November 12, 2012

SUBMITTED ELECTRONICALLY

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

Dear Sir or Madam:

The Association of Global Automakers[1] (Global Automakers) is pleased to provide comments on the Proposed Amendments to New Passenger Motor Vehicle Greenhouse Gas Emission Standards for Model Years 2017-2025 to Permit Compliance Based on Federal Greenhouse Gas Emission Standards and Additional Minor Revisions to the LEV III and ZEV Regulations.

Auto Manufacturers Need Maximum Flexibility to Achieve GHG Standards

Global Automakers fully supports the amendments proposed by the California Air Resources Board (ARB) to provide auto manufacturers an optional compliance path for the California 2017-2025 model years (MYs) greenhouse gas (GHG) vehicle emissions standards by demonstrating compliance with the federal 2017-2025 MY GHG vehicle emissions standards. These amendments are consistent with ARB's letter of July 28, 2011 to the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Transportation (DOT), committing to support the national vehicle GHG and fuel economy program and with the Board's Resolutions 12-11 and 12-21 adopting the Advanced Clean Cars regulations. We appreciate ARB's prompt attention to this matter. Auto manufacturers need the greatest degree of flexibility possible to meet the challenges posed by these stringent standards for 2017-2025, and having this optional compliance path in California is vital for all automakers.

Global Automakers also supports:

1. The minor clarifying amendments regarding the Zero Emissions Vehicle (ZEV) over-compliance option, which provides auto manufacturers flexibility by having an optional ZEV compliance path, which allows manufacturers to partially reduce their ZEV obligations in the 2018-2021 MYs by over-complying with the national GHG program. Auto manufacturers are particularly challenged by the ZEV requirements, not only by the technological challenges but also by the challenges of new infrastructure demands and by the uncertainties associated with consumer acceptance. This situation makes it particularly

[1] The Association of Global Automakers, Inc. represents international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. Our members' market share of both U.S. sales and production is 40 percent and growing. We work with industry leaders, legislators, regulators, and other stakeholders in the United States to create public policy that improves motor vehicle safety, encourages technological innovation and protects our planet. Our goal is to foster an open and competitive automotive marketplace that encourages investment, job growth, and development of vehicles that can enhance Americans' quality of life. For more information, please visit www.globalautomakers.org.

important for auto manufacturers to have the greatest possible compliance flexibility for the ZEV standards.

2. The clarifying amendments regarding ARB's plans to participate fully in the EPA-DOT mid-term review to re-assess standards for the 2022-2025 MYs. Since ARB has partnered with EPA and DOT in developing the national program for both the 2012-2016 MY and the 2017-2015 MY, it is appropriate for ARB to be participate in the mid-term review.

3. The amendments to the provisions on small volume manufacturers (SVM) to clarify that the provisions pertaining to operational independence apply to 2013 and later MYs. The SVMs, several of which are Global Automakers members, face special challenges due to their small market shares and limited product lines. We greatly appreciate ARB's understanding of their situation and providing needed compliance flexibility.

The Feasibility of Technology May Vary from State to State

We continue to have concerns about the migration of California's regulations to other States pursuant to Section 177 of the Clean Air Act. As you know, Section 177 provides other States authority to adopt California vehicle standards. Even when advanced vehicles are feasible in California, they may not be feasible in other States due to issues related to fuel quality, fuel infrastructure, or consumer attitudes.

Clean, Low Sulfur Gasoline Enables Lower Emissions

When Section 177 was added to the Clean Air Act in 1977, all vehicles operated on petroleum (primarily gasoline), and there was little difference in gasoline quality across the nation. In the past 35 years the landscape has changed considerably. While both ARB and EPA have adopted fuel quality standards for sulfur content and other important fuel parameters, ARB's stringent fuel standards result in California having the best quality gasoline in the nation. For example, gasoline pool average sulfur content in California is one-third of the pool average of the other 49 States. Having cleaner gasoline enables manufacturers to make the maximum use of advanced technologies to reduce both traditional criteria pollutant emissions and GHG emissions. EPA is expected to reconsider national gasoline sulfur standards in its upcoming Tier 3 rulemaking, and we urge California to work with EPA to support cleaner gasoline standards nationwide.

Electric and Fuel Cell Vehicles Depend on Adequate Infrastructure

California has a long, extensive experience with electric and hydrogen vehicles over the past 20+ years of the ZEV regulations. In addition to ZEV, to meet ever stringent emissions and fuel economy standards, automakers are developing alternative powertrains that use electricity or hydrogen, both of which involve significant infrastructure development. Governor Brown's March 23, 2012 Executive Order recognizes the ongoing need for California to address infrastructure and other barriers to ZEV commercialization and the need for collaboration among California agencies, including ARB, the California Energy Commission and the Public Utility Commission, among others. In addition, ARB continues to work with stakeholders through the California Fuel Cell Partnership, the California Plug-In Electric Vehicle Collaborative, and other programs. We urge ARB to work with EPA and other States to address the critical infrastructure issues in the Section 177 States.

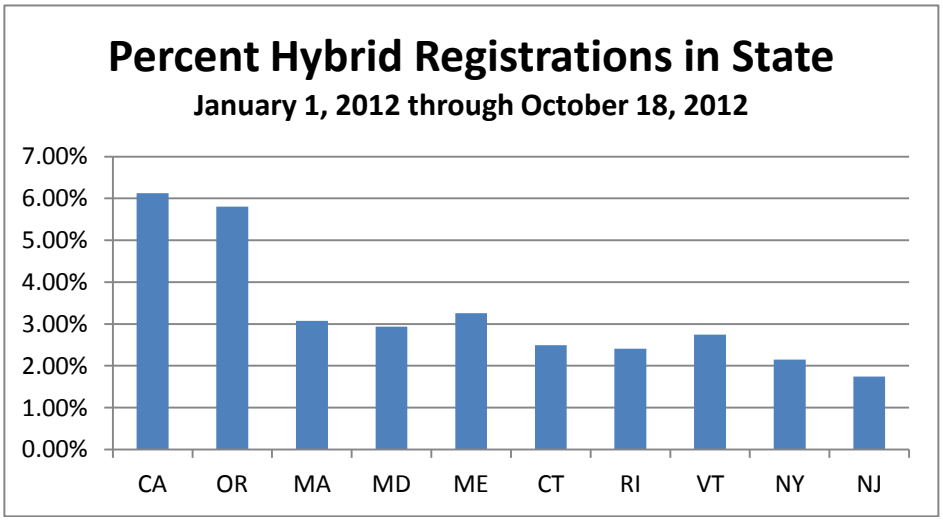
Electric and Fuel Cell Vehicles Depend on Incentives and Consumer Acceptance

A significant uncertainty faced by auto manufacturers is whether consumers will embrace ZEVs. In light of recent trends, California's stringent ZEV requirements will be challenging to meet in California alone and even more challenging in Section 177 States. Regarding the other States, there are significant questions about the feasibility of achieving the same market penetrations as California across all markets. The variations in feasible market penetration rates can be explained by a number of factors, including but not limited to differences in:

1. Weather/climate; e.g., the Northeast States have generally colder winters and more extreme weather than the most populated areas of California
2. Average vehicle miles traveled (VMT) in different markets
3. Fuel prices and other economic factors among markets, including purchase and use incentives
4. Housing; e.g., the Northeast States have generally older housing and more multi-family developments
5. Consumer attitudes

Regardless of the reasons, the market differences are clear; consumers buy different mixes of vehicles depending on the location, and the technology penetration rates will vary accordingly. One example is provided by the market penetration rates of hybrid electric vehicles (HEVs), an advanced technology that has been available across the U.S. for over a decade. It is important to note that HEVs do not involve any infrastructure changes, because all HEVs are gasoline-powered vehicles. It is reasonable to believe that other advanced technologies, such as all-electric vehicles or fuel cell vehicles, which rely on infrastructure and consumer change, may have even higher variability in penetration rates among markets.

HEVs were first introduced to the U.S. in calendar year 1999, and after 13 MYs, sales of these vehicles still account for only 3% of all new vehicle sales nationwide.[2] Even in California, HEV shares so far in the 2012 MY are only 6.1% according to data from R.L. Polk. HEV market shares in the Section 177 States are far lower. Below is a chart based on R.L. Polk data depicting the registrations of 2012 MY HEVs in California and some Section 177 States between January 1, 2012 and October 18, 2012.



[2] See U.S. DOE *Annual Energy Outlook 2012,* http://www.eia.gov/forecasts/aeo/pdf/0383(2012).pdf; see also http://www.hybridcars.com/news/september-2012-dashboard-53157.html

Not surprisingly, California leads the States in HEV penetration rates. This is due partly to consumer attitudes, but also to California's incentives for the purchase and use of advanced technology vehicles and the efforts that California has made to educate the public about the benefits of these vehicles to both the consumer and the environment. We urge ARB to work with EPA and other States to develop appropriate market incentives and to educate consumers nationwide on the ownership and environmental benefits of advanced technology vehicles.

Finally, variations in technology penetration can be further compounded by the differing market conditions noted above. A manufacturer's vehicle market strategy for California might include plug-in HEVs, electric vehicles, and hydrogen vehicles, all of which may sell well there. By contrast, the Northeast tends to be a region with higher demand for all-wheel-drive, trucks, and SUVs. Therefore, a manufacturer's compliance strategy for California may differ substantially in different States, making ZEV compliance in the Section 177 States very difficult, if not impossible.

Thank you. If you have any questions, please feel free to contact John Cabaniss, our Director, Environment & Energy, at jcabaniss@globalautomakers.org or (202) 650-5562.

Sincerely,

Michael J. Stanton
President & CEO

cc: Mary Nichols, ARB
James Goldstene, ARB
Tom Cackette, ARB
Chris Grundler, EPA
Clerk of the Board