysis uses gasoline-powered passenger cars. EPA expects similar cost effectiveness results had the calculations been performed for light trucks. In addition, EPA expects that these cost-effectiveness results are similar to those for the standards listed in Table 3 of section 202(i). The standards listed in that table (and consequent emission reductions) are similar to LEV standards. The Table 3 NO_x standard is somewhat more stringent, the Table 3 NMHC standard is somewhat less stringent. In addition, the technologies expected to be used to meet the Table 3 levels (and consequent costs) are similar to the technologies expected to meet the LEV standards.

The automakers recently voluntarily agreed to produce LEV vehicles under the National LEV regulatory framework. Some auto companies have also announced they would produce certain light-duty trucks to meet LEV standards sooner than they would be required under the National LEV program. In addition, some companies stated they will voluntarily reduce emissions from light-duty trucks not included in the National LEV program. EPA's analyses of the cost effectiveness of future light-duty vehicle emission standards focuses on standards more stringent than LEV levels.

B. Cost Effectiveness of Technologies Beyond LEVs

The previous chapter presents information on the technical feasibility of achieving emission levels beyond the LEV standards. A number of these technologies, such as ultra-precise air-fuel ratio control, increases in catalyst loading or cell density and catalyst proximity to the exhaust manifold and variable valve timing are available today. Others are expected to be available to vehicle manufacturers before 2004. Although there does not exist a large amount of specific data on the costs of such technologies, this section of the study will summarize the available information. All of the following percentage emission reductions and costs are incremental to Tier 1 technologies.

Estimates of emission reductions resulting from increases in catalyst loading and volume were consistent among the various sources. EEA estimates a benefit of 10% for HC and 20% for NO_x. MECA and several vehicle manufacturers concurred with these estimates. For improvements to catalyst formulations and substrate designs, the estimates were again a consensus of 10% for HC and NO_x. The benefit of using a close-coupled catalyst were estimated by various vehicle manufacturers to range up to 70% for HC, and 10% for NO_x. Information from the American Petroleum Institute suggests that for catalysts utilizing tri-metal and multi-layer designs, emission reductions ranging up to 37% can be achieved for HC and up to 57% for NO_x.

Estimates of emission reductions associated with ultra-precise A/F control vary. Information from MECA and two vehicle manufacturers suggest that NO_x emission benefits can range up to 70%, while EEA estimated emission reductions of greater than 10% (no upper limit

was provided) for HC and NO_x. For the purposes of this study, EPA estimates that the combination of faster response fuel injectors, a faster PCM microprocessor, improved HEGO sensor design (i.e., planar design) and the use of dual HEGO sensors and adaptive transient fuel control would result in emission reductions at least up to 10% for NMHC and 20% for NO_x. The upper range of the estimates from MECA and the two manufacturers are actually higher than this estimate, because they believed that an important part of achieving tighter A/F control is the continued development of more sophisticated calibration strategies used in conjunction with the above mentioned technology.

Combining the emissions reduction potential of catalyst improvements and more precise A/F control cited above, EPA estimates that NMHC tailpipe emissions of light-duty vehicles and trucks produced in the 2004 model year time frame would be 77% less than Tier 1 vehicles. This would equate to a NMHC emission standard of approximately 0.06 gpm for LDV/LDT1. As discussed below, EPA does not believe this is an upper limit of the capability of future technology to reduce NMHC emissions.

In the case of NO_x emissions, the above catalyst improvements and more precise A/F control were combined with EPA's technical assessment of the potential for improvements in EGR systems, such as electronically controlled EGR. This analysis shows that NO_x emissions from light-duty vehicles and trucks produced in the 2004 model year would be 80% less than Tier 1 vehicles. This would equate to a NO_x standard of approximately 0.08 gpm for LDV/LDT1.

Using these emission reduction factors, EPA estimated in-use emissions performance on a per vehicle basis to represent a 77% and 80% reduction in NMHC and NO_x emissions, respectively. EPA performed a preliminary cost analysis of these technologies using the sources cited above as well as EPA's own assessment. The results showed that the cost of additional technology to achieve the emission reductions above for NMHC and NO_x combined is \$136 for LDV/LDT1, and \$161 for LDT2/LDT3/LDT4. (See *Appendix C. Emission Reductions, Cost and Cost Effectiveness* for details of this analysis.)

With this information it was possible to calculate the cost effectiveness of the selected technologies that achieve emission reductions beyond LEV levels. This was done using the above cost factors and emission reduction effectiveness for LDVs and LDTs separately. The results are shown below:

Table 5.3 Emissions Reductions, Costs and Cost Effectiveness of Technologies Beyond LEV and Incremental to Tier 1

| <u>Pollutant</u> | <u>Nominal Emission Level (gpm)</u> | <u>Emissions Reduction (gpm)</u> | <u>Cost per Vehicle (\$)</u> | <u>Cost Effectiveness (\$/ton)</u> |
|------------------|-------------------------------------|----------------------------------|------------------------------|------------------------------------|
|------------------|-------------------------------------|----------------------------------|------------------------------|------------------------------------|

| | | | | |
|----------|--------|-------|--------|-------|
| LDV/LDT1 | | | | |
| NMHC | 0.06 | 0.181 | 59.50* | 3306. |
| NOx | 0.08 | 0.422 | 76.50* | 1824. |
| NMHC+NOx | | 0.603 | 136. | 2269. |
| LDT2,3,4 | | | | |
| NMHC | 0.07** | 0.199 | 72.* | 3377. |
| NOx | 0.14** | 0.456 | 89.* | 1824. |
| NMHC+NOx | | 0.653 | 161. | 2303. |

* Cost per vehicle assigned 50% each to NMHC and NOx, after assigning EGR cost (\$17) to NOx control.

** Standards shown represent LDT2/LDT3. Nominal standards for LDT4 could be 0.09 gpm for NMHC and 0.22 for NOx.

EPA has also calculated the cost effectiveness of the package of technologies which would achieve reductions beyond LEV levels as an incremental comparison to the National LEV program. An "in-effect" finding for this voluntary program was published earlier this year, and National LEV vehicles will be available nationwide beginning in the 2001 model year. While EPA believes that the proper cost effectiveness analysis compares control measures against a Tier 1 baseline, an analysis using a National LEV baseline is illustrative for the purposes of this study. Using the same methodology as was presented above, the above package of technologies reduce NMHC plus NOx emissions beyond those levels achieved by the NLEV standards at a cost of \$2400 per ton. This is only marginally higher than the cost effectiveness of these technologies relative to the Tier 1 standards.

These estimates of the cost effectiveness of Tier 2 technologies do not include any cost for reducing the sulfur level of commercial gasoline. Since the emission tests used to estimate the potential for catalyst improvements were primarily performed at low sulfur levels (e.g., <100 ppm), these cost per ton estimates are most directly applicable with low sulfur fuel is assumed to be used in both the Tier 1 and Tier 2 cases. The cost per ton estimates may be slightly higher when high sulfur gasoline is assumed for both Tier 1 and 2 vehicles, since the emission impacts of sulfur in percentage terms are larger with LEVs than Tier 1 vehicles. However, since the base (low sulfur) emissions to which these percentage are applied are higher from Tier 1 vehicles, this partially compensates for the smaller percentage effect. In the case where the cost effectiveness of Tier 2 technologies is compared to the NLEV standards, the cost per ton estimates apply at either low or high sulfur fuels, since both NLEVs and Tier 2 vehicles could be expected to have roughly the same sensitivity to sulfur in the long run.

It is important to note that the presentation of these estimates does not imply that EPA

believes these levels of emission reductions are upper limits of future technology. As discussed in the previous chapter, there are a number of emission control technologies that either have been demonstrated to date or are expected to be available for use on production vehicles by 2004 that can achieve emission reductions beyond those discussed above. For purposes of this study, EPA selected certain technologies for which estimates of emissions performance and costs were available. EPA expects that other, more effective, technology will be available prior to 2004. Nonetheless, it appears the cost effectiveness of technology that exists today to reduce emissions of light-duty vehicles and trucks beyond LEV levels is within the range of other available control strategies.

C. Comparison to Other Control Strategies

This section discusses the cost effectiveness of other emission control strategies that may provide alternative means of attaining or maintaining the NAAQS. EPA estimates the cost and cost effectiveness of specific control measures as part of individual rulemaking. The estimates are made available for public review and comment before final regulations are promulgated. Numerous control measures have been put in place since the 1990 Clean Air Act amendments.

A review of national vehicle control measures mentioned in this report showed a range of cost effectiveness estimates. Regarding motor vehicle controls, EPA estimates of the cost effectiveness of recently promulgated programs to be as follows:

- Tier 1 standards for LDVs and LDTs: \$6000 per ton of HC and \$1380-1800 per ton of NO_x
- Supplemental FTP (SFTP) standards for aggressive driving: \$457-\$552 per ton of HC and \$150-\$172 per ton of NO_x
- SFTP standards for emissions with the air condition on: \$2,050-\$2,574 per ton of NO_x
- On-board diagnostics (OBD) requirements: \$1,974 per ton of HC, \$1,974 per ton of NO_x, and \$124 per ton of CO

Recent controls required on stationary point sources have been in the same general range.

The question relevant to this study is, how do the cost effectiveness estimates for technologies beyond Tier 1 compare with alternative control measures that have not yet been put in place? The Regulatory Impact Analyses prepared for the recently revised NAAQS contains the most comprehensive set of cost effectiveness estimates for potential emission control measures. The RIA included measures for ozone precursors and particulate matter control ranging from strategies that produce a cost savings up to and more than \$10,000 per ton of

pollutant reduced.

The NAAQS analysis indicates that even after known and available control measures are implemented, there will remain a substantial number of areas that are in need of additional pollutant reductions in order to attain the new air quality standards. For these emission reductions, which will need to come from a combination of mobile and stationary sources, the NAAQS RIA incorporates a cost effectiveness threshold of \$10,000 per ton of pollutant reduced. The analysis documents many current technologies with control costs less than \$10,000 per ton and expects future and emerging technologies to produce similar cost effective control strategies. The average control cost for measures included in the NAAQS ozone analysis is approximately \$2,600 per ton for NO_x and \$3,700 per ton for HC reductions.

The following are examples of potential control strategies and the cost per ton estimates from the NAAQS RIA (incremental cost in 1990\$):

- Industrial boilers conversion to natural gas: approximately \$2,000 per ton of NO_x removed.
- Marine commercial engines: approximately \$6,503 per ton of NO_x removed.
- New heavy-duty vehicles powered by natural gas: approximately \$2,400 per ton of NO_x avoided.

Based on this review of the NAAQS RIA, which is the best and most recent analyses of cost effectiveness for a wide range of control measures, it appears that light-duty vehicle emission standards that are more stringent than Tier 1 would be cost effective relative to the control measures included in the NAAQS RIA. Further, it appears that technology is known today that could reduce emission levels of HC and NO_x from light-duty vehicles beyond LEV levels in a cost effective manner. As shown above, it appears to EPA that technology is known that has the potential to reduce HC emissions to levels at least 77% below Tier 1 levels at a cost effectiveness of about \$3300 per ton. Likewise, it appears that technology is known that has the potential to reduce NO_x emissions to levels at least 80% below Tier 1 levels at about \$1800 per ton, with a combined HC + NO_x cost effectiveness of about \$2,300 per ton. These cost effectiveness estimates are well within the range of cost effectiveness of other, alternative control measures that could be applied to both stationary and mobile sources in the future in order to attain or maintain the NAAQS. In the above analysis the cost effectiveness on a per ton basis examines both national control programs and local, regional or seasonal measures.

As mentioned previously, the above estimates of potential emission reductions from Tier 1 levels (77% HC and 80% NO_x) are not meant to imply limits of any future emission standards. They were selected for analyses in this report to illustrate point estimates of emission reductions

that appear technically feasible and cost effective. EPA expects there are additional control technologies that are or will soon be available that have potential to result in reductions that go beyond the estimates analyzed here.

The discussion above addresses costs and cost effectiveness of HC and NO_x reductions. It does not include information on carbon monoxide or particulate matter reductions. As mentioned earlier in this report, EPA is working on a study of the need for more stringent light-duty vehicle CO standards that would apply at cold temperatures. That study is the appropriate forum to address issues related to future CO emission requirements. It should be noted, however, that most of the technology discussed in this report as reducing HC will also cause significant reductions in CO emissions. The cost estimates presented above for HC-reducing technology were calculated by assigning the costs to HC or HC + NO_x control. If a portion of the costs had been assigned to account for the expected CO reductions, the HC and NO_x cost effectiveness would appear more favorable.

No cost or cost effectiveness calculations were performed for additional future PM controls, although *Chapter IV. Assessment of Technical Feasibility* discussed PM control technology. The contribution of light-duty vehicles to the overall PM emissions inventory is small. It may grow in the future, however. A number of auto and engine manufacturers recently announced their intentions to consider the use of small diesel engines for the light-duty segment, particularly light trucks and sport utility vehicles. For this reason it is appropriate for EPA to consider the levels of future PM emission standards for light-duty vehicles as part of the rulemaking that will be initiated following this study. If EPA decides to propose more stringent PM standards for future vehicles, a full cost and cost effectiveness analysis will be performed as part of proposed rulemaking.

VI. REGULATORY ISSUES

In determining whether Tier 2 standards for LDVs and LDTs are appropriate, there are a number of important issues that EPA will need to resolve that relate to the broader issues of air quality, technical feasibility, and cost effectiveness. Seven issues are presented in this chapter:

- A) Relative stringency of the Tier 2 LDV and LDT standards
- B) Uniform versus separate standards for gasoline and diesel vehicles
- C) Evaporative HC emission standards
- D) Corporate average emission standards
- E) Extended useful life and other ways to improve in-use emission performance
- F) Test fuel specifications
- G) Fuel sulfur and distillation properties

A. Relative Stringency of LDV and LDT Standards

All LDVs are required to meet the same numerical emission standards according to Clean Air Act requirements. For example, large luxury cars and small sub-compacts, both used as for personal transportation, meet the same emission standards. In contrast, EPA and CARB have historically set higher numerical emission standards for LDTs than LDVs. While this was done in part due to the larger size and mass of many LDTs, it was also due to their ability to haul cargo. Higher loads produce higher exhaust temperatures, which require that catalysts be placed further back from the engine, delaying light-off. Higher loads can also limit use of EGR for NO_x control. Today, mini-vans, small pick-ups, and sport-utility vehicles dominate LDT sales. Full size pick-ups and vans (those vehicles most likely to be used in commercial applications) represent less than 30% of total LDT sales. Also, over the past few years, improvements in the temperature limits of automotive catalysts appear to have reduced the need to set less stringent LDT emission standards as may have been true in the past.

In addition to the trend of designing LDTs explicitly for passenger transportation, total LDT sales increased dramatically and now approach total car sales. Because of their numerically higher emission standards, LDTs have a disproportionate impact on in-use emissions. Using the modified MOBILE5b model described in *Chapter III. Assessment of Air Quality Need*, national LDT emissions of HC and NO_x will exceed LDV emissions by 83% and 66% respectively, in the year 2007.

There are many options available for setting LDT emission standards given a particular set of LDV standards. Three possible options are:

- 1) Require LDTs to meet the same numerical emission standards as LDVs, which

- would mean setting standards based on vehicle use;
- 2) Set the LDT standards to require use of the same emission control technology as the LDV standards; or
 - 3) Set different standards based on vehicle use.

Option 1 provides the greatest environmental benefit and could be justified based on the belief that the great majority of LDT use is the same as that of LDVs. Under the current California LEV standards, requiring LDTs to meet the same emission standards as LDVs would provide the same emission benefits as reducing the LDV and LDT standards by 50%. (The details of this analysis are presented in Appendix D.) This option would also most closely lead to a determination of emission standards based on the expected use of the vehicle. It could, however, result in higher emission control costs for some LDTs. This option might be appropriate for those LDTs that were not used primarily for personal transportation.

The second option seeks to impose roughly equivalent emission control technology for both LDTs and LDVs. LDVs and LDTs would still have marginally different emission standards to account for the different vehicle weights and payloads, but the types of emission control technologies found on each vehicle type would not differ as much as current LDVs and LDTs.

The third option may provide manufacturers with an incentive to produce LDTs in lieu of LDVs if there is a significant difference in standards, though this choice is limited to an extent by consumer demand. For example, more stringent LDV vehicle standards could be applied proportionately to LDTs.

Another issue involved in setting LDT emission standards is the classification of LDTs into weight categories, each potentially with its own set of emission standards. The current LDT classifications are based on both curb weight and gross vehicle weight rating (GVWR).²² The higher the curb weight or GVWR, the numerically higher the applicable emission standards. While recognizing the increasingly more difficult task of meeting a given set of emission standards with a heavier vehicle, this system also provides an incentive for manufacturers to add weight to their vehicles in order to bump them up into a heavier classification. There can also be a fuel consumption penalty associated with this action.

CARB recently proposed a second phase of LEV emission standards for LDVs and LDTs. As part of this proposal, CARB proposed to require LDVs and LDTs to meet essentially the same emission standards and to redefine LDTs to include any truck at or below 7000 pounds curb weight. If this approach were to be used by EPA for nationwide standards, it would move a significant number of current HDVs into the LDT class. EPA's rulemaking will examine whether

²² Curb weight is the weight of the vehicle sitting empty. GVWR is the measure of how much cargo a vehicle can carry. Literally, GVWR is the maximum allowed weight of the vehicle when it is fully loaded.

the current divisions of LDTs based on curb weight and GVWR should be changed to use more appropriate criteria.

B. Uniform Application of Emission Standards

Uniform standards refers to the application of the same emission standards to similar vehicles regardless of what fuel is utilized. Here, the primary fuel options for conventional engines are gasoline and diesel fuel. The pollutants of most interest in this section are NO_x and PM exhaust emissions. Both diesel and gasoline vehicles appear to be capable of meeting the range of possible Tier 2 HC and CO emission standards, so the issue of equivalent standards does not arise with respect to these pollutants. Therefore, NO_x emission standards are discussed first below, followed by PM emission standards.

1. NO_x Standards

Section 202(g) of the CAA provides that light-duty diesels are required to meet less stringent Tier 1 LDV/LDT NO_x standards through model year 2003 than light-duty gasoline vehicles. For example, diesel LDVs and LDT1s are only required to meet a 1.0 g/mi NO_x standard at 50,000 miles instead of the 0.4 g/mi NO_x standard applicable to gasoline-fueled vehicles. This does not apply in California or to National LEV vehicles certified to TLEV, LEV, and ULEV standards. Should EPA decide not to promulgate Tier 2 standards, this difference in standards would expire and both gasoline and diesel vehicles would be required to meet the same Tier 1 emission standards. The CAA does not mention any continuation of this relaxation in the context of the Tier 2 standards;. Further, the default Tier 2 emission standards²³ apply to both gasoline and diesel vehicles. While it is clear that Congress intended to ease the NO_x standards of diesel Tier 1 vehicles through 2003, it also appears that Congress intended this to be a temporary measure.

Diesel engines are currently used in a small portion of the LDV and LDT fleets. Therefore, they have little impact on fleet-wide emissions or fuel consumption. Diesels could, however, comprise a greater fraction of sales in years to come. For example, the diesel engine has been identified by the Partnership for a New Generation of Vehicles as the most promising near term technology for high fuel efficiency vehicles. The U.S. government recently committed significant research funds to promote the development of high efficiency, low emissions diesels for future vehicles sold in the U.S. The target for the NO_x emissions of the PNGV vehicle is 0.20

²³ The default Tier 2 emission standards would apply where EPA finds that there is a need for the Tier 2 standards and that such emission controls are feasible and cost effective, but does not promulgate any alternative Tier 2 standard (see section 202(i)(3)(B) of the CAA). These default standards for LDVs are 0.125 g/mi NMHC, 1.7 g/mi CO and 0.20 g/mi NO_x, at 100,000 miles.

g/mi, or the current California LEV standard, for LDVs and LDT1s. However, EPA has projected in this study (see Chapter V) that emission levels for NO_x below 0.20 g/mi are feasible for gasoline engines. In order to meet such NO_x levels, significant development work to diesel engine and aftertreatment performance would be required.

The selection of the diesel as the near-term PNGV technology is due to its high fuel efficiency, which can help reduce emissions of the greenhouse gas carbon dioxide and global warming effects, as compared to gasoline vehicles. When used in the same vehicle, the diesel engine is more efficient than today's gasoline engine. There is a trend in the automotive marketplace, however, toward larger, heavier vehicles that also sit higher off the road and are equipped with 4-wheel or all-wheel drive. These features decrease fuel economy. Thus, the diesel engine could be used to increase the average size and weight of the vehicle fleet while still complying with the Corporate Average Fuel Economy (CAFÉ) standards. In this case, fleet average fuel economy would not increase.

Carbon dioxide emissions would actually increase under this scenario. The carbon content of diesel fuel is greater than that of gasoline. If a diesel vehicle is consuming the same number of gallons of fuel as a gasoline vehicle, the diesel vehicle will emit more carbon dioxide than the gasoline vehicle. Without an increase in fleet-wide fuel economy greater than the increased carbon content of diesel fuel, no reduction in carbon dioxide emissions would occur.

One inherent advantage of the diesel engine is that its fuel produces essentially no evaporative emissions. Both HC and NO_x emissions contribute to tropospheric ozone. It is conceivable that a combined total HC + NO_x standard could be developed that would incorporate the relative benefits of gasoline and diesel technology.

2. Tier 2 Particulate Standards

The CAA set Tier 1 particulate standards of 0.10-0.12 g/mi for LDVs and LDTs at 100,000 miles. These standards were based on the capabilities of diesel engine technology. Gasoline vehicles can meet much more stringent PM standards (e.g., less than 0.01 g/mi). The CAA does not include default Tier 2 PM standards, as it does for NMHC, CO and NO_x standards. It directs EPA to consider standards more stringent than the Tier 1 standards to meet all NAAQS, which include the particulate NAAQS. It is appropriate to consider Tier 2 PM standards along with those for the three gaseous pollutants.

Diesel LDVs and LDTs emit more PM emissions than gasoline-fueled vehicles, and the small number of light-duty diesels currently sold makes their overall air quality impact small. Diesels could become more prevalent in the future, however, and the public health impact of their particulate emissions could be quite substantial. The primary technical issue is whether to set Tier 2 particulate standards based on the capability of the gasoline engine and require diesels

to meet this standard in order to be sold or to set a more relaxed standard based on current and projected diesel technology.

EPA has not performed a detailed analysis of the capability of diesel engines to meet stringent PM standards. California recently proposed a 0.01 g/mi PM standard for all LDVs and LDTs, which would begin phasing in with the 2004 model year. The goals of the Partnership for a New Generation of Vehicles include a 0.01 g/mi PM target.

In developing the proposed Tier 2 standards, EPA will perform assessments of the environmental impacts of diesel PM emissions to facilitate resolution of this issue. One assessment will estimate the ambient levels of PM₁₀ and PM_{2.5} which would likely occur in urban areas should substantial numbers of light-duty diesels be sold. This assessment will be performed for possible Tier 2 PM standards ranging between 0.01 and 0.10 g/mi. EPA will also assess the personal exposure to diesel PM emissions and project the resultant cancer impact of this exposure.

In addition, EPA will assess the capability of future diesel engine designs to meet these standards and whether the environmental impacts are severe enough to require PM standards below the current capability of diesel engines. The diesel engine is not the only technology that provides higher fuel efficiency than the current gasoline engine. Direct injection gasoline (GDI) engines are being developed by a large number of automakers. These engines appear to provide much of the fuel efficiency improvement available from a diesel engine. EPA will include these engines in this assessment.

One last issue regarding Tier 2 PM emission standards is whether to establish such standards only for operation over the traditional FTP driving cycle, or to also establish standards for emissions during aggressive driving and air conditioner operation. EPA did not establish any Tier 1 SFTP standards for PM emissions. EPA has not performed any assessments of the costs or benefits of such standards, but will consider them in developing the proposed Tier 2 standards.

C. Evaporative HC Emission Standards

Evaporative HC emissions from Tier 1 and LEV vehicles exceed exhaust NMHC emissions in-use. (Evaporative HC emissions as used herein include running losses, hot soak emissions, diurnal emissions and resting losses.) It may be appropriate to consider tightening the current evaporative HC emission standards in the process of considering tighter Tier 2 exhaust emission standards.

CARB recently proposed a “zero evaporative emission” requirement which would essentially require that evaporative HC emissions be below measurable levels. One manufacturer recently announced the ability to produce a vehicle with “zero evaporative emissions” in-use. CARB pointed to this vehicle, as well as to several other emission control technologies, as a

basis for the recently proposed zero-evap standards. These technologies included a second charcoal canister to trap HC emissions not absorbed by the standard canister, bladder fuel tank systems, pressurized fuel tanks, pressurized vapor reservoir systems, insulated fuel tanks and improved seals for the onboard vapor recovery systems (refueling emission controls). CARB also pointed out that a number of current vehicles have certification levels of evaporative emissions that equal less than one-fifth of the current emission standards.

EPA has not assessed the feasibility of tighter evaporative HC standards, nor their cost and air quality benefit. These assessments will be performed prior to the proposal of the Tier 2 emission standards and will be used to determine whether more stringent evaporative HC standards should be proposed along with more stringent exhaust emission standards. Should EPA decide to include evaporative HC standards in its Tier 2 standards proposal, EPA will also evaluate several new regulatory options for their control to provide the manufacturers greater compliance flexibility.

D. Corporate Average Tier 2 Standards

The current Tier 1 emission standards apply to each LDV or LDT separately. There is no flexibility to have some vehicles meet a more stringent and some vehicles meet a less stringent standard and allow manufacturers to comply with standards based on a fleet average. EPA has, however, established corporate average emissions standards in other contexts (e.g., heavy-duty engine standards). The voluntary National LEV program uses a fleet average standard to help determine manufacturer compliance with the requirements. Also, compliance with CARB's LEV and proposed LEV-II standards is accomplished on a corporate average basis. CARB and the National LEV program limit this flexibility somewhat, however, by specifying a limited number of NMOG emission standards to which individual vehicle models may be certified. NOx emission standards are directly tied to the specific NMOG emission standard selected for each vehicle model (i.e., TLEV, LEV, ULEV).

The flexibility of a corporate average standard can encourage the design and production of vehicles with advanced emission controls, as manufacturers can receive credit for the additional emission reductions provided by vehicles certified to more stringent emission levels. Such controls could include such vehicular concepts as gasoline-electric or diesel-electric hybrid vehicles, electric vehicles and fuel-cell powered vehicles, as well as more optimal combinations of emission control technologies. It can also facilitate the application of more stringent standards, because the flexibility of averaging across a product line would allow manufacturers to meet an overall corporate standard even when their highest emitting vehicles are less able to meet a stringent standard (e.g., uniform standards for gasoline and diesel powered vehicles).

An additional advantage of averaging and trading systems generally is that they achieve the target emission reductions at the lowest cost without EPA having to consider the incremental cost-effectiveness of controls on a vehicle model basis. Without some form of averaging and

trading , it is possible that none of the three options for dealing with LDTs discussed above would minimize the cost of the emission reductions that could be achieved.

E. Extended Useful Life and Other Options to Improve In-Use Performance

Section 202(i) of the CAA, in directing EPA to perform this Tier 2 study, also directed EPA to consider extending the useful lives of the LDV and LDT emission standards. EPA believes that the purpose of this direction was to emphasize Congress' focus on the reduction of emissions in-use and not simply by vehicle prototypes or by vehicles at low-mileage. Congress extended the useful life of the LDV standards from 50,000 miles to 100,000 miles in the 1990 amendments to the CAA, but clearly believed that more might be needed to ensure appropriate in-use emissions performance.

This focus on in-use emissions is consistent with EPA's focus on ensuring that its emission standards produce emission reductions in the real world. Examples of this include the onboard diagnostic (OBD) system requirements, the cold temperature CO standards and the supplemental Federal Test Procedure (FTP) standards addressing off-cycle vehicle operation. Extending the useful life of the emission standards is one possible approach to improving in-use emissions performance. Such an extension would be consistent with marketplace trends toward longer actual vehicle lives, as was mentioned in *Chapter III. Assessment of Air Quality Need*. California has also proposed to extend the useful life of its Phase 2 LEV emission standards for LDVs and LDTs to 120,000 miles from their current 100,000 miles. (EPA's useful life requirements for its LDT standards is already 120,000-130,000 miles.)

EPA has not performed assessments of either the cost or in-use emission benefits of this option. The in-use emission benefits will clearly depend on the baseline level of in-use emission deterioration, which is being updated in MOBILE6. EPA plans to perform these economic and environmental assessments to determine if this (or any related) options should be included in the proposed Tier 2 standards.

F. Test Fuel Specifications

In order for EPA emission standards to produce emission reductions in the real world, the test procedures used to determine compliance with these standards must be representative of real world conditions. If test procedures are not representative, increases in emissions in use may not be discovered in testing and thus mask substantially higher in-use emissions. That was EPA's rationale behind the recent development of emission standards and test procedures for:

- 1) Aggressive driving patterns and air conditioning use;
- 2) Evaporative, running loss and resting loss emissions at high ambient temperatures

- and during extended, multi-day soaks; and
- 3) CO emissions at low ambient temperatures.

Regarding test fuels, while the current specifications for the certification gasoline are sufficiently broad to include a wide range of gasoline, including average or typical gasolines, in practice the composition of the fuel used for emission testing (commonly referred to as Indolene) has not been representative of commercial gasoline. In particular, both the olefin and sulfur contents of Indolene tend to be quite low relative to average commercial gasolines. For example, Indolene tends to have a sulfur content of 100 ppm or less, while commercial gasoline averages more than 300 ppm sulfur, with some commercial fuels containing 1000 ppm sulfur.

As mentioned above in *Chapter III. Assessment of Air Quality Need* and *Chapter IV. Assessment of Technical Feasibility*, sulfur reduces catalyst efficiency significantly, particularly for LEVs. Differences between sulfur levels in test and in-use fuels could have a significant impact on the in-use emissions performance of motor vehicles. EPA believes that it is very important that the fuel used for emission testing of Tier 2 vehicles be as representative as possible of commercial gasoline. EPA will review its test procedures to consider more representative fuel in testing. An issue with respect to sulfur would be whether the emission test fuel sulfur level should be matched to that of the average commercial gasoline; the worst commercial gasoline; the average or worst gasoline sold in a smaller geographic area, such as the worst ozone nonattainment areas.

G. Gasoline Sulfur

As discussed briefly in *Chapter IV. Regulatory Issues*, the presence of sulfur in gasoline has an impact on the performance of catalysts and thus on tailpipe emissions. As catalyst technology has progressed, the sensitivity of catalyst efficiency to sulfur has appeared to increase. This section discusses the issues that must be considered when evaluating the cost and cost-effectiveness of reducing gasoline sulfur. A more complete evaluation of these issues, including analyses of the data available to date, is presented in a recently released Staff Paper on gasoline sulfur.²⁴ This Staff Paper is part of EPA's commitment to undertake a parallel process, involving all interested stakeholders, to determine appropriate measures to address the impact of sulfur on vehicle performance.

²⁴"EPA Staff Paper on Gasoline Sulfur Issues," March 1998. (to be released)

Sulfur occurs naturally in crude oil and ends up in gasoline as a result of the refining process. Currently, the sulfur content of both conventional and reformulated gasolines (RFG) sold nationally average over 300 ppm. Maximum levels may get as high as 1000 ppm in conventional gasoline and 500 ppm in reformulated gasoline (RFG). California gasoline averages around 30 ppm, and is capped at a maximum 80 ppm. The oil industry estimates that beginning in the year 2000, Federal Phase II RFG will average around 150 ppm sulfur, due to the NOx reduction requirements for summertime RFG.

The amount of sulfur in the gasoline from any refinery depends on a number of factors, including the amount of sulfur in the crude oil used and the extent and type of processing within the refinery. Typically, sulfur in gasoline is reduced by hydrotreating certain hydrocarbon streams. Hydrotreating requires hydrogen, which must be produced in the refinery or purchased at substantial cost. The cost to the refining industry of reducing gasoline sulfur levels is impacted by a number of variables and assumptions made when analyzing a control strategy, including:

- Where would low sulfur gasoline be required? The size of the program (national, regional, local) will have an impact on the net costs to the refining industry. This is due to many factors, including the varied capabilities of refineries located in different parts of the country to produce low sulfur gasoline.
- What level of sulfur reduction would be required? Reduction of sulfur in gasoline requires the installation of capital equipment as well as increased operating expenses. The greater the level of reduction, the greater cost per gallon.
- Is the inhibiting effect of sulfur on motor vehicle catalysts reversible? An irreversible emissions impact could mean that motor vehicles that are fueled with a high sulfur gasoline may have permanent catalyst damage, and thus higher emissions, even when refueled on very low sulfur gasoline. This would be a reason for considering a national sulfur reduction program. In contrast, if the effect were largely or wholly reversible upon the use of low sulfur gasoline, sulfur reductions could be targeted to those areas most in need of emission reductions.
- Does sulfur affect motor vehicle onboard diagnostic systems? If high sulfur levels are found to cause substantial interference with OBD systems, causing illumination of the malfunction indicator lights, it may be more appropriate to establish a national sulfur program to avoid such illumination. However, if such illuminations are not substantial, than a national approach to sulfur control may not be needed to appropriately address the problem.

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There is great interest in determining whether changes can be made to catalyst designs and fuel control strategies of those vehicles that prove to be highly sensitive to sulfur inhibition. Presently, there are no catalyst designs that are fully sulfur tolerant. Data from laboratory, engine dynamometer testing and vehicle fleet studies show that all automotive catalyst designs have some inhibition in performance resulting from sulfur. EPA will investigate the latest work being done on the developing of sulfur resistant catalyst technology and attempt to determine the feasibility and effectiveness of such technology.

There are many other factors that impact the final costs to the refining industry and additional issues to be considered. For example, if all the gasoline in a region were required to meet a low sulfur standard and the opportunity to market higher sulfur gasoline in neighboring regions was unavailable due to the limitations of the distribution system, some marginally economic refineries might be unable to finance the installation of sulfur reduction equipment and be forced to close. This could have implications for the viability of segments of the U.S. refining industry, local economies, the net cost of sulfur control to the consumer and the rate of gasoline imports into the U.S., and thus must be carefully evaluated. All of these issues and concerns will be addressed during the processes of establishing Tier 2 standards and sulfur control programs.