

## **California air regulators adopt sweeping diesel-emission rules**

By SAMANTHA YOUNG, Associated Press

In the Fresno Bee, S.F. Chronicle and other papers, Friday, July 27, 2007

California air quality regulators on Thursday adopted the nation's toughest emission standards for off-highway diesel vehicles such as bulldozers, airport baggage trucks and ski resort snowcats.

The rules eventually will force the oldest and most polluting pieces of equipment out of service and require construction firms and other companies to spend billions on new vehicles or engine retrofits.

"We're really breaking new ground here," said Mary Nichols, chairwoman of the California Air Resources Board. "It hasn't been an easy task to come up with a proposal that is both cost-effective and fair."

The clean-air proposal was sought by health advocates but has been the focus of an intense lobbying campaign by industry representatives who were concerned it would be too costly. They said the first-in-the-nation regulation asked too much of contractors and equipment retailers in too little time.

"Our industry has done nothing wrong," said Gordon Downs, owner of Downs Equipment Rental in Bakersfield, who estimated the rule would cost his company \$2.1 million in the first year alone. "Why are we being punished by the very state we helped to build?"

The standards were approved unanimously by the 11-member board, although two members were absent. It would require emissions from backhoes, forklifts and other types of diesel equipment to be cleaned up gradually beginning in 2010. The rules would be phased in through 2020 for fleets of large vehicles and 2025 for smaller equipment.

They are separate from the first-of-its-kind global warming law California passed last year, which requires a significant reduction of greenhouse gas emissions statewide by 2025.

The air board's vote comes just weeks after the agency was embroiled in controversy that centered on accusations of political meddling by Gov. Arnold Schwarzenegger's administration.

The governor last month fired the board's chairman, in part because of his unhappiness that the air board was moving too slowly on regulating diesel pollution. But the firing was sharply criticized by former air board executive director Catherine Witherspoon, who said administration aides had sought to weaken the proposed diesel rule on behalf of industry. She resigned in protest.

On Thursday, Schwarzenegger said the board's action showed that California was "leading the charge to protect public health."

"This new regulation will prevent thousands of premature deaths every year in the state and save billions in health care costs," he said in a statement.

The rules adopted Thursday are the largest crackdown on diesel emissions by California air regulators. They eclipse all other diesel initiatives adopted by the board since 2000, when it launched a comprehensive state diesel program.

They are intended to clean up the state's smoggy skies by targeting nitrogen oxide and air pollutants known as particulate matter that can become embedded in lung tissue.

An estimated 180,000 vehicles would have to be replaced or retrofitted with smog traps, filters or cleaner-burning technology.

"This is one of the last sectors to get regulated," said Andy Katz of Breathe California, a grassroots public health organization based in the San Francisco Bay area. "It's time for the construction industry to also come forward and do their part."

Construction equipment and other off-road vehicles are California's second-largest source of diesel-generated particulate pollution, a toxic group of soot, ash and other compounds. Trucks and buses are the biggest source.

The pollutants targeted in the rule - particulate matter and nitrogen oxide - are blamed for premature deaths, respiratory ailments and cardiovascular problems. The standards under consideration are projected to prevent 4,000 premature deaths, 110,000 asthma-related cases, 9,200 cases of acute bronchitis and 680,000 lost work days over 20 years, according to an analysis by the air board.

The requirements also would save up to \$26 billion in health care costs by 2030, according to air board projections.

"Air pollution has real impacts on real people. They are not just statistics," said Kate Lefkowitz, California outreach coordinator for the Union of Concerned Scientists.

She urged the board not to give industry any more time to comply with the proposed rules.

Replacing old diesel engines is projected to eliminate 48 tons per day of nitrogen oxide and 5.2 tons per day of particulate matter statewide by 2020.

Industry officials were concerned about how quickly and cost-effectively businesses and local governments could modernize their fleets of heavy-duty machines that run on diesel engines. In some cases, they said the technology to put cleaner engines on the road just isn't available.

Construction industry officials said the cost to companies and government agencies to comply with the rule would be more than \$13 billion.

"They don't have the kind of money to make these changes in the timeline of the proposal," said Mike Self, executive director of the Builders' Exchange of Stockton Inc., a group that represents 650 contractors, suppliers and manufacturers in the San Joaquin Valley.

Construction companies operate about half the vehicles that would be regulated. They asked the air board for an additional five years, until 2025, to have fleets of large vehicles comply with the new pollution standards.

Large vehicles are those with engines of more than 5,000 horsepower.

Erik White, a diesel expert at the Air Resources Board, said industry officials had inflated the cost estimate of complying with the proposed rule. They assumed that all companies would have to buy new equipment rather than install retrofits on older engines, he said.

The air board's economic analysis estimated the total cost to comply with the rule would be \$3 billion.

The rule does not apply to snow-removal equipment and other so-called low-use vehicles that run less than 100 hours per year. Emergency vehicles, agricultural equipment and vehicles that run on less than 25 horsepower also would be exempt.

## **Air board cracks down on diesel**

**State regulators adopt tough rules requiring huge cutbacks in fumes from construction industry equipment. Next up: big trucks.**

By Margot Roosevelt, Times Staff Writer  
July 27, 2007

SACRAMENTO — California's diesel-powered bulldozers, scrapers and other heavy construction equipment must be retrofitted or replaced over the next 13 years to reduce the air pollution that sickens tens of thousands of residents every year, state regulators decided Thursday.

Under tough new rules adopted by the Air Resources Board, California is the first state to make construction companies fix existing diesel-powered machines. Heavy equipment can last 30 years or more, so without the new mandate, it would take decades for fleets to upgrade to cleaner equipment.

Although the fumes are most often associated with big trucks and buses, 20% of California's diesel pollution comes from the construction industry. Building, mining and airport vehicles are responsible for an estimated 1,100 premature deaths statewide every year and more than 1,000 hospitalizations for heart and lung disease, along with tens of thousands of asthma attacks, scientists say.

The air board's new rules will slash diesel soot — also known as particulate matter — from construction equipment by 92% over 2000 levels. Smog-forming nitrogen oxides will be cut by more than a third. And greenhouse gases, a byproduct of fuel burning, also will drop as a result of a ban on idling equipment.

"This is a very progressive rule with a lot of flexibility," said board Chairwoman Mary Nichols. "Beginning in 2010, we will be breathing far less of the smog and fine particulates that are so damaging to our health."

The building industry hotly contested the rule, saying it would cause job losses, increase highway construction costs and damage the state's economy. Michael Lewis, a lobbyist for the industry-led Coalition to Build a Cleaner California, said industry could not afford the retrofits. "And a regulation that is not achievable will not save one life," he said.

The new regulation signaled a comeback for the powerful board, whose reputation was damaged in the wake of the recent firing of its former chairman, Robert Sawyer, by Gov. Arnold Schwarzenegger, and allegations that the governor's staff had tried to weaken proposed pollution standards.

Nichols, an environmental lawyer appointed by Schwarzenegger to replace Sawyer, took an aggressive stance during Thursday's daylong board meeting, opposing an industry proposal to delay enforcement.

The diesel rule, the result of three years of debate, drew applause from environmental groups.

"This was a great debut by Chairwoman Nichols," said Kathryn Phillips, a lobbyist for Environmental Defense. "It shows that science and public health are still the main forces that drive the agency."

The rule, which air board staff say will cost the industry up to \$3.4 billion, is one of the most expensive adopted by the board. As part of an aggressive diesel cleanup, the board has also adopted restrictions on garbage trucks, buses and ships. Next on the agenda: heavy-duty trucks, which could cost even more to clean up than construction equipment.

The building industry operates 180,000 pieces of diesel machinery statewide. It costs up to \$40,000 to buy particulate filters for a single million-dollar scraper.

Overall, contractors contended, the cost of the rules could reach \$13 billion and boost the price of homes, highways and commercial buildings.

The discrepancy in the estimates of the cost to industry caused the board to delay action in May to allow staff to evaluate new economic data. In the last two months, air board economists and individual board members held dozens of meetings with industry groups and examined the financial records of companies.

Industry figures were based on an exaggerated rate of equipment turnover, among other factors, staffers told the board.

On a vote of 6 to 3, with Nichols leading the opposition, the board defeated an effort by industry groups to extend the compliance schedule. It maintained annual reduction targets for soot, rather than moving enforcement to a three-year schedule, which staff said could cut health benefits by as much as 12%.

In addition to an overall state standard, the board adopted a provision that will allow Los Angeles and nearby counties, the San Joaquin Valley and other particularly polluted regions to accelerate the diesel equipment cleanup schedule in their districts.

"It's a good day for clean air," said Barry Wallerstein, executive officer of the South Coast Air Quality Management District.

Wallerstein said the region must achieve twice the amount of construction pollution cuts as the overall state goal in order to meet federal standards. The region, one of the dirtiest in the country, is under a strict mandate to improve its air by 2015. The AQMD will offer construction companies \$120 million in incentives to purchase particulate filters or buy new machines.

To soften the economic hardship on mom-and-pop businesses, the new rule gives small fleets until 2015 to begin compliance, while large fleets must begin in 2010.

## **EPA is getting heat over California's tailpipe law**

By Richard Simon, Times Staff Writer  
L.A. Times, Friday, July 27, 2007

WASHINGTON — The Environmental Protection Agency has received 60,000 comments on California's effort to implement its own landmark global-warming law.

But that wasn't enough for Sen. Barbara Boxer (D-Calif.) and California's other allies in Congress, who added their own Thursday.

Democratic senators launched a new offensive to prod the EPA to act on the state's December 2005 request for a waiver to impose stricter limits on vehicle emissions, summoning the agency's head to Capitol Hill to condemn his "foot-dragging."

"Unacceptable," fumed Sen. Frank R. Lautenberg (D-N.J.). "Get on with it."

EPA Administrator Stephen L. Johnson appeared before the Senate Environment and Public Works Committee, which is headed by Boxer.

Lawmakers are gathering support for legislation that would force the EPA to decide by the end of September.

California dodged a political bullet when Rep. John D. Dingell (D-Mich.), an auto industry ally, considered but then dropped a proposal weeks ago to prohibit states from taking tougher action than Washington to reduce vehicle emissions.

Since then, legislation to direct the EPA to act on California's request has been introduced by Rep. Jay Inslee (D-Wash.) and by Sen. Bill Nelson (D-Fla.) and Boxer. It has picked up the support of lawmakers from other states, a number of which have adopted tailpipe laws like California's.

Lawmakers are also expected to try to attach the legislation as an amendment to the annual bill that funds the EPA.

Boxer's decision to call Johnson back to Capitol Hill for his second grilling before her panel on California's request was another sign of the clash between Congress and the Bush administration. Democrats have pledged to pass global warming legislation; the administration says mandatory limits on carbon emissions could damage the economy.

"Congress must act to provide a clear, comprehensive legislative framework with mandatory caps to address global warming," Sen. Benjamin L. Cardin (D-Md.) said. "But until we do so, the states must be free to act to begin addressing this compelling problem."

Under the Clean Air Act, California can set stricter anti-pollution rules than the federal government, but only if the EPA approves. Gov. Arnold Schwarzenegger has threatened to sue to force the EPA to act.

Johnson said that he had committed to deciding by the end of the year but that the agency needed time to go through the comments it had received. This is the first time the EPA has considered regulating carbon dioxide as a pollutant, he noted.

His promise did not satisfy Boxer, who has used her leadership of the committee that oversees the EPA to watch out for her state's interests. She accused Johnson of "neglecting your responsibility" to protect the public's health and expressed "doubt about this administration's seriousness about getting on with the crucial business of combating global warming."

Oklahoma Sen. James M. Inhofe, the panel's top Republican and a leading skeptic of man-made global warming, told Johnson: "Mr. Administrator, I expect you to fully deliberate this important issue so that all the facts and considerations are taken into account."

Inhofe then questioned why California needed to enact tougher emission rules than the rest of the nation.

## **Air board gets tough on construction equipment**

John Wildermuth, Chronicle Staff Writer  
S.F. Chronicle, Friday, July 27, 2007

Sacramento -- The state Air Resources Board, led by its newly appointed chair, overrode concerns from the construction industry Thursday and unanimously approved tough new regulations that will slash the amount of air pollution coming from bulldozers, backhoes and other off-road diesel engines.

Mary Nichols, who was appointed to head the board by Gov. Arnold Schwarzenegger earlier this month, beat back an eleventh-hour effort by three other board members to give the affected industries more time before they had to either retrofit their machinery to meet the new air quality standards or junk some of their dirtiest equipment.

The new rules "are balanced, strong and progressive in their effect on the state's air," she said. The regulations, which take effect in 2010, will give large companies until 2020 to either refit their equipment or buy new, less polluting machinery. The deadline for small companies will be 2025.

The final vote came as a relief to environmentalists, who had feared the worst when Schwarzenegger last month fired former board Chair Robert Sawyer, who said he was dumped because he was too aggressive in cutting air pollution. Catherine Witherspoon, who then quit as the air board's executive officer, complained that she had been pressured by the governor's staff to ease the planned regulation on heavy diesel construction machinery.

Schwarzenegger denied the allegations and appointed Nichols, a favorite of environmentalists and one of the nation's best-known authorities on air pollution.

Nichols, who led the air board three decades ago under Democratic Gov. Jerry Brown, said getting back into California's air-quality battles wasn't hard because she had focused on similar issues as a top administrator at the Environmental Protection Agency under President Bill Clinton and more recently as a professor at UCLA.

"I've been following the board's work even when I wasn't there," she said. "Besides, we were talking about heavy construction equipment the last time I was on the board."

That 30 or so years since then hasn't made the thorny dispute any easier to deal with. In a hearing that ran more than nine hours, environmental groups lined up Thursday against construction companies and labor unions in a fight they argued pitted public health against jobs and economic growth.

"Some companies may struggle to survive," said Diane Bailey, a scientist with the National Resources Defense Council, "but our concern is with people who struggle to breathe."

The strict standards for cleaner-burning diesel engines would mean 4,000 fewer premature deaths over the next 20 years and a savings of between \$18 billion and \$26 billion in health care costs, according to the air board's staff.

But forcing construction firms, heavy equipment rental companies, mining outfits and other owners of the state's 180,000 earthmovers, excavators and other off-road diesel machinery to spend between \$3 billion and \$12 billion to upgrade and replace that expensive equipment would be a recipe for economic disaster, people in those industries complained.

Gordon Downs, owner of a Bakersfield equipment rental company, said it would cost him nearly \$2 million a year to comply with the regulations, which is double his annual after-tax profit.

"Our industry has done nothing wrong," he said. "The equipment we've used to build California was never illegal."

The cost for the new rules goes beyond construction company profits, said Guy Prescott of Operating Engineers Local 3, which represents about 24,000 machine operators, surveyors and diesel mechanics in Northern California and the Central Valley.

"Every piece of machinery has a seat and that's a job," he said. "When you're taking equipment out of service and downsizing construction companies, you're eliminating jobs."

The new regulations would cause the loss of between 1,400 and 3,400 jobs a year, according to the air board staff.

The state's biggest pollution problems are in Southern California and the Central Valley, where it likely would be impossible to meet upcoming federal air pollution regulations without the strict new limits on nitrogen and particulate matter emissions. Both areas also have seen a growing number of childhood asthma cases, which health officials have linked to the dirty air.

"These regulations will shape the livability of our communities for years to come," said Joseph Lyou of the South Coast Air Quality Management District.

### **Boxer: Let California regulate its own emissions**

Gannett News Service

In the Visalia Times-Delta, Friday, July 27, 2007

WASHINGTON - The Bush administration must stop stalling and grant California the ability to regulate its own greenhouse gas emissions, Sen. Barbara Boxer said at a hearing Thursday.

At times contentious, the hearing before the Senate Environment and Public Works Committee marked the third time Boxer has called EPA Administrator Stephen Johnson to testify about why the agency has yet to grant California the waiver it needs to set its own emission limits.

"It's tragic," said Boxer, who chairs the committee. "All this wasted time."

California applied for a waiver 20 months ago that would allow the state to reduce greenhouse gas emissions from cars and other vehicles. Under the Clean Air Act, California is allowed to set its own emissions and air pollution rules as long as it gets a waiver from the EPA.

Other states can follow California's standards and 12 states so far have agreed to adopt California's greenhouse rules.

Johnson has said he will decide on the latest request for a waiver by the end of the year. He said the agency is going through a lengthy review process to weigh legal and technical issues raised in public comments.

### **Contractors feel steamrolled by accelerated air-quality upgrades**

By Alex Breitler, Record Staff Writer

Stockton Record, Friday, July 27, 2007

It's taken patience and a pretty penny, but Gregg Oxley's family-owned construction business has grown steadily for 20 years.

Oxley puts his earnings into new equipment, such as excavators that can cost \$200,000 or more. Now he's worried about air quality rules approved Thursday requiring his equipment to be upgraded or replaced faster.

The rule, passed by the California Air Resources Board following a daylong hearing, could cost fleet owners such as Oxley \$3 billion over the next two decades. Industry officials say the real cost could top \$13 billion.

And, in the end, contractors say the bill may be passed on to taxpayers through more expensive public projects and increased prices for homes.

"All in all, it's scary," said Oxley, co-owner of Al Waggoner Construction in Ripon. "This regulation could put us out of business, as well as hurt a lot of contractors in our size and dollar range."

The state's 180,000 off-road diesel vehicles are a major source of ozone-forming pollutants and one reason why the San Joaquin Valley isn't meeting federal air quality standards.

The new program is expected to prevent about 4,000 premature deaths and is "certainly worth the health of so many Californians," said Andy Katz of the Bay Area-based Breathe California advocacy group.

It also should save \$18 billion to \$26 billion in costs associated with those premature deaths and health care, the state says.

Fleets must begin upgrading their equipment as soon as 2010, depending on their size, and must demonstrate each year that they've met air quality standards or have rebuilt, replaced or retired some of their equipment.

The construction industry has pushed its own plan that would give businesses more time to acquire cleaner equipment that may not be readily available. Also, rather than annual reporting, the industry says businesses should be given a three-year window to demonstrate compliance.

"The construction workers are being asked to do something no industry in California has been asked to do - get rid of equipment before its useful life is over and purchase new equipment before it's otherwise prudent to do so," said John Dunlap, who chaired the air board in the late 1990s.

Bob Bryant, owner of Ripon-based Arrow Asphalt, said the rule is unrealistic for small businesses.

"The intentions are good," he said. "Everybody wants to clean things up. It's just the schedule" that's a problem.

The state says most businesses should be able to absorb the cost of the new rules and that overall construction costs should rise by three-tenths of 1 percent. For example, the cost of new homes should rise by less than \$1,000, with an extra \$5 per month tacked on to typical home mortgages.

And while some jobs might be lost, the construction industry overall is expected to swell in coming years, the state says.

### **At a glance**

- The new rule affects public and private fleets in the construction, mining, air travel, manufacturing, landscaping and ski industries, among others. It would not affect most farmers.
- Each year, fleets that don't meet emissions targets need to retrofit, replace or retire a certain number of vehicles.
- This will continue until 2020. The goal is to reduce particulate matter pollution from these sources by 74 percent and oxides of nitrogen pollution by 32 percent. These pollutants contribute to the San Joaquin Valley's smog problem and endanger human health.
- State officials say the rules will prevent 4,000 premature deaths and tens of thousands of cases of asthma over the next two decades.

### **State's 'green machines' to be probed by senate**

#### **New fleet of vehicles pollute more than old fleet**

By Kimberly Kindy, MEDIANEWS STAFF

Tri-Valley Herald, Friday, July 27, 2007

SACRAMENTO — Two state Senate committees earlier this month scheduled an investigative hearing to examine why Gov. Arnold Schwarzenegger's administration purchased a new fleet of large sedans and trucks — touting them as green machines — but for two years filled them with regular gas, spewing more pollution into the air than many cars in the old fleet.

A joint hearing, by the Senate Governmental Organization Committee and the Senate Committee on Air Quality, is set for Aug. 15. It was called in response to a MediaNews investigation that showed state officials purchased 1,138 "flex-fuel" vehicles, promising they would help California kick its dependence on petroleum.

The fuel needed to transform the vehicles into clean-driving machines is a high-grade blend of ethanol. The problem: Not a single ethanol station is available to the fleet.

"This seems to be a pattern," said Sen. Dean Florez, chairman of the Governmental Organization Committee. "The governor loves to take the time to pose and talk about the greening of California but very little gets done in terms of doing the hard work."

Florez said that in addition to the alternative fuel fleet the hearing will look at the state's failure to meet a Jan 1, 2007 deadline to install solar energy equipment in state buildings and garages. The law applies to all construction that started on or before Jan. 1, 2003.

The Legislature is considering AB532, which would extend the deadline by two years. It's unclear how many buildings and garages are out of compliance with the law.

The Department of General Services is responsible for environmental policies and laws for the state's fleet and its buildings.

Linda Adams, secretary for the California Environmental Protection Agency, defended the department's and Schwarzenegger's record on both programs.

"Those cars will be in the fleet for numerous years to come and we hope the fuel will be available in the near future. We feel it's appropriate to make those investments now," Adams said. "I do believe the Department of General Services is moving aggressively and I know the governor appreciates Senator Florez's interest in ensuring that the state's fleet and buildings are green."

Adams said she doesn't know how many buildings are in compliance with the solar law, but said General Services had made measurable gains. In 2006, the department installed 3.2 megawatts of solar power in state buildings, which reduced annual greenhouse gases by 2,725 tons.

Florez said committee members will expect to learn at the hearing why the failures happened and be provided with specific plans for how they'll be remedied in the near future.

Officials with General Services declined interview requests, releasing a prepared statement, saying they "look forward to having the opportunity to share information" with the committees. Florez said he is calling witnesses from General Services, but he places much of the responsibility for stumbles with the environmental initiatives on Schwarzenegger's shoulders because the governor has cast himself as a green leader, not just to Californians, but to the world.

He pointed to the recent dust up at the California Air Resources Board when the governor fired the board chairman over how to implement provisions of the 2006 global warming law.

"When you stake a claim on an issue," Florez said, "when it's your administration where you have enormous influence on how government runs, not to follow-through and making sure our state buildings are green is a failure, quite simple."

## **GreenHunter BioFuels Receives Necessary Permits for Country's Largest Biodiesel Refinery**

PR Newswire

Contra Costa Times, Friday, July 27, 2007

GRAPEVINE, Texas, July 27 /PRNewswire/ -- GreenHunter Energy, Inc. announced today that its wholly-owned subsidiary, GreenHunter BioFuels, Inc., located in Houston, Texas has successfully acquired Air Emission Permits from TCEQ (Texas Commission of Environmental Quality) under TCEQ's Permit by Rule (PBR) programs. These permits open the way for construction of a 105 million gallon per year (mgy) biodiesel facility including a separate but related methanol distillation facility.

GreenHunter BioFuels is in the process of converting the former Channel Refining Corporation waste oil/chemical refinery located near Galena Park at the Houston Ship Channel, to production of biodiesel and distillation of off-spec methanol streams from its own biodiesel production mix. Additionally, off-spec methanol acquired from third parties will be refined at this facility.

GreenHunter BioFuels has obtained the necessary permit for a Biodiesel Production Unit that will allow up to 105 mgy of biodiesel production from variable feedstocks located either domestically or internationally, including vegetable oils (soy bean, palm oil and jatropha oil) and/or animal/poultry fats.

Additionally, a Methanol Distillation Unit has now been permitted that will allow distillation of up to 1500 barrels per day of wet methanol. The unit will produce methanol with purity of 99.85% or better. The methanol distillation unit will serve GreenHunter BioFuel's internal needs for methanol necessary for its biodiesel production unit at the same location. The processing capacity of the methanol distillation unit will also allow GreenHunter BioFuels to take in off-spec methanol from regional petro-chemical industries as well as other national and international sources, distill the product and return it to the in-spec methanol markets in either the regional or international markets. Industries producing contaminated or off-spec methanol will soon have a ready outlet for their methanol based by-product and waste streams at the GreenHunter BioFuels facilities.

Commenting on this milestone, Mr. Gary C. Evans, Chairman and Chief Executive Officer of GreenHunter Energy stated, "obtaining these two permits, one each for two separate production facilities, were necessary for GreenHunter BioFuel's Houston refinery to begin timely start-up operations. After acquiring this property in April 2007, we immediately began the conversion requirements once we completed the necessary engineering studies. As a result, the facility will be a true multi-feedstock capable production plant. Our goal is to not only have the largest and most versatile biodiesel refinery in the U.S., but more importantly, the lowest all-in cost facility at less than \$0.50 per installed gallon."

The TCEQ permits limit the GreenHunter facility to firing of natural gas for process heating needs. The facility will comply with TCEQ standards for all regulated air emissions including NOX, SO2, VOM, PM/PM10 and CO.

Conversion of the existing refinery assets will allow for an extremely fast entrance into the biodiesel markets. In addition, the distilled methyl esters (aka biodiesel) will have a highly reliable, water-white quality that is most desirable in the biodiesel markets. The 105 mgy biodiesel unit is currently on track to be in production by March of 2008, approximately 60% to 70% faster than a new "greenfield facility" and at a fraction of the cost. Once completed, it is expected to be one of the world's largest, multi-feedstock biodiesel facilities.

The use of existing assets and infrastructure is allowing a speedy conversion of the existing equipment and entrance into the methanol markets on a fast-paced schedule as well. The methanol distillation unit will be completely refurbished, on-line and in production during September of 2007, six months after acquisition.

### **Forward-Looking Statements**

Any statements in this press release about future expectations and prospects for GreenHunter Energy and its business and other statements containing the words "believes", "anticipates",

"plans", "expects", "will" and similar expressions constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including the substantial capital expenditures required to fund its operations, the ability of the Company to implement its business plan, government regulation and competition. GreenHunter Energy undertakes no obligation to update these forward-looking statements in the future.

## **BP to build natural gas electricity plant north of city**

BY STACEY SHEPARD, Californian staff writer  
Bakersfield Californian, Friday, July 27, 2007

Energy giant BP plans to build a natural gas electricity plant in an oil field the company owns north of Bakersfield as part of its initiative to create low-carbon power.

"The demand is there for a lower carbon footprint as we satisfy the energy demands of an increasing population in California and the rest of the country," said Todd M. Spittler, a spokesman for BP Alternative Energy, a division of the UK-based company, at an informational meeting on the project in Oildale Thursday.

The timeline calls for construction to begin in 2009 and for the facility to go online in 2012.

The plant would produce about 725 megawatts of power. (One megawatt is enough to power 1,000 homes.)

By comparison, the state's demand for energy grows by about 1,000 megawatts each year.

California Energy Commission spokeswoman Claudia Chandler called the project an important part of the state's strategy to create cleaner sources of electricity as demand increases and reliance on coal-powered plants is phased out.

"Our preferred way of meeting that demand is through renewable energy," such as solar and wind power, "and energy efficiency," Chandler said, "but that doesn't mean there isn't a place for natural gas-fire plants."

BP's plant will produce half the carbon emissions of a coal-fired plant, company officials said.

In addition, the state's strict standards for gas-fired plants make them among the cleanest in the nation, Chandler added.

BP's facility would be located on 30 acres in the Kern Front oil field, located west of the Kern River oil field, which can be seen from Panorama Drive. However, the plant would not be visible from the bluffs, company officials said.

BP acquired the oil field when it purchased ARCO around 2000.

Gas to fuel the project will be supplied through Mojave Gas Pipeline, which runs near the site.

The pipeline imports natural gas from Arizona, according to the California Energy Commission.

The company plans to file an application for the project with the commission later this year. As part of the approval process, it must obtain permits from air regulators and the Kern County Planning Department, and create a report detailing the project's environmental impacts.

Company officials said the facility will use state-of-the-art pollution controls, but no estimates were available Thursday on the amount of smog-forming emissions the facility might produce.

Energy will be created using a combined-cycle gas turbine technology, which is more efficient than other combustion-based generation. In this process, a gas turbine generator creates electricity and the waste heat is used to make steam to generate additional electricity.

## **Diesel exhaust, cholesterol linked to heart disease**

Staff and wire reports

Bakersfield Californian, Friday, July 27, 2007

On the same day the state cracked down on diesel exhaust, a new study showed that exposure to the dirty fumes combined with high cholesterol can make people more vulnerable to heart disease.

Microscopic particles in diesel exhaust combine with cholesterol to activate genes that trigger hardening of the arteries, according to the UCLA study published Thursday.

"Their combination creates a dangerous synergy that wreaks cardiovascular havoc far beyond what's caused by the diesel or cholesterol alone," said Dr. Andre Nel, chief of nanomedicine at the David Geffen School of Medicine at University of California, Los Angeles, and a researcher at UCLA's California NanoSystems Institute.

Although diet, smoking and other factors contribute to the risk of cardiovascular disease -- the leading cause of death in the Western world -- scientists have long believed that air pollution, particularly tiny pieces of soot from trucks and factories, also plays a major role.

For years, scientists have reported that on days when fine-particle pollution increases, deaths from lung diseases, heart attacks and strokes rise substantially.

California and local air-quality regulators have been ratcheting down particulate emissions from trucks and other sources for decades, but the airborne levels in the lower San Joaquin Valley and the Los Angeles region still frequently exceed federal health standards.

The scientists say their study, conducted on human cells as well as on mice, is the first to explain how particulates in the air activate genes that can cause heart attacks or strokes.

The researchers exposed human blood cells to a combination of diesel particles and oxidized fats, then extracted their DNA.

The particles and fats, working together, switched on genes that cause inflammation of blood vessels, which leads to clogged arteries, or atherosclerosis.

The team duplicated the findings when they exposed mice to a high-fat diet and freeway exhaust in downtown Los Angeles.

Diesel exhaust also has been linked to lung cancer, asthma attacks and DNA damage.  
*-- Los Angeles Times and Californian staff writer Stacey Shepard contributed to this report.*

## **EPA head questioned on Transport Dept intervention in Cal waiver**

By ERICA WERNER, Associated Press

In the Fresno Bee, S.F. Chronicle, and other papers, Friday, July 27, 2007

The head of the Environmental Protection Agency refused to say Thursday whether he'd been informed of a Transportation Department lobbying campaign against a California global warming law.

"I defer to the Transportation Department," EPA Administrator Stephen L. Johnson repeated three times in a row as Sen. Barbara Boxer, D-Calif., peppered him with questions on the issue.

"I say that you are with that statement neglecting your responsibility to protect the health and welfare of the people," Boxer retorted. "I find it absolutely stunning."

Documents released last month show that as the EPA was deliberating whether to grant California a federal waiver needed to implement state regulations on tailpipe emissions, Transportation Department officials were contacting House members, senators and governors suggesting they weigh in against the waiver request.

Democrats have condemned the intervention by one federal agency with another as inappropriate and possibly illegal. The Transportation Department says it was simply disseminating information.

Boxer contended Thursday that the Transportation Department's actions proved that the Bush administration has no intention of granting California's waiver request, which has been pending since December 2005. EPA has declined to say how it will rule, and Johnson reiterated Thursday that his agency was carefully studying the issue and would decide by the end of the year.

Boxer called that "foot-dragging"; Johnson insisted it wasn't.

Under the Clean Air Act, California has special permission to implement its own pollution regulations if it gets a federal waiver. Other states can then adopt California's standards or stick with the federal rules.

In this case, California wants permission to put in place a landmark law to cut greenhouse gas emissions, mostly carbon dioxide, by an estimated 25 percent from cars and 18 percent from sport utility vehicles beginning in 2009. If California gets its waiver, a dozen other states are prepared to follow in its footsteps.

The auto industry is opposed to giving California a waiver, saying there should be one federal standard for tailpipe emissions instead of a patchwork of regulations. That's the same argument DOT officials advanced in contacting lawmakers' offices in early June, according to department documents released last month to Rep. Henry Waxman, D-Calif., chairman of the House oversight committee.

The documents included an early June e-mail exchange among Transportation Department aides about a planned telephone conversation between Johnson and Transportation Secretary Mary E. Peters.

Johnson said Thursday that during the call he discussed with Peters the June 15 comment deadline on the California waiver request and told her he wasn't inclined to extend it. He wouldn't answer "yes" or "no" as to whether he knew the Transportation Department was working behind the scenes against the waiver.

"I don't have any responsibility for the Transportation Department. My responsibility is for EPA," Johnson said.

The states that are prepared to adopt California's standards are: Connecticut, Florida, Maine, Maryland, Massachusetts, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, Vermont and Washington. Other states, including New Mexico, are moving to adopt them.

Sen. Bill Nelson, D-Fla., recently introduced legislation co-sponsored by Boxer that would require the EPA to make a decision on the waiver by Sept. 30. Boxer, who chairs the Environment and

Public Works Committee, said Thursday that she plans to hold a committee vote on the bill next week.

Gov. Arnold Schwarzenegger also has threatened to sue the EPA if it does not act on the state's waiver by Oct. 1.

"California is committed to getting a waiver either through the administrative process or through taking legal action," Schwarzenegger spokesman Bill Maile said Thursday.

[Bakersfield Californian commentary, Friday, July 27, 2007:](#)

### **City's growth can have 'dark side'**

Bakersfield's growth is a result of city and county policies, relatively affordable housing and previously easy profits from the now-busted statewide housing boom. Giddy with spoils, urban planners encouraged accelerated expansion, yet appear burdened to keep pace with it. They lacked visionary and creative approaches to manage it.

While growth generates positive impacts -- new revenue, infrastructure, jobs and cultural diversity -- emergence of the dark side must be contained.

Invented as a modern city, we can rewrite the rules to minimize inevitable urban blight; increased crime; low-income families priced out of housing; strangled roadways; and increased air, water and soil pollution that comes from trading investments in historical neighborhoods for runaway expansion.

Untethered growth mimics a swarm of locusts moving determinedly to fresh ground, leaving pestilence in its wake.

More people living farther from the city center ordinarily means more cars. We will retain our love affair with the automobile, but creative infrastructure can minimize the number of miles we have to drive, cutting the cost of building and maintaining roads.

Two approaches are within easy reach, especially as new transportation corridors are built to connect far-reaching communities to the city centers -- broadband communication and effective and efficient rapid transit.

Every business is computerized today and many workers can do their jobs with access to the Internet and a telephone. If employees did this even one day per week, it would significantly reduce the impacts on the roads and air.

Successful business virtualization would require less office space and the roads, power, water and disposal to service them. Installing citywide fiber-optic or wireless networks and offering incentives to employers to encourage their employees to work without getting in their cars would lessen environmental impacts and costs to employers and the city.

By outsourcing the network operation, the city would receive royalties for its use. Its very presence in other cities around the world has stimulated the growth of a high-tech community as a new economic base.

Attractive rapid-transit can connect far-reaching areas to the city centers, further reducing impacts. Look at the successful BART system that transports thousands of people daily from around the Bay Area into San Francisco, keeping their cars out of the city and their exhaust out of the air. The savings in road construction and maintenance alone would go a long way to paying for the system.

But in spreading our urban footprint, we cannot discard existing developments, else they transform into forgotten neighborhoods and breeding grounds for poverty and crime.

Incentives to maintain these historic neighborhoods can keep them fresh. Many of these neighborhoods offer low-cost housing to people who are an important element of the economy of the community. Real estate statistics show that the vast majority of sales over the past several years have been in homes selling for under \$300,000.

This economic engine needs to be supported, and doing so renovates potentially decaying neighborhoods. We cannot forget these areas in our rush to the suburbs.

*Bill Bartling of Bakersfield is the chairman of SciFrame, Inc. A member of the Opinion section's Sounding Board, Bartling also has been involved in the energy and real estate industries.*

[Fresno Bee commentary, Friday, July 27, 2007:](#)

### **PETER E. WEBER: A checklist for cleaner Valley air**

Gov. Arnold Schwarzenegger's unhappiness with the proposed 11-year extension to clean up the Valley's smog is welcome news for all Valley residents.

His new appointee to head the California Air Resources Board (CARB), Mary Nichols, has testified before the Senate that the local air district had little choice to ask for the extension because current rules and technology would not allow officials to clean the air sooner, but she has nevertheless vowed to push to shorten the extension. Valley residents should welcome that vow. The governor and Nichols can exercise levers that are not available to the air district.

The path to attainment in the Valley is through reductions of nitrogen oxides (NOx), one of the two precursors that form smog. Eighty percent of the Valley's NOx comes from mobile sources, which are under the jurisdiction of CARB and the EPA. This is where the principal levers are for ozone attainment.

To reach attainment, we must decrease NOx by 75%, from 624 tons a day to 160 tons a day. Let's assume that we wanted to achieve that goal by 2020, four years earlier than the proposed extension. The current District Ozone Plan leaves us 99 tons short of that goal by 2020. Here's a starter list of actions to eliminate that gap.

**Accelerated turnover of the Valley fleet of vehicles.** Truck-engine technology has improved dramatically. A new truck bought today will generate one fifth the emissions of a truck bought in 1990, and a truck built to 2010 standards will emit six times less than a truck bought today. That will mean a 98% reduction between 2020 and 1990. The problem is that trucks last a long time, 23 years on average in the U.S. and even longer in the Valley, because of the seasonal nature of agriculture.

If we want to accelerate the use of new engine technology, we have to provide incentive funding that encourages truck owners to accelerate truck replacement. An incentive program proposed by the air district would achieve a 24 tons a day NOx reduction from heavy-duty trucks and an additional 17 tons a day reduction from other mobile sources by 2020 -- that's more than 40% of the 99 tons a day gap described above. The program requires investment of \$500 million a year, about \$300 million from the private sector and \$200 million from the public sector.

Our federal legislators are working on securing funding of \$100 million a year; the air district has identified \$40 million a year; so we need \$60 million a year from the state. The best place to find that funding in the near term is Proposition 1B. That's a lever the governor and Nichols can surely pull.

**Accelerated rule-making by CARB and EPA.** The issuance of rules by CARB and the Environmental Protection Agency affecting mobile sources seems to take forever. Take locomotives as an example. The EPA has been working on these rules for years and they are still years away from being issued. Accelerated rule-making for locomotives and other mobile sources could reduce our emissions by approximately 20 tons a day by 2020.

Every year of delay means continued health impacts on Valley residents. The governor can exercise his influence by insisting that issuance of these rules be accelerated.

**Short Sea Shipping.** This idea offers a means of moving cargo via sea lanes, potentially removing thousands of through trucks traveling between northern and southern California. We know the technology works because it's already in use in other areas of the U.S. Preliminary analysis has tentatively concluded that the system may be competitive with moving cargo by truck or rail and offer environmental benefits to the ports as well as the Valley. We now need a comprehensive analysis that will definitively answer these questions and determine how the system would be funded, and we need the state to help fund this \$1.6 million feasibility study. The potential benefits to clean air in the Valley are significant, generating emission reductions of about 20 tons a day by 2020 if 20% of the trucks are removed.

When the governor first expressed his disappointment with the extension of the clean-up deadline, he said, "When one out of six residents in the San Joaquin Valley has been diagnosed with asthma and one in five children carry an inhaler to school, it is a call to action."

This commentary is intended to provide specifics in response to the governor's call to action. Neither Valley residents nor the air district can take these actions without help from Sacramento, but we can surely beat the proposed 2024 attainment date if we work together.

*Peter E. Weber leads the air quality work group for the California Partnership for the San Joaquin Valley.*