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Mary D. Nichols
Chairman, California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Dear Ms. Nicholls:

We represent a large segment of the battery and electric vehicle (EV) industry in California and are writing to encourage the California Air Resources Board to grant credits under the Zero Emitting Vehicle program (ZEV credits) to owners that convert traditional cars and trucks to EVs.

As has been widely reported in the trade press, companies like Tesla are earning millions of dollars each year by selling ZEV credits for each vehicle they deliver into the State. These credits are then sold to OEMs that are required to meet ZEV program requirements. Tesla has shown us that there is a process that is credible for OEMs. The goal of the ZEV credit program is to incentivize zero emissions vehicles on the road whether they be new vehicles or converted vehicles. It could be argued that conversions create the same zero emission benefit and should therefore be eligible for ZEV credits as well.

If converting traditional cars to EVs were to qualify for ZEV credits, emissions would be immediately reduced (perhaps even more so if an old, more inefficient car or truck is converted to electric); in addition, with the right incentives, the EV conversion market could expand significantly. If consumers were able to see even a portion of the credit value, it could create a major incentive to make the conversion, which can cost anywhere from $6,000-$20,000. Depending on the number of credits generated and the credit price, a consumer could see the entire cost of the investment covered. We understand, of course, that the objective of the ZEV program is to meet the state's objectives of getting a minimum percentage of ZEVs on the road by specific years. That goal can also be accelerated by EV conversion eligibility.

EV conversions are straightforward and are becoming increasingly common. EV conversions involve removing the internal combustion engine of a traditional car and replacing it with an

electric motor, while the gas tank is replaced with a battery pack. With the conversion, a consumer can have a ZEV vehicle that likely exceeds the projected lifetime of the original car.

The major challenge, of course, is that the credits are generated by OEMs and sold to OEMs. Under the ZEV credit program, individual consumers or battery manufacturers are not part of the transaction cycle. To allow EV conversions, altering this model is required, and we believe relatively simple changes to the ZEV program that allow battery companies or other aggregators to generate and sell ZEV credits on behalf of customers who make the conversions (with commitments, perhaps, to share the value with those owners) could be implemented in a way that preserves the program's integrity. We believe strict qualifying criteria can be established for entities seeking to register and sell ZEV credits. We can also lay out precise eligibility requirements for what type of conversion would and would not qualify. We can make it clear that vehicles getting ZEV credits are equivalent to what is regulated under the ZEV program. The State DMV could issue a "conversion certificate" when a converted car is ready to go back on the road which would trigger the issuance of a ZEV certificate, which could be negotiated through a clearing house or one of the vendors involved in the conversion. It is also possible a third party – perhaps with experience already running state energy and environmental programs – could also be enlisted to carry out this function. We would welcome an opportunity to sit down with the Air Resources Board to identify the potential challenges and how they could be overcome.

We believe it is well worth the effort to develop a process for EV conversions and ZEV credits, because we have no doubt if consumers were able to have some of their costs defrayed, it would cause this small, niche market to skyrocket – with all of the resulting environmental benefits for the State.

Sincerely yours,

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Jay Bower, Venus Motors

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