November 4, 2021

Peter Christensen
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California Air Resources Board
1001 I Street Sacramento, CA 95814
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RE: Proposed Changes to the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project

Dear Peter,

The entities submitting this letter are grateful to the California Air Resources Board (CARB) for providing a forum to share feedback on the discussion document for the Fiscal Year (FY) 2021-22 Funding Plan for Clean Transportation Incentives. This letter focuses on a proposed change to the Hybrid and Zero Emission Truck and Bus Voucher Incentive Project (HVIP), specifically the proposed HVIP participant fleet size cap of 100 trucks in 2023 and 50 trucks in 2024.

Both the large and mid-sized fleets CARB proposes to exclude from HVIP play a critical role in developing the market for zero-emission technologies, and they will continue to accelerate the deployment of zero emission vehicles (ZEVs) if they have access to HVIP funding. Whereas smaller fleets cannot afford operational disruption and downtime risks posed by developing technologies like battery electric vehicles and hydrogen fuel cell vehicles, large and mid-sized fleets can mitigate this risk. Large fleets also have the capital to invest in the backbone infrastructure and training that will be necessary to increase the likelihood of success of the transition to ZEVs. Furthermore, larger fleets make decisions nationwide on where to direct their capital for innovative technology – programs like HVIP provide return on investment calculations in favor of significant investments in California. Lastly, developing the ecosystem for used ZEVs is at least as important as encouraging the purchase of new ZEVs, and it is the large fleets that will purchase and then pass down vehicles into the secondary market where smaller fleets can purchase them.

Large, mid-sized, and smaller fleets in California have a critical role to play in developing the market for zero emission commercial vehicles, and we wish to offer CARB some ideas for alternative approaches that would help meet statewide goals for small business development while encouraging ongoing investment in California by the largest vehicle buyers in the market. We propose the following menu of options to ensure equitable distribution of HVIP resources among all fleets as well as the vigorous participation of all segments of the market in ensuring the success of California's efforts to transition to zero emission medium and heavy-duty vehicles:

1. **Carve Outs.** The discussion document includes carve outs for various vehicle/fleet types – $70 million for public transit, $130 million for school buses, $75 million for drayage trucks, and $25 million for small fleets. $269.5 million remains for 'standard' requests, and staff should consider creating a carve out for 'mid-sized' fleets that do not fit the small fleet criteria but have less than 100 trucks. This would ensure that fleets above 100 vehicles do not absorb a disproportionate amount of the funds available.

2. **Application Windows.** The Clean Off-Road Equipment (CORE) Program does not allow for a single equipment category to absorb more than 25% of the funding available within the first six months of the program's opening date. After the six month mark, fleets can pursue the remaining funds for any equipment category. Staff should consider a similar model for HVIP. Within the first six months of the program, staff can limit eligibility to fleets of 100 vehicles or fewer. Then, after the six month mark fleets of all sizes can pursue the standard funding that is still available.

3. **Amended Incentive Structure.** Rather than eliminate large fleets as eligible entities, staff can reduce the incentive amount for large fleets. Right now, every applicant is eligible for the same voucher amount, regardless of size. Staff could reduce the voucher amount for large fleets from $120,000 to $100,000 to show favor to smaller fleets without cutting out larger fleets. Further, if staff were to consider this pathway, we recommend CARB remove the stacking restriction that prohibits fleets from pursuing other state-level programs like the Carl Moyer Program and Volkswagen Environmental Mitigation Trust Funds.

The large and mid-sized fleets that are piloting electric vehicles today are serving as the models that small fleets need, and HVIP funding has been a critical component to the success of these pilots to date. We urge you to take one, all, or a combination of these suggestions into consideration as staff works on the current and future funding plans. We are eager to work with you and your team to advance the adoption of cleaner vehicle technologies, and if your team would like to connect further, please share your availability to connect with Chris Shimoda at 916-373-3504 or CShimoda@caltrux.org and Brianna Lawrence at 424-744-4482 or Brianna.Lawrence@gladstein.org.

Sincerely,

American Trucking Associations
California Trucking Association
Construction Industry Air Quality Coalition
Truck & Engine Manufacturers Association
Cal Chamber
NAIOP California
California Manufacturers & Technology Association
California Grocers Association
California Business Properties Associate
Chemical Industry Council of California
Daimler Trucks North America
California Electric Transportation Coalition
California Beer & Beverage Distributors
Western States Trucking Association

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