

Consequently, even in rural Alaska we would still require 2011 and later model year nonroad diesel engines and equipment to be fueled with 15 ppm diesel fuel. The rationale supporting this proposal follows.

a. How Was Alaska Treated Under the Highway Diesel Standards?

Unlike the rest of the nation, Alaska is currently exempt from the 500 ppm sulfur standard for highway diesel fuel and the dye provisions for diesel fuel not subject to this standard. Since the beginning of the 500 ppm highway diesel fuel program, we have granted Alaska exemptions from both the sulfur standard and dye provisions because of its unique geographical, meteorological, air quality, and economic factors.²⁵¹

On December 12, 1995, Alaska submitted a petition for a permanent exemption for all areas of the state served by the Federal Aid Highway System, that is, those areas previously covered only by a temporary exemption. While considering that petition, we started work on a nationwide rule to consider more stringent highway diesel fuel requirements for sulfur content. In the subsequent January 18, 2001, highway diesel sulfur rule (66 FR 5002) the highway engine emission standards were applied fully in Alaska. Based on factors unique to Alaska, we provided the State with: (1) an extension of the exemption from the 500 ppm sulfur highway diesel fuel standard until the effective date of the new 15 ppm sulfur standard for highway diesel fuel in 2006, (2) an opportunity to request an alternative implementation plan for the 15 ppm sulfur diesel fuel program, and (3) a permanent exemption from the diesel fuel dye provisions.

In response to these provisions in our January 18, 2001, highway rule, Alaska informed us that areas served by the Federal Aid Highway System, *i.e.*, communities on the connected road system or served by the Alaska State ferry system, would follow the nationwide requirements. Diesel fuel produced for use in areas of Alaska served by the Federal Aid Highway System will therefore be required to meet the same requirements for highway diesel fuel as diesel fuel produced for the rest of the nation. For the rural parts of the State, areas not served by the Federal Aid Highway System, Alaska informed us that it would submit by mid-2003 the details for an alternative

implementation approach.²⁵² EPA will consider their alternative implementation approach when it is received, and if appropriate will initiate rulemaking to finalize its adoption.

b. What Nonroad Standards Do We Propose for Urban Areas of Alaska?

Since Alaska is currently exempt from the 500 ppm sulfur standard for highway diesel fuel, we also considered exempting Alaska from the 500 ppm step of the proposed NRLM standards. However, despite the exemption, officials from the State of Alaska have informed us that 500 ppm highway diesel fuel is nevertheless being marketed in many parts of Alaska. Market forces have brought the prices for 500 ppm diesel fuel down such that it is now becoming competitive with higher sulfur, uncontrolled diesel fuel. Assuming this trend continues, requiring that NRLM diesel fuel be produced to 500 ppm beginning June 1, 2007 would not appear to be unduly burdensome and for this reason, we propose that this standard apply.

At the same time, our expectation is that compliance with the highway program described above may result in the transition of all of the highway diesel fuel distribution system to 15 ppm beginning in 2006. It could prove very challenging for the distribution system in some of the areas to segregate a 500 ppm grade of NRLM from a 15 ppm grade of highway and an uncontrolled grade for other purposes. We believe economics would determine whether the distribution system would handle the new grade of fuel or substitute 15 ppm sulfur highway diesel fuel for NRLM applications. Thus, in the 2007 to 2010 time frame, the NRLM market in some urban areas might be supplied with 500 ppm sulfur diesel, and in other areas might be supplied with 15 ppm sulfur diesel.

Regardless of what takes place prior to 2010, we anticipate that 15 ppm highway diesel fuel will be made available in Alaska by this time frame. The 2007 and later model year highway fleet will be growing, demanding more and more supply of 15 ppm diesel fuel. Adding nonroad volume to this would not appear to create any undue burden. Thus, we also propose that the 15 ppm standard for nonroad diesel fuel would apply in areas of Alaska served by the FAHS, along with the rest of the Nation

beginning June 1, 2010. We seek comment on whether the 500 ppm NRLM diesel standard should apply to these areas of Alaska beginning June 1, 2007, and whether the 15 ppm nonroad standard should apply beginning June 1, 2010.

During the development of the original 500 ppm highway diesel fuel standards in the early 1990's refiners and distributors in Alaska expressed concern that if Alaska were required to dye its non-highway diesel fuel red along with the rest of the country, residual dye in tanks or other equipment would be enough to contaminate and disqualify Jet-A kerosene used as aviation fuel. Since much of the diesel fuel in Alaska is number 1 and indistinguishable from Jet A kerosene, not only would tanks and transfer equipment have to be cleaned, but separate tankage would be needed. Consequently, we granted Alaska temporary exemptions from the dye requirement and in the January 18, 2001, highway diesel rule granted them a permanent exemption. The proposed marker for heating oil in the 2007–10 time period and for locomotive and marine diesel fuel in the 2010–14 time period could present similar concerns in Alaska's distribution system. Consequently, we seek comment on whether to extend the current exemption from the red dye requirement to the proposed marker requirement. If we were to, we then also seek comment on what mechanism could be used in Alaska to ensure that 500 ppm diesel fuel was used in NRLM equipment from 2007–10 and 15 ppm in nonroad equipment after 2010. One possible approach would be to preclude refineries and importers from using credits to comply with the sulfur standards and prohibit end-users in Alaska from using anything but 500 ppm in NRLM equipment from 2007–10 and 15 ppm in nonroad equipment after 2010.

c. What Do We Propose for Rural Areas of Alaska?

Rural Alaska represents a rather unique situation. In the rural areas, the state estimates that the heating oil represent approximately 95% of all distillate consumption (about 50% for heating and 45% for electricity generation). Highway vehicles account for about 1 percent, and marine engines about 4 percent.²⁵³ Consequently, nonroad and locomotive engines and equipment consume a negligible amount of diesel fuel in the rural areas. The fuel

²⁵¹ Copies of information regarding Alaska's petition for exemption, subsequent requests by Alaska, public comments received, and actions by EPA are available in public docket A-96-26.

²⁵² Letter and attached document to Jeffrey Holmstead of EPA from Michele Brown of the Alaska Department of Environmental Conservation, dated April 1, 2002. The communities on the connected road system or served by the Alaska State ferry system are listed in the attached document.

²⁵³ E mail from the Alaska Department of Environmental Conservation, dated July 2, 2002.