

## ANALYSIS

### Department of Environmental Quality and Oregon Department of Transportation Medium and Heavy-duty Fleet Incentives

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**Analyst:** April McDonald

**Request:** Acknowledge receipt of the report on incentives for transitioning medium and heavy-duty fleets to zero emission vehicles.

**Analysis:** The budget report for HB 5202 (2022) included a budget note directing the Department of Environmental Quality (DEQ) and the Oregon Department of Transportation (ODOT) to report back to the Legislature by December 1, 2022 with an analysis of existing incentives available to support the transition to zero emission vehicles for medium and heavy-duty (MHD) transportation fleets. Additionally, the agencies were directed to research incentives offered in other states and to provide recommendations on expanding or creating incentives to support businesses in their transition from gasoline or diesel to electricity or hydrogen. Incentives should be considered for both the vehicles, and the necessary infrastructure.

DEQ and ODOT gathered information from existing state and federal programs, considered best practices from the Northeast States for Coordinated Air Use Management coalition, and included input from stakeholders including fleet owners, manufacturers, non-profits and other interested parties. The incentive study found the existing state and federal grant programs are insufficient to expedite adoption of MHD zero emission vehicles. In Oregon, only a few dozen vehicles and their accompanying charging infrastructure have incentives offered each year. However, recent federal legislation, including the 2021 Infrastructure Investment and Jobs Act, provides additional funding and incentives to encourage the adoption of zero emission vehicles, targeting fleets including school buses, transit buses and port-related equipment. One such program is the National Electric Vehicle Infrastructure (NEVI) formula grant program, providing \$5 billion in dedicated funding to states to strategically deploy EV charging infrastructure.

The agencies recommend strengthening Oregon's incentive programs to increase MHD zero emission vehicle adoption among fleet owners, and to avoid being at a competitive disadvantage with other west coast states, among other reasons. The agencies encourage flexible programs that can be established quickly with dedicated sources of funding, and which may be stacked with other incentives. DEQ and ODOT recommend incentive programs include outreach to all of Oregon's fleets, and provide equitable opportunities to fleet owners across the state. The report asserts a state-level incentive program will help truck manufacturers comply with the Advanced Clean Trucks regulation and reduce the cost barrier for Oregon fleets to convert to zero emission vehicles and fueling infrastructure.

DEQ and ODOT submitted the report on December 1, 2022, which meets the deadline set forth in the budget note. However, this submission was too late for the report to be received and acknowledged during the December meeting of the Emergency Board.

**Legislative Fiscal Office Recommendation:** Acknowledge receipt of the report.

## Department of Environmental Quality Filimoehala

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**Request:** Report on existing incentives to support the transition to zero emission medium- and heavy-duty transportation fleets.

**Recommendation:** Acknowledge receipt of the report.

**Discussion:** House Bill 5202 (2022) included a budget note which directed the Oregon Department of Environmental Quality (DEQ) and the Oregon Department of Transportation to submit a report on the existing incentives available supporting the transition to zero emission for medium- and heavy-duty transportation fleets. To operationalize the request, DEQ examined incentives aimed at electricity or hydrogen incentive programs. Ultimately, the report finds current incentives insufficient to move all medium- and heavy-duty fleets to zero emissions.

The report incorporated federal incentives, Oregon's Clean Fuels program, and feedback from interested parties. The report includes the following five recommendations for future incentives to increase adoption:

- Be established quickly and be flexible to reflect the changing Zero Emission Vehicles (also known as ZEV) ecosystem now and in the future;
- Include dedicated sources of funding to support short- and long-term fleet and charging conversion;
- Be able to be stacked with other incentives as funding levels change over time;
- Emphasize outreach to all of Oregon's fleets in ways accessible to them;
- Promote opportunities that are equitable to all parts of the state and fleet owners.



# Oregon

Tina Kotek, Governor

January 18, 2023

Senator Elizabeth Steiner, Co-Chair  
Representative Tawna Sanchez, Co-Chair  
Joint Committee on Ways and Means  
900 Court Street NE H-178 State Capitol  
Salem, OR 97301

Dear Co-Chairs:

## **Nature of the Request**

Please accept this report from the Oregon Department of Environmental Quality and the Oregon Department of Transportation to respond to a budget note in HB 5202 that provides an analysis of existing incentives available to support the transition to zero emission medium- and heavy-duty transportation fleets.

*The Department of Environmental Quality and the Oregon Department of Transportation are directed to report back to the Joint Committee on Transportation and the appropriate interim budget committee by December 1, 2022, with an analysis of existing incentives available to support the transition to zero emission medium- and heavy-duty transportation fleets. The agencies are further directed to research incentives offered in other states and to provide recommendations on expanding or creating incentives to support businesses in the transition to zero emission medium and heavy-duty vehicles. This effort should include analyses on incentives for both vehicles and electric charging or other fuel infrastructure.*

## **Agency Action**

The Oregon Legislature tasked the Oregon Department of Environmental Quality and the Oregon Department of Transportation to explore MHD vehicle and charging infrastructure incentive programs that are needed to transition from gasoline or diesel to electricity or hydrogen. This report presents information from existing state programs, best practices from Northeast States for Coordinated Air Use Management (NESCAUM) and input from stakeholders.

The study's review of Oregon and federal incentives to speed adoption of MHD ZEV found that the existing state and federal grant programs are insufficient, offering funding in Oregon for only a few dozen vehicles and accompanying charging infrastructure each year. Recent federal legislation provides funding and incentives that will encourage the transition to ZEV particularly for school buses, transit buses, and port-related equipment. Oregon's Clean Fuels

Program provides incentives to fleets that use lower-carbon fuels like electricity and hydrogen. However, more is needed.

This report's findings include feedback from fleet owners, manufacturers, non-profits and other interested parties. There is strong support for state level incentives now to reduce costs, speed adoption and meet regulatory requirements for MHD ZEV adoption. Also, since other west coast states offer ZEV MHD incentive programs to reduce ZEV vehicle and infrastructure costs, MHD manufacturers and fleets owners expressed concern that Oregon could be at a competitive disadvantage.

To increase adoption, the agencies encourage incentive programs that:

- Can be established quickly and are flexible to reflect the changing ZEV ecosystem now and in the future.
- Include dedicated sources of funding to support short- and long-term fleet and charging conversion.
- Can be stacked with other incentives as funding levels change over time.
- Emphasize outreach to all of Oregon's fleets in ways that are accessible to them.
- Promote opportunities that are equitable to all parts of the state and fleet owners.

There is broad recognition of the need for supportive state-level incentives among fleet owners, truck manufacturers, and environmental organizations throughout Oregon, and strong endorsement for creating state incentive programs. Along with greenhouse gas reductions, the transition to ZEV also reduces tailpipe air pollutants, especially important in areas that are overburdened by transportation emissions. A state-level incentive program will help truck manufacturers comply with the Advanced Clean Trucks regulation and reduce the cost barrier for Oregon fleets to convert to ZEV and fueling infrastructure.

#### **Action Requested**

No action is requested at this time.

#### **Legislation Affected**

No legislation is affected at this time.

Nancy Bennett



Interim Deputy Director  
DEQ

Lindsay Baker

*Lindsay Baker*  
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ODOT