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CLEAN SKIES
FOUNDATION



Where Can I Fill Up?

Survey Update on Natural Gas Fueling Options

Where Can I Fill Up? Survey Update

More than 90 percent of natural gas vehicle (NGV) professionals surveyed recently point to the price spread between diesel and compressed natural gas (CNG) and liquefied natural gas (LNG) as the most important factor in fleet adoption of NGVs. With gas prices remaining low, confidence is high that the NGV market will grow this year.

ACSF's latest survey, conducted in November by Matthew I. Slavin, Ph.D., President of Sustainability Consulting Group of Washington, DC, asked 304 stakeholders—from gas producers and gas distribution companies, fuel vendors and station developers, vehicle and component manufacturers, fleet owners,

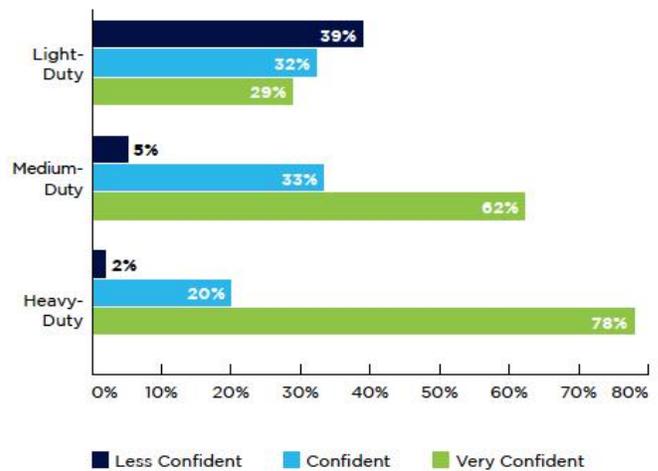
HIGH CONFIDENCE: NGV MARKET WILL GROW IN 2013

Ninety-eight percent of respondents are very confident or confident that the heavy-duty NGV market segment will grow in the coming year: almost 80 percent are very confident. Only 2 percent expressed doubts the heavy-duty market segment will grow. Confidence is also high regarding prospects for growth in the medium-duty NGV market segment: 62 percent being very confident with 33 percent being confident. Opinions are more mixed when it comes to the light-duty market, where a larger number of respondents reported only guarded confidence regarding growth prospects.

Clean Cities and government—about market trends and priorities. Subsequent to our survey the American Taxpayer Relief Act of 2012 restored two tax credits for NGVs. Section 402 renews, retroactive to the beginning of 2012, the tax credit of 30 percent (up to \$30,000) for NGV fueling property. Section 412 renews, also retroactive to the beginning of 2012, the Alternative Fuels Excise Tax Credit of 50 cents per gallon. Both are in effect through December 31, 2013.

This should bolster the high confidence we found about the NGV market.

How confident are you that each of the below NGV market segments will grow in the coming year?

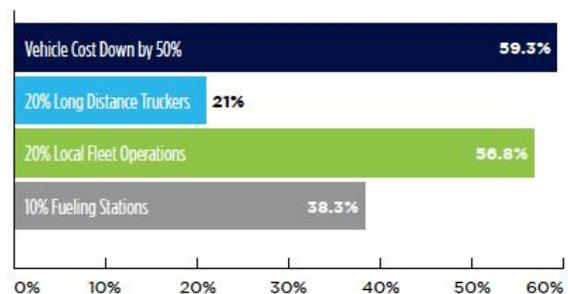


BY 2020, COSTS DROP; MORE LOCAL FLEETS USE CNG

Almost 60 percent of respondents expect the incremental cost of purchasing a NGV or converting a vehicle to run on natural gas will decline by half by 2020. About one-fifth expect that 20 percent of long-distance truck fleets will utilize LNG as a fuel by 2020. A higher percentage—57 percent—think that 20 percent of local fleet operators will use compressed natural gas (CNG) as a fuel in the same year. Thirty-eight percent of NGV professionals expect natural gas to be dispensed as a fuel at 10 percent of all U.S. motor vehicle fueling stations by 2020. The current figure: less than 1 percent.

Which of the following do you expect to be realized by 2020?

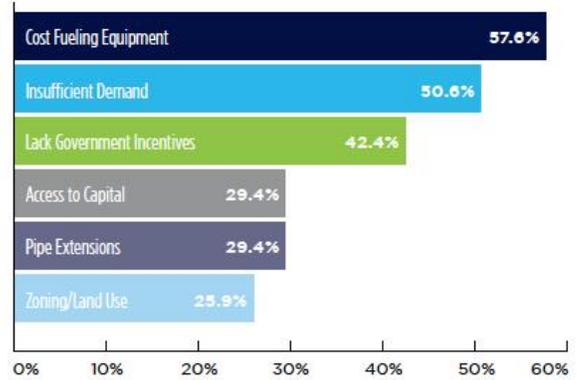
Respondents were asked to check as many as apply.



BARRIERS TO TOPPLE: HIGH COST OF BUILDING STATIONS

The high cost of building a new CNG or LNG fueling station remains a major concern—almost 58 percent of respondents cited high fueling station costs as a barrier to expanding NGV fueling infrastructure. Insufficient demand from fleet operators was cited by half of respondents as a barrier to building new fueling stations. Over 40 percent of respondents pointed to inadequate government incentives as a barrier to building NGV fueling stations. Access to capital, zoning and land use, and pipelines extension issues were also cited as impediments.

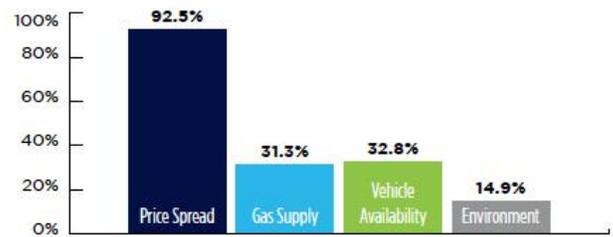
Which is a significant impediment to building new fueling stations?
Respondents were asked to check as many as apply.



FUEL COSTS DRIVE FLEET ADOPTION OF NGVS

Overwhelmingly, NGV professionals point to the price spread between diesel and CNG/LNG as the most important factor in fleet adoption of NGVs. The environmental benefits of NGVs—reduced pollution and greenhouse gas emissions—are significant. But environmental benefits are not seen as a key driver of NGV adoption—only 14.9 percent of respondents pointed to environmental benefits as a main driver of NGV adoption. A wider selection of NGV models and a reliable domestic supply of natural gas are seen as key drivers by almost one-third of survey respondents.

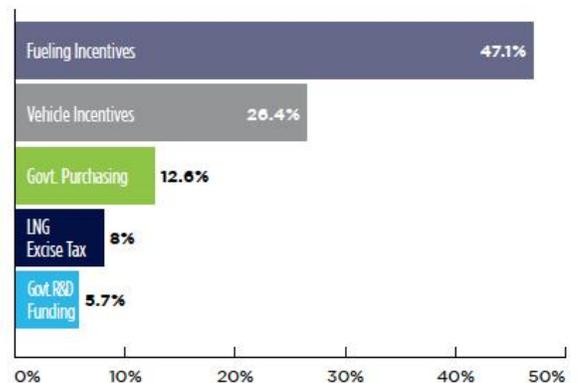
Which of the following are the main drivers of fleet adoption of NGVs?
Respondents were asked to check as many as apply.



TOP 2013 POLICY PRIORITIES ARE FUELING INFRASTRUCTURE BUILDING AND VEHICLE INCENTIVES

There are some surprises regarding NGV priorities for government policy. By almost two to one, expanding government incentives for fueling infrastructure is reported as a higher priority than incentives for vehicle purchase and conversion. Almost 13 percent of respondents view government purchasing mandates for NGVs as the top priority. Only 8 percent of respondents pointed to revising the federal excise tax on LNG to reflect energy content instead of volume sold as the highest priority, although this is generally considered a key industry goal.

Which of the following do you see as the most important priority for government policy in 2013?



**GOVERNMENT INCENTIVES: TAX CREDITS, GRANTS
FAVORED**

Survey respondents view government incentives as a key way to accelerate the pace of NGV adoption and deployment of NGV fueling infrastructure. As to the most effective types of incentives for fueling infrastructure, almost half of all respondents point to business tax credits as most effective. Just more than 40 percent of respondents view grants as the most effective incentive for accelerating fueling infrastructure deployment. A federal bonus depreciation allowance for properties placed into use for NGV fueling is viewed as the most effective type of incentive by only 5.6 percent of respondents. Even fewer—only 4.5 percent of respondents—view government lending programs as the most effective incentive.

What are the most effective incentives to accelerate NGV infrastructure deployment?

