California Environmental Protection Agency

Air Resources Board

Public Hearing to Consider 2014 Amendments to the Zero Emission Vehicle Regulation

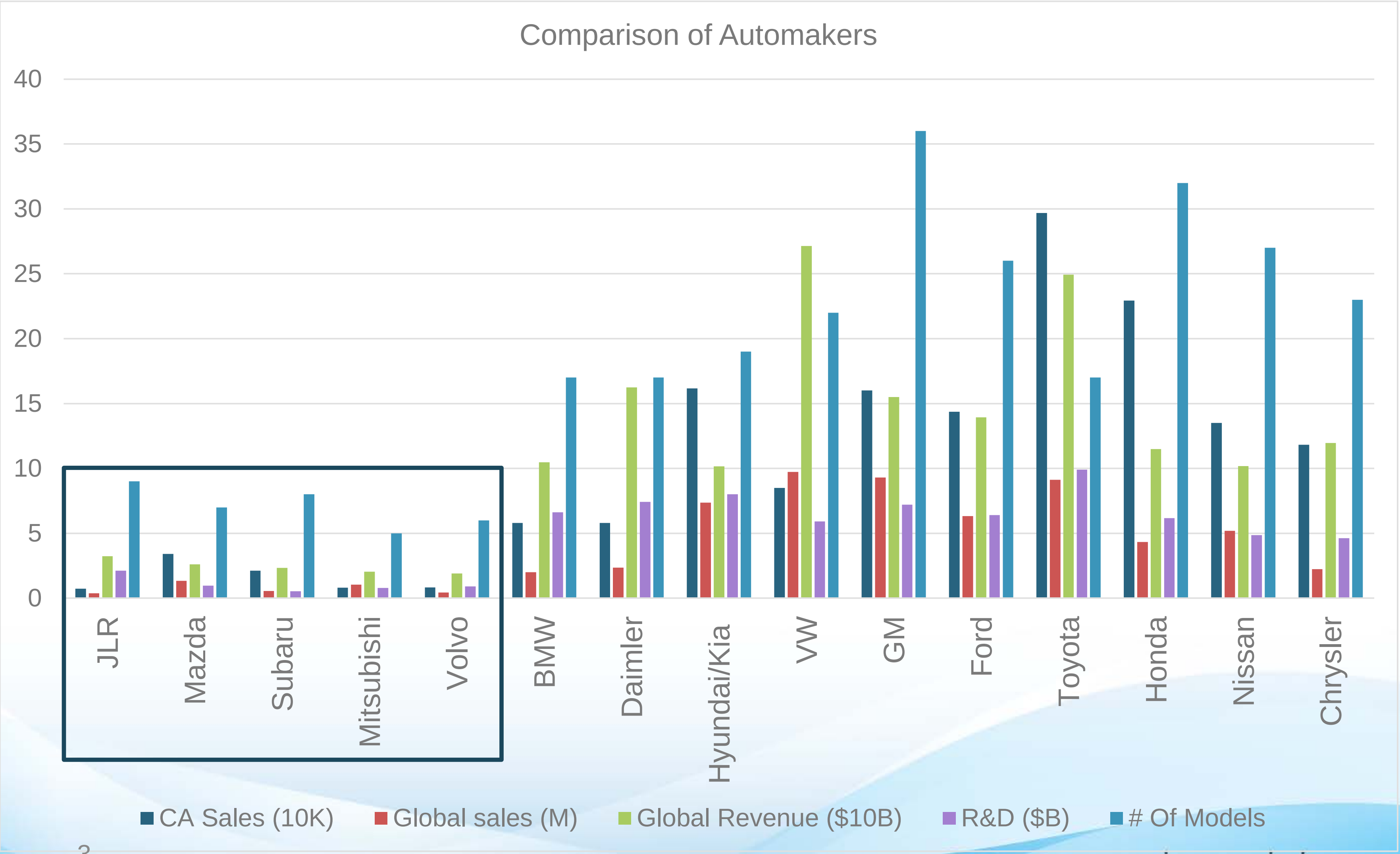
Sacramento, California

May 21, 2015

Overview

- Key Differences between IVM and LVM
- Actions To Date
- Today's Proposal (reflected in 15-day changes)
  - New definition containing Revenue Test
  - 5-Year Lead Time
  - Credit Recovery Period
  - Section 177 State Pooling
- Environmental & Cost Considerations
- Summary and Recommendation

Key Differences Between IVM/LVM



Actions To Date

- October 2014 Staff Proposal
- Board provided additional direction:
  - Recognize important differences between IVMs and LVMs
  - Retain program stringency
  - Evaluate program stringency as part of mid-term review
- Adjusted Proposal
  - Provides additional flexibility for IVMs only
  - Total ZEV requirements unchanged
  - Promotes market diversity due to flexibilities

Revenue Test & 5-Year Lead Time (Pure ZEV Introduction)

- If Automotive-Related Global Revenue ≤ $40B in 2018-2020 fiscal years
- Then Lead Time Clock not triggered
  (i.e., IVM continues to be treated as IVM)
- Lead Time Provision to deliver pure ZEVs extended
  - From 3 years to 5 years
- 2015 – 2017 is first three-year average that counts toward transition from IVM to LVM

Credit Recovery Period (No-penalty Period)

- Extend make-up period for IVMs to 3 years
  - only if they actually produce a ZEV/TZEV product
- Requires submittal of production plan
- Requires EO approval
- Allows IVMs to comply fully with TZEVs

Section 177 State Pooling

- IVMs may pool credits, but must earn that flexibility by placing extra ZEVs before the start of LVM requirements
- Allowed 2 additional years to deliver ZEVs once LVM
- Optional Compliance Path opt-in deadline:
  - September 1, 2016

ZEV Credit Requirement

- Retain requirements originally adopted in 2012
- Automakers must produce ZEVs in 2018+
- Considerations:
  - Need to retain program stringency
  - Other provisions allow additional flexibility
- Commit to revisit program stringency in late 2016 as part of mid-term review

Equally Protective of Air Quality; Costs Unchanged

- ZEV credit obligation remains unchanged
- Under 2012 likely compliance scenario ➔
  - Same number of ZEVs delivered
  - Same costs
- IVMs have many compliance options
  - Emission reductions protected by ACC fleet average
  - Costs may vary

Summary

- This proposal provides IVMs the flexibility needed to succeed in the ZEV market while maintaining the integrity and goals of the ZEV Program
- That flexibility includes providing:
  - Additional time to develop new technologies and deliver pure ZEV products prior to LVM transition
  - Appropriate credit recovery periods
  - Other flexibilities such as pooling

Recommendations

- Adopt the proposed amendments
  - Add Revenue Test to LVM Definition ($40Billion)
  - Extend Lead Time
  - Extend Credit Recovery Period
  - Allow Section 177 State Pooling
- Direct staff to release second 15-day notice
  - Planned to address reference and textual errors