



## MEMORANDUM

DATE: 06/13/18

TO: North American Equipment Dealers Association Members

FROM: NAEDA General Counsel

RE: Clean Air Act Compliance with Emissions Standards

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*Please note that this handout is a general summary prepared by NAEDA's General Counsel, to give guidance dealership legal counsel on the topic of EPA compliance. It does not attempt to cover your specific situation or detail all potential situations. Before determining a course of action, we encourage you to review this with the attorney of your choice for a specific assessment of your situation.*

### **Background**

The Clean Air Act was originally passed in 1970. The CAA has specific emissions regulations relating to different types of equipment. The equipment discussed here is defined as nonroad vehicles and engines by 40 C.F.R. § 1039.801. The emissions standards set by the CAA are applicable to these nonroad vehicles and the CAA has specific requirements for new equipment, used equipment, and maintenance of equipment.

### **New Equipment**

For each newly produced engine that a manufacturer intends to introduce into the United States, they must obtain a Certificate of Conformity ("COC") from the EPA. *See* 40 C.F.R. Part 1039. Subpart C. Under 42 U.S.C. § 7550(1), manufacturer is defined to include dealers. The COC is granted by the EPA and new equipment must have it in order to be in compliance with

these regulations. In addition to the COC, there should be an accompanying label placed directly on the engine to confirm COC certification and compliance.

Manufacturers (and dealers) are prohibited from distributing into commerce, selling, offering for sale or introduction into commerce, or delivering for introduction into commerce any non-compliant new motor vehicles or engines which are manufactured after the effective date of regulations. *See* 42 U.S.C. § 7522(a)(1) (It is staggered implementation based upon horsepower). the penalty for each piece of equipment found to be in violation could run up to \$44,539.

With this in mind, some key recommendations for dealerships in ensuring compliance include:

1. Ensure that any new equipment going out for sale has the requisite COC and mandatory labeling.
2. Implement a redundancy system to ensure that the emissions controls have not been impaired in any way prior to sale.

### **Maintenance of Equipment**

The CAA prohibits any person to manufacture or sell, or offer to sell, or install, any part or component intended for use with, or as part of, any motor vehicle or motor vehicle engine, where a principal effect of the part or component is to bypass, defeat, or render inoperative any device or element of design installed on or in a motor vehicle or motor vehicle engine in compliance with regulations, and where the person knows or should know that such part or component is being offered for sale or installed for such use or put to such use. *See* 42 U.S.C. § 7522(3)(B). In addition, 42 U.S.C. § 7522(a)(3) prohibits any person to from removing or rendering inoperative any device or element of design installed on or in a motor vehicle or motor

vehicle engine in compliance with regulations prior to its sale and delivery to the ultimate purchaser, or for any person knowingly to remove or render inoperative any such device or element of design after such sale and delivery to the ultimate purchaser. These regulations, in essence, prohibit the sale or installation of “defeat” devices which are designed to bypass emissions systems or the tampering with emissions systems in order to disable them.

These are important regulations when repairing or servicing equipment. If equipment comes in equipped with a “defeat” device, it isn’t mandatory per the CAA that the dealer fix it. However, it is in the best interest of the dealer to thoroughly document and keep service records which clearly indicate and identify of any parts or modifications which exist on serviced equipment that are in violation. This should be done so that the dealer can defend itself against allegations of CAA violations if an enforcement action is pursued. Any part that is in violation of the CAA may lead to penalties as well as a larger penalty being assessed for each piece of equipment in violation. With this in mind, it is recommended that dealerships enact policies and procedures to:

1. Check for all the required labels and make sure they are all present.
2. Ensure that the dealership does not sell or install devices which compromise emissions (defeat devices) applications.
3. Document and keep repair records which clearly demonstrate that a piece of equipment and/or part serviced by the dealership had a compromised emissions system *prior to* the time of service *and at no fault of the dealer*.

## Trade-in Equipment

The CAA covers the sale of new equipment not the sale of used equipment. Despite this, dealers need to remain cognizant that the regulations and penalties for the installation and/or use defeat devices remain a threat. Based upon the severe fines and penalties (as well as additional liability concerns), should consider implementing policies and/or procedures which:

1. Require the removal the non-conforming parts or devices to eliminate possible liability upon re-sale of the equipment;
2. Lowering the trade-in value of non-conforming equipment;
3. Requiring trade-in customers to sign a form which contains either:
  - a. A statement that the trader or seller attests that the equipment complies with CAA and EPA regulations and/or that the equipment's emissions system has not been modified from its original condition;
  - b. An acknowledgement of modification wherein the individual selling and/or trading in the equipment acknowledges that they (*not the dealer*) modified the equipment in a manner which may have rendered it non-compliant with the CAA.
  - c. An agreement from the seller/trader of the non-compliant equipment will agree to indemnify the dealer against claims arising out of the modification of the equipment during their ownership.