by the effective date. Most comments did not support a separate effective date.

The Agency is not establishing a separate effective date for nonroad vehicle or equipment manufacturers. The Agency recognizes that certified engines are not likely to be available in the numbers needed by nonroad vehicle and equipment manufacturers on the effective date, and that these manufacturers will continue to use noncertified engines built prior to the effective date until noncertified engine inventories are used up and certified engines are available. As long as vehicle and equipment manufacturers do not inventory engines outside of normal business practices (that is, as long as they do not stockpile noncertified engines), they will be considered to be in compliance. The Agency is adding language to 40 CFR 90.1003(b)(4) to this effect. Neither vehicle and equipment manufacturers nor dealers have any obligation under this regulation to convert their inventories to products with certified engines.

D. CO Standard

An association of engine manufacturers requested an increase in the CO emission standard for Class I and II engines from the proposed level of 402 g/kW-hr to 469 g/kW-hr. In summary, it requested that the standard be raised so that industry can provide consumers, original equipment manufacturers, and commercial and industrial users with a more complete selection of engines (specifically mass market engines—the largest market for small engines) that can meet the Phase 1 HC + NO_X limits and perform acceptably under nearly all operating conditions.[17]

The Agency had to decide whether or not to grant this request based on its assessment of the technological feasibility of providing an adequate supply of Class I and II engines that could comply with the proposed 402 g/kW-hr CO level for the entire nation. Based on the information submitted, which is available in the docket for this rulemaking, the Agency has decided that 469 g/kW-hr is the lowest achievable CO standard for Classes I and II, given cost and lead time constraints, and has set the standard accordingly.

An association of equipment manufacturers argued that 402 g/kW-hr is too stringent for Class V engines and suggested that 603 g/kW-hr would be a more appropriate standard. The Agency requested and received further data and information to establish the appropriate limit for these engines. Additionally, an EPA-performed benefits analysis showed that the CO emission contribution in 2020 from Class V engines complying with a 603 g/kW-hr standard would decrease the benefits of this rule by only 0.7 percent when compared with the proposed standard of 402 g/kW-hr. The environmental impact of this change is low due to the small number of engines in this category.

Based on the technological feasibility information submitted and the small benefits impact, EPA has concluded that the proposed 402 g/kW-hr standard is not achievable for Phase 1 Class V engines. The Agency has therefore decided to raise the CO standard for Class V engines from the proposed 402 g/kW-hr to 603 g/kW-hr, which EPA believes is the most stringent standard achievable for Phase 1 Class V engines. Most, if not all, Class V engines are preempted from state regulation as farm and construction equipment. Therefore, compatibility with CARB is not of such importance for this engine class. However, this position on Class V CO standards is applicable only to Phase 1 and remains to be determined in upcoming Phase 2 regulations.

E. Labeling

The Agency received several comments on its proposed labeling requirements. After considering the comments, EPA has decided to provide equipment manufacturers with some additional flexibility requested by commenters regarding compatibility with CARB's labeling requirements. To reduce manufacturer burden and increase consistency with CARB's requirements, EPA will accept a label that has been approved by CARB and that contains language indicating federal standards have also been met. The Agency will accept any of the following: (1) A label for 50-state engine families having language compatible with both CARB and EPA requirements, (2) a CARB label with additional language to meet federal requirements for the 49-state label, and (3) the EPA label.

The Agency will retain the provision described in the NPRM that requires equipment and vehicle manufacturers to apply a supplemental label if the original engine label is obscured. This provision is consistent with CARB's approach, and ensures that owners, dealers, and repair personnel will have access to necessary engine information without disassembling the original vehicle or equipment.

In addition, EPA has dropped the unique engine identification number requirement. Based on information supplied by engine manufacturers and their associations, EPA has determined that the information to be gained by requiring the unique number did not justify the additional capital and administrative costs to the manufacturers. Because no useful life time period or in-use standard is being established, the Agency has decided to allow in-use testing and recall on a voluntary basis for Phase 1 and, as a result, there is no need for EPA to require the unique engine identification number.

V. Environmental Benefit Assessment

The Agency has determined that the standards set in this rule will reduce emissions of HC and CO and, despite attendant increased emissions of NO_X, will help most areas come into compliance with the National Ambient Air Quality Standards for ozone and, to a lesser extent, CO. Table 2 provides a summary of the annual nationwide emission impacts expected from this rule, beginning with the first full year of implementation.[18] Percentage reductions shown are as compared to the projected levels from small SI engines if this rule were not put into place. Note that annual emission reductions increase greatly in the first few years of the program and level off as fleet turnover is achieved; complete turnover is projected by the year 2020. The underlying analysis and complete table of emission reductions are provided in the Regulatory Support Document (RSD), a copy of which is in the public docket for this rulemaking.

[17] The association states that engine manufacturers have been working for several years to develop products that will meet the Phase 1 standards. Improvements in engine design have been made sufficient to comply with the HC+NO_X standard, but not meet the 402 g/kW-hr CO standard.

[18] These figures are based on the assumption that manufacturers of engines used in snowthrowers and ice augers will opt to certify such engines to meet the applicable HC standards. To the extent that this does not occur, estimated annual HC reductions, and estimated annual NO_X increases, would be reduced.