



August 14, 2008

Mary Nichols, Chair  
Members of the Board  
James Goldstene, Executive Officer  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

RE: CARB Zero Emission Vehicle Regulation – 15-Day Notice

Dear Chairwoman Nichols, Members of the Board and Mr. Goldstene:

The undersigned organizations, members of the ZEV Alliance, appreciate the work of the ARB staff and Board to incorporate several of our and other stakeholders' comments on the 2008 amendments to the California Zero Emission Vehicle regulation in the 15-day notice. However, we are very concerned about the staff's proposal to extend the travel provision for Type III, IV, and V ZEVs to 2017. We have previously expressed our serious concerns about this provision to the staff and Board, and we revisit and reiterate these concerns in our comments below. This letter also offers a suggested change to the language regarding credit transparency.

***Travel Provision***

First, we strongly support the change to the Travel Provision that provides for the proportionality of California's credits to the Clean Air Act Section 177 state's credits beginning in 2009.

We remain, however, opposed to the extension of the Travel Provision for Type III, IV, and V ZEVs to 2017. Our organizations have commented publicly on this matter in writing and verbally numerous times in recent months.

We identified this concern in the March 26, 2008 “ZEV Loopholes” document signed by many of our colleagues, testified at the March 27, 2008 Board meeting, and have subsequently spoken with you, with staff, and with individual Board members on several occasions. ARB’s response is that the Board’s direction to staff to redesign the 2015 and subsequent model-year requirements for the ZEV program will address this issue.

We have three primary concerns with ARB’s chosen approach:

1. Extending the Travel Provision significantly reduces the number of ZEVs the manufacturers will be required to produce through 2017. As we wrote in our March 26 comment letter:

ARB staff justifies this large reduction in pure-ZEV numbers by saying the increase would “hinder the ability of auto manufacturers to bring these vehicles to markets.” During Phase III, when the vehicles are in a demonstration phase, this justification might be true. However, extending the Travel Provision into the pre-commercial stage (Phase IV) would inhibit future growth by limiting supplier opportunities, reducing infrastructure, and increasing per-vehicle costs.

This decision seems even more incomprehensible now, just four months later, given our experiences of world oil market instability. How quickly the dynamic has changed: the world’s automakers are reassessing their product plans and racing to bring electric and other alternative fuel vehicles to market. Since several automakers are promising mass-production quantities of electric vehicles in the Phase III, 2012-2014 timeframe, why give them a pass by extending the Travel Provision through Phase IV, 2017? This is the very time when ZEV regulations should bolster automakers’ push to bring these advanced vehicles to market.

2. As we all know, California’s vehicle emissions regulations, including ZEV, affect the entire United States. By extending the Travel Provision through 2017, the ARB is eliminating almost any chance for infrastructure development in the other Clean Air Act Section 177 states. This will prevent these states from embarking earlier on their own independent program development and could seriously compromise their ability to meet their long term global warming goals in the transportation sector.

3. Our third and more fundamental concern involves the proposed redesign of the program beginning in 2015 and the effect the Travel Provision extension will have on the Board’s ability to remove the provision during Phase IV if the Board finds that nationwide commercialization of pure ZEVs is feasible.

If the ARB next year plans to overhaul the ZEV Program effective 2015 (an activity that we generally support and agree is necessary), then why change this aspect of the regulation now? And why extend it through Phase IV? Making the change this year puts the Board in the uncomfortable position next year of trying to take back a provision that it has just granted. The extension could effectively tie the hands of the Board next year.

As you know, we have shared these concerns many times in recent months. Each time, staff has told us that this problem will be addressed in next year's redesign. We remain unconvinced that such a change will be realistic, given this program's stormy relationship with automakers over the years. As we approach the deadline for comments on the 15-day notice, it is clear that neither ARB staff nor the Board has the appetite to reconsider this request. We respectfully disagree with the decision.

We look forward to working with you on the redesign and will hold you, the staff and the Board accountable to fixing this problem when the program is redesigned next year.

***Credit Transparency***

In addition to our concern about the Travel Provision, we have a recommendation to improve the clarity of language on credit transparency. We appreciate the steps the Board has taken to require transparency in the ZEV credit bank, specifically that all production data is to be made publicly available starting with the 2009 model year and that the ZEV credit banks are to be fully transparent, including trades, beginning in model year 2010.

For clarity, we request the addition of the words "*Each Manufacturer's*" to section 1962.1(1)(2) as follows:

- (2) **Each Manufacturer's** Annual Credit balances for 2010 and subsequent years for...

Without the addition of these two words, it appears that the credit balance information made available to the public is disassociated from the automaker that earned the credit, thereby making it very difficult for the public to understand the basis on which credits are issued.

We thank you for your commitment to cleaning California's air and for your consideration of our comments.

Sincerely,



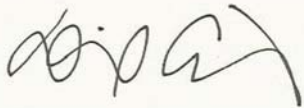
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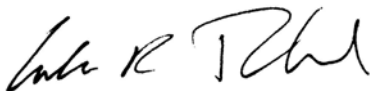
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