

(b) *Using engine offsets.* (1) You may use engine offsets generated under paragraph (a) of this section to generate additional allowances under § 1039.625, as follows:

(i) For each engine offset, you may increase the number of available allowances under § 1039.625(b) for that power category by one engine for the years indicated.

(ii) For engines in 56–560 kW power categories, you may transfer engine offsets across power categories within this power range. Calculate the number of additional allowances by scaling the number of generated engine offsets according to the ratio of engine power for offset and allowance engines. Make this calculation for all your offset engines for which you will transfer offsets under this paragraph (b)(1)(ii), then round the result to determine the total number of available power-weighted allowances. For example, if you generate engine offsets for 75 500-kW engines, you may generate up to 37,500 kW-engines of power-weighted allowances. You may apply this to 375 100-kW engines or any other combination that totals 37,500 kW-engines.

(2) You may decline to use the offsets. If you decline, the engine manufacturer may use the provisions of § 1039.104(a)(1).

(c) *Limitation on offsets for engines above 560 kW.* For engines above 560 kW, you must track how many engines you install in generator sets and how many you install in other applications under the provisions of this section. Offsets from generator-set engines may be used only for generator-set engines. Offsets from engines for other applications may be used only for other applications besides generator sets.

(d) *Reporting.* When you submit your first annual report under § 1039.625(g), include the following additional information related to the engines you use to generate offsets under this section:

(1) The name of each engine family involved.

(2) The number of engines from each power category.

(3) The maximum engine power of each engine.

(4) For engines above 560 kW, whether you use engines certified to the standards for generator-set engines.

(e) *In-use fuel.* If the engine manufacturer certifies using ultra low-sulfur diesel fuel, you must take steps to ensure that the in-use engines in the family will use diesel fuel with a sulfur concentration no greater than 15 ppm. For example, selling equipment only into applications where the operator commits to a central-fueling facility with ultra low-sulfur diesel fuel throughout its lifetime would meet this requirement.

§ 1039.630 What are the economic hardship provisions for equipment manufacturers?

If you qualify for the economic hardship provisions specified in 40 CFR 1068.255, we may approve your hardship application subject to the following additional conditions:

(a) You must show that you have used up the allowances to produce equipment with exempted engines under § 1039.625.

(b) You may produce equipment under this section for up to 12 months total (or 24 months total for small-volume manufacturers).

§ 1039.635 What are the hardship provisions for engine manufacturers?

If you qualify for the hardship provisions specified in 40 CFR 1068.245, we may approve a period of delayed compliance for up to one model year total (or two model years total for small-volume manufacturers). If you qualify for the hardship provisions specified in 40 CFR 1068.250 for small-volume manufacturers, we may approve a period of delayed compliance for up to two model years total.

§ 1039.640 What special provisions apply to branded engines?

The following provisions apply if you identify the name and trademark of another company instead of your own on your emission control information label, as provided by § 1039.135(c)(2):

(a) You must have a contractual agreement with the other company that obligates that company to take the following steps:

(1) Meet the emission warranty requirements that apply under § 1039.120. This may involve a separate agreement