August 27, 2021

California Air Resources Board
Sustainable Transportation and Community Division
1001 I Street
Sacramento, CA 95814

RE: Comments on Advanced Clean Cars II Equity Components

We thank the California Air Resource Board (CARB) for their efforts to develop an equitable Advanced Clean Cars (ACC) II rulemaking. However, we're concerned that the rulemaking is not prioritizing equity in a way that will deliver meaningful equity outcomes and benefits to low-income communities. The following comments are feedback directed at staff's rulemaking proposal.

Mandatory Equity Requirements

Currently, anything focused on equity is voluntary. This approach does not align with the equity principles and recommendations we've made on our original letter. Rather than having equity credits be a separate and voluntary option, we believe CARB has an opportunity to embed equity into any potential ACC II credit structure that demonstrates the agency's commitment to addressing and prioritizing equity outcomes. In order for an OEM to receive a full ACC II credit, they must participate in the equity provisions. By making it a mandatory requirement, OEMs will be required to address equity by helping increase the number of vehicles in low-income communities. Given that there are not sufficient incentive funds available to help meet our state goals through the budget and complementary programs, we need to think about innovative approaches to get more vehicles in our low-income communities and having OEMs do this directly by developing a credit structure that embeds equity provisions is an opportunity to help overcome existing challenges.

If CARB and our coalition agree that it's not legally viable to make the equity provisions mandatory, and they must be voluntary, then we request CARB to explore the following "two pathway" structure, prioritizing the "base" pathway by making it sufficiently attractive for many OEMs to participate in the equity provisions. Under the "base" pathway, OEM voluntary participation in equity provisions, at a sufficient level, would allow them to comply at the standard regulatory stringency level. If OEMs decide not participate in the equity provisions, then the "alternative" pathway would require that OEMs sell additional EVs. CARB has already set precedence for a similar structure with their previous ZEV requirements.

As CARB continues to explore the type of equity provisions to move forward, we provide the following feedback on the previously discussed issues.

Stringency

Given that in the existing proposal equity credits are not additive, but rather subtractive, the staff proposal in its current form sets up a regrettable trade-off between equity and stringency. This is unnecessary and counterproductive. If equity placements cannot be made mandatory then under the CARB structure the credit obligation must be increased to take into account the allowable number of credits from equity placements. With that approach the equity placements and increased stringency work in concert to support the Board's environmental justice objectives, rather than in opposition.

CARB must develop a stringent rule that motivates OEMs to engage and participate in equity components. In order to do this effectively, CARB's rule must frontload stringency and therefore increase early year targets so that it forces OEMs to invest now in EV technology. This has multiple benefits in terms of accelerating OEM competition and driving prices down faster, while also bringing pollution reductions forward. We therefore urge CARB to incorporate the proposal made by our full coalition to set the starting ZEV sales obligation at 45 percent for MY2026. CARB's current proposal falls woefully short--it appears that the early years of CARB's proposal would essentially maintain automakers' business-as-usual trajectory. This approach - seemingly intended to avoid burdening automakers - elects instead to delay emissions reductions for communities and price declines and second-hand markets that low-income customers need.

We continue to see impressive results in Europe, where OEMs are easily meeting stricter emission standards, leading to surging EV sales, falling prices, and an expanding used-vehicle market. By contrast, the risk of starting so low, as CARB currently proposes to do, is that the program will remain awash with surplus credits, and undermine any incentive to utilize the equity multipliers that CARB is crafting.

Additionally, given the number of credits that are available due to ACC I, there's no guarantee that OEMs will be motivated to participate in the equity provisions. We must ensure this new rule helps address the existing credit glut

Carshare

We appreciate staff effort to advance this concept that provides credits to OEMs who place vehicles within a carshare program. This concept builds on an original ACC I program, which yielded minimal participation. For this concept to proceed, we would like CARB staff to think through the following questions -

- Vehicle ownership - who owns these vehicles if they go into a carshare program.
- Discount - How did staff come up with the various discount percentages and could they be higher?
- Are programs like the Clean Mobility Options and other carshare programs ready for this type of support?

- In case these concepts can successfully place vehicles in programs, will programs be able to scale up? State funding for the transportation equityprograms has been minimal and will not allow for these programs to significantly scale up.

Leased vehicles

We encourage CARB staff to do additional analysis on this concept. Even though there's potential for this concept, it is currently weak as it does not ensure equitable benefits. In its current form, the concept is not targeted and does not necessarily provide benefits to DAC/LMI communities. For this concept to proceed, it must be targeted. Keeping leased vehicles in CA is not by itself addressing equity. This concept must go a step further and have these vehicles stay in CA, but then be placed in programs like the Clean Cars 4 All or Clean Vehicle Assistance Program.

Even though we see potential opportunities for carshare vehicles, our priority remains on getting new or used vehicles into programs like CC4A and CVAP, where we can ensure we're delivering direct benefits and equity outcomes. We urge CARB staff to focus efforts on developing a rulemaking that increases opportunities for new and used vehicle ownership by placing vehicles in these programs.

We look forward to continuing our conversations with CARB to further explore these opportunities where we can uphold the equity principles and recommendations from our initial letter and incorporate equity to develop concepts that will deliver equity outcomes.

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