CalETC
California Electric Transportation Coalition

June 20, 2014

VIA ELECTRONIC FILING TO http://www.arb.ca.gov/lispub/comm/bclist.php

Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Air Quality Improvement Program FY 2014-15 Funding Plan

Dear Chairman Nichols and Members of the Board:

The California Electric Transportation Coalition (CalETC) appreciates the opportunity to comment on the Air Quality Improvement Program (AQIP) FY 2014-15 Funding Plan. CalETC is a non-profit association with a board of directors that includes: Los Angeles Department of Water and Power, Pacific Gas & Electric, Sacramento Municipal Utility District, San Diego Gas & Electric and Southern California Edison.

CalETC lauds all that California has done to support the PEV market. The California Air Resources Board (CARB) has clearly played a leadership role in our state and our nation supporting the transition to cleaner vehicle technologies. California has invested in consumer incentives for vehicle purchase, for all classes of vehicles, and the necessary infrastructure for rapid acceleration of the market. Non-monetary incentives, such as the white and green sticker programs, have contributed significantly to market growth in California. These and other actions by our state have resulted in huge successes, California accounts for about one third of the U.S. market for electric vehicles, 37 percent of the U.S. market for hybrid trucks, and 75 percent of the of the U.S. market for zero-emission trucks. CARB staff has been so successful in implementing the existing incentive programs that demand outpaced availability for the last 3 years. This is a great testament to their efforts. The Chair and Board members have personally invested time and effort to support the incentive programs, as well as many other local efforts essential to a robust and growing new electric vehicle market. For all this and more, CalETC and its members thank you.

Comments Specific to the Clean Vehicle Rebate Project

The Clean Vehicle Rebate Project (CVRP) is the program most directly responsible for market growth and success of light-duty electric vehicles in California. The CVRP is efficient, well-structured, and provides a direct, tangible benefit to consumers. This program has succeeded in reducing the up-front cost of electric vehicles in the early stages of the market, before economies of scale have been achieved and prior to the point where the value proposition of the vehicle to the consumer is equal to the cost of these vehicles. Consumer acceptance and purchase of electric vehicles is the biggest barrier to market progress and there is no more effective way to create market pull than for the California Air Resources Board to provide direct monetary incentives to consumers.

1015 K STREET, SUITE 200 SACRAMENTO, CA 95814 P [916] 551-1943 F [916] 441-3549
www.caletc.com

Although we greatly appreciate the CARB staff efforts to ensure the CVRP program stay within its budget, we believe that the generous increase to the CVRP program in FY 2014/15 is sufficient to meet program demands, $121 million is an over 30 percent increase in funding for CVRP relative to 2013/14 allocation (inclusive of the additional funding that was added to supplement direct AQIP funding in 2013/14). We support the analysis conducted by Union of Concerned Scientists, which demonstrates that $121 million should be sufficient to meet CVRP demand in 2014/15. We appreciate Board consideration of an alternative proposal that we believe will result in continuing success for California reaching its economic, air quality, climate goals, and fuel diversity goals.

We respectfully request that no rebate reductions be approved in June 2014. We respectfully request consideration of a contingency plan that calls for staff to reevaluate the program with a mid-term review in December 2014. If it is determined during the review that the expected market growth exceeds the CVRP allotment and is too large to be accommodated within the $30 Million wait list provision, then the CARB Board could consider options to increase available funding to CVRP or reduce demand upon the CVRP funding. The goal should be to ensure the lowest adverse impact on the nascent electric vehicle market. A mid-term review would allow the Board to make a choice that best supports market growth during this critical early deployment phase.

CalETC also respectfully suggests that any changes in the eligibility provisions or rebate reductions for the CVRP be considered by the CARB Board. Such eligibility provisions or rebate reductions will be controversial and may have policy impacts beyond the CVRP. We have great respect for the Executive Officer and believe that he should not be in the position of making such policy-laden decisions, decisions which may have unintended outcomes and impacts for other policies.

We respectfully suggest that the staff proposed limit on the number of rebates to two per individual (or household) is counter the goal of the CVRP. The goal of the CVRP program is to get electric vehicles on the roads in California. Eliminating rebates to the most enthusiastic ZEV supporters is counter to that goal and we respectfully suggest this limit be removed.

Our final comment on the CVRP staff proposal pertains to the Long Term Plan section of the proposed funding plan includes the following: “When advanced clean cars represent around 5 percent of total new passenger car sales in California, they begin to shift out of the early adopter market (1-2 percent of sales) and fast-follower (2-5 percent of sales) market segment. Once the advanced car market reaches beyond the fast-follower market, vehicle prices may be reduced enough where CVRP rebates may not be necessary, although additional research in this area is suggested below.”

We agree that once ZEVs reach five (5) percent of the total light-duty vehicle market, they may begin leaving the “early adopter” and “fast-follower” phases. We agree that additional research in this area is needed, for electric vehicles to succeed in the mainstream market the value proposition to consumers must be equal to or greater than the cost of the vehicles, whether they be BEVs or PHEVs. In 2013, BEVs and PHEVs each represented about 1.25 percent of the new vehicle market. Sales will need to quadruple for either BEVs or PHEVs to reach the 5 percent level. The proposed funding plan equates 5 percent market share to issuing CVRP rebates to a total of 150,000 FCVs, 150,000 BEVs, and 75,000 PHEVs over multiple years. The total number of vehicles sold over multiple years is not the same as market share. For example, if 15,000 BEVs are sold each year, the 150,000 rebate threshold will be reached in 10 years; however, BEVs would represent less than 1 percent of the market, far below the 5 percent threshold. It is unclear when we will reach 5 percent market share for any of these three technologies, and as a result, it is also not clear how these numbers were calculated in relation to obtaining 5 percent of the market.

In any case we believe the threshold for PHEVs should be the same as the threshold for BEVs and FCVs. Each of these technologies provides a different value proposition to consumers, and the diversity of options is desirable to ensure market success and consumer acceptance. The cost of PHEVs is at parity or slightly higher than BEVs. There's no reason to believe the vehicle prices associated with PHEVs will behave differently from prices associated with BEVs, or that the two technologies should have different thresholds for evaluating the need for incentives. We support and will participate in the review to determine if the CVRP incentives are still needed for PHEVs and BEVs; however, the threshold for both BEVs and PHEVs should be identical.

Comments Specific to the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project

The Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) is most directly responsible for market growth and success in California. HVIP is efficient, well-structured, and provides a direct, tangible benefit to consumers. This program has succeeded in reducing the up-front cost of zero- and near-zero emission vehicle technologies in the early stages of the market, when the costs of these technologies are prohibitive to their success in the market. Consumer acceptance and purchase price of zero and near-zero emission vehicles is the biggest barrier to market progress, there is no more effective way to create market pull than for the state Air Resources Board to provide direct monetary incentives to consumers.

We support the staff recommendation to allow for greater per-vehicle incentives for electric trucks in the HVIP program. This proposed increase is essential as the purchase price for electric trucks is substantial in the early market phase and the current rebate cap was not sufficient to encourage accelerated purchase of electric trucks. We appreciate the staff recognition of this and their addressing the issue effectively.

Comments Specific to the Pilot and Demonstration Programs

CalETC is fully supportive of staff's proposal for the new pilot and demonstration programs. We support additional funding for pilot and demonstration programs that will address the lack of clean transportation technology in disadvantaged communities. We appreciate the focus on significant funding for trucks, buses and freight. We also appreciate the creation of pilot projects within the light-duty sector specifically designed to benefit disadvantaged communities, including the staff's proposed allocation of $2.5 million for car sharing, $3 million for public fleets, $2 million for the Enhanced Fleet Modernization Program Plus Up and $1.5M in financing.

CalETC would like the Executive Officer to be given the flexibility to move funding between the new pilot and demonstration programs proposed by staff. We believe providing the Executive Officer flexibility will enhance the potential success for all the new pilot and demonstration programs. These are new programs and it is not entirely clear where there may be over or under subscription. Further, the burden of meeting a 100 percent threshold for technologies deployed in disadvantaged communities may prove to be disruptive to the effectiveness of the program.

There are effectively no electric trucks, buses and freight equipment deployed in the state. The market share for light-duty vehicles is still tiny, less than 3 percent of new vehicles sold are electric vehicles. We all need to stay focused on ensuring rapid acceleration of the market in every segment, recognizing that every clean vehicle sold will benefit disadvantaged communities. With so few electric vehicles and no guarantee of mainstream consumer acceptance, stakeholders and CARB need to support the purchase of any type of electric vehicle anywhere by anyone. At the same time, efforts can and should be made to direct clean technologies specifically in disadvantaged communities.

Comments Specific to the 2014/15 Budget and Long-Term Plan

CalETC strongly supports the $200 million appropriation for Low-Carbon Transportation from the Greenhouse Gas Reduction Fund to CARB. We also support the creation of the CVRP voucher waitlist by the Executive Officer which included a $30 million budget transfer for the remainder of FY13-14 for AQIP.

CalETC recognizes the need for a long-term funding plan for CVRP and for Low-Carbon Transportation. We support a gradual and responsible ramp down of incentives for light-duty transportation over time which is based on the value proposition to consumers coming to parity with the cost of the technology. We have suggested this value proposition is somewhat related to sales volumes that are significant enough to begin a ramp down in incentives. For trucks, buses and freight, we anticipate an increasing need for funding in the next 5 years and a reconsideration of funding needs after that time.

Conclusion

CalETC remains committed to continued engagement with stakeholders, the California Air Resources Board and state agencies supporting the growth and success of the electric vehicle market and the electrification of the transportation sector in California. We will continue to support funding for these incentive programs that is sufficient to support accelerated market growth.

Auto manufacturers, engine manufacturers and utilities are investing billions of dollars in supporting this transformational technology shift. This level of commitment would not be possible without CARB's continued support for these incentive programs, Thank You.

Sincerely,

Eileen Wenger Tutt
Executive Director

cc: Richard Corey, rcorey@arb.ca.gov
Erik White, ewhite@arb.ca.gov
Lucina Negrete, lnegrete@arb.ca.gov
Peter Christensen, pchriste@arb.ca.gov
Lisa Macumber, lmacumbe@arb.ca.gov