BMW Group

June 25th, 2012

Mrs. Mary Nichols
Chair
California Air Resources Board
1001 I Street,
Sacramento, California 95814

Re: BMW Group Comments on the Proposed AB 118 Air Quality Improvement Program Funding Plan for Fiscal Year 2012-13

Dear Chair Nichols:

BMW Group supports the proposed AB 118 Air Quality Improvement Program (AQIP) Funding Plan for Fiscal Year 2012-13. The plan will give further impulses in order to develop the market for plug-in electric vehicles in California. With that, AQIP remains one of the key instruments to achieve the challenging goals set by the revised ZEV regulation and the ambitious targets laid down in Governor Brown's Executive Order B-16-2012 with a benchmark of 1.5 million zero emission vehicles in California by 2025.

BMW Group namely supports the availability of the full amount of incentive for so-called BEVx vehicles. BMW Group strongly believes that this category will serve as an effective accelerator for the deployment of ZEVs in the market. With the introduction of this category in the AQIP program, consistency with the ZEV regulation is established.

We would also like to point out two matters of concern:

a. The funding plan clearly indicates that for fiscal year 2012 – 2013, there is a high probability that the funding provided for plug-in vehicles in the passenger car category will not be sufficient to cover demand. Staff has responded to this issue with a "first come/first serve" arrangement.
This approach will most probably lead to a situation where funding will be available for customer A buying a plug-in vehicle in the early part of the fiscal year but not for customer B purchasing the very same vehicle in the later part of the fiscal year.
Another element of potential controversy could be a scenario where an OEM is launching a new electric vehicle only in the later part of the fiscal year, thus running the risk that ALL customers of this new vehicle will not be able to obtain funding through AQIP.
BMW Group is aware of the funding limitation and the need for laying out a compromise scheme for funding distribution. However, from a market perspective the current proposal does bear risks like the above mentioned. We will relay on ARB to communicate the experiences made for fiscal year 2012 – 2013. These lessons learned may serve as valuable input for the following fiscal year 2013 – 2014.

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b. As AB 118 and the related AQIP program is coming to a close in 2015, the lack of incentives will become even more apparent in a market that is still emerging even in three years time.
This and the challenges of underfunding as early as 2013 pose the question of potential sources for an enhanced and prolonged AQIP program. BMW Group strongly suggests to consider revenues from the upcoming cap-and-trade auctions to be invested in the AQIP program. By reducing CO2 emissions from transportation, such a transfer of revenues would clearly serve the policy goals laid down in AB 32. As a result, California would see the multiplication of the effects of the cap-and-trade program by not only reducing emissions in the production sector but also incentivizing the reduction of CO2 emissions originating from the mobility sector.

BMW Group would appreciate if the Board could consider these two concerns. We would also like to take the opportunity to thank ARB for their continued support of the market launch of electric vehicles.

With best regards,

Andreas Klugescheid
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BMW Group Representative Office California