



June 22, 2015

California Air Resources Board  
1001 "I" Street  
Sacramento, CA 95814

Subject: SUPPORT with Comment for FY 2015-16 Funding Plan for Low Carbon  
Transportation Investments and the Air Quality Improvement Program

Dear Members of the Board,

On behalf of Tesla Motors, Inc. ("Tesla" or the "Company"), we wish to thank you for the opportunity to provide comments on the proposed funding plan for the Low Carbon Transportation Investments and the Air Quality Improvement Program. We strongly support the goals of the Clean Vehicle Rebate Project ("CVRP") and applaud programs within the California Air Resources Board ("ARB") that provide important incentives to accelerate deployment of zero emission vehicles and improve air quality throughout California.

As outlined in greater detail below, we believe that the goals of the Air Quality Improvement Program (SB 1275) to deploy at least one million zero-emission vehicles by January 2023 and support a self-sustaining California market for zero-emission vehicles are vital to California's future. Achieving these goals is important not only to California, but also the nation in terms of improved air quality, reduced greenhouse gas emissions, increased economic growth and reduced dependence on foreign oil. The funding plan presented in staff's proposal is the result of a comprehensive evaluation spanning many months, which takes into consideration the input of a wide range of stakeholders. We believe that this plan represents a very conservative assessment of need. As ARB begins to implement income eligibility limits for the CVRP, we support staff's proposal to set the limits in line with Proposition 30. Consistent with this support, Tesla has two significant comments with the proposal as currently drafted. As outlined in greater detail below, we support Staff's proposal that there must be adequate time to allow for consumer outreach to educate Californians about the upcoming changes. ARB must provide notice along with transparency as changes are implemented so as to ensure Californians are informed. In addition, Tesla has concerns regarding uneven implementation of the proposed changes. Specifically, the changes proposed must be applied equally across all zero emissions technologies without providing inequitable favoritism to one technology over another. Such considerations are important if California is to achieve the goals of SB 1275.

From the outset, we note that Tesla is a proud partner with California to help achieve the Governor's goal of deploying 1.5 million zero-emission vehicles by 2025, along with a 50% reduction in petroleum usage by 2030. Tesla is California's largest automaker, operating facilities in both Northern and Southern California and employing more than 9,000 people in the state. Furthermore, we continue to operate the most robust and technologically advanced fast-charging network in California as well as throughout the nation; a service that is provided completely free to our customers. We are rapidly expanding our investments in the state through the expansion of our manufacturing center, headquarter facilities, charging infrastructure and sales and service locations, as well as acquisition and expansion into additional manufacturing and technical support facilities located in California. We are proud of this partnership and in that spirit, offer these comments to further the goals of SB 1275.

*Implementation Schedule and Consumer Outreach* - SB 1275 requires ARB to adopt new requirements no later than June 30, 2015, and “implementation of these program changes will begin at a later date.” The initial staff recommendation is to implement the income eligibility four to six months after July 1, 2015. We support staff’s recommendation to allow adequate time for “consumer outreach” and seek to reinforce one of the legislature’s stated objectives, which is to “minimize impact to the market.”

As a very real example of the need for outreach, Tesla customers who are signing up this spring to purchase the new Model X crossover utility vehicle may not receive their vehicle for several months, depending on their place in the waitlist. We anticipate that once the income limit for the CVRP is finalized, a portion of consumers that already committed to purchasing this zero-emission vehicle will be ineligible for the rebate at the time of delivery. It is important that manufacturers have time to communicate the new rules surrounding CVRP to their customers, and that there is a smooth transition to the new program. Reliance on CVRP is unquestionably one of the several factors California consumers take into account when making a purchasing decision on zero emissions technology versus conventional technology (i.e., gasoline-powered vehicles). Changing the rules of the game after such decisions are made without subsequent outreach only erodes consumer confidence and undercuts the public policy rationale for such programs. Accordingly, we strongly support staff’s recommendation to provide adequate time to allow such outreach, which is vital to the CVRP.

*Staff Proposal to Exempt Certain Technologies from SB1275 requirements* – In addition to the foregoing, we also wish to echo the comments of several other stakeholders who have urged the Board to oppose staff’s recommendation to exempt Fuel Cell Electric Vehicles from the income requirements of CVRP. Simply put, we believe such an exemption is not technology neutral and dilutes the goals of SB 1275. California should not be in the position to pick zero emission technology winners or losers. By placing their thumb on the scale of business and technology development in this inequitable manner, California only creates disparate outcomes slowing the overall goal of encouraging and implementing all zero emission vehicle technologies. Manufacturers adverse to the ZEV mandate overall can too easily jump from one emerging technology to the other in order to satisfy mandatory requirements without actually increasing the number of ZEVs on California roads and available to Californians. Instead, the rules must apply equally to all zero emission technologies. Favoring one technology over another through inequitable application of requirements and incentives is not only arbitrary and capricious, such favoritism will only lead to adverse results in the market and limit consumer choice. As result, we request that ARB reconsider the exemption of any technology from SB 1274 requirements.

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We thank you for the opportunity to provide comments on the proposed funding plan. We appreciate the efforts of the California Air Resources Board to improve air quality and reduce greenhouse gas emissions by taking bold steps to foster the market for zero emission vehicle technologies.

Sincerely,

A handwritten signature in blue ink, appearing to read "James C. Chen", with a long horizontal flourish extending to the right.

James C. Chen,  
Vice President of Regulatory Affairs