

BMW Group

July 18, 2013

Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

Re.: Proposed AB 118 Air Quality Improvement Program Funding Plan: Fiscal 2013-2014

Members of California Air Resources Board:

BMW Group applauds CARB staff for the proposal and for incorporating input from the various stakeholders. We are pleased to submit this letter of **support** for the AB 118 Air Quality Improvement Program (AQIP) Funding Plan for FY 2013-14. We are especially pleased to see that funding for the Clean Vehicle Rebate Program (CVRP) will continue.

Consumer awareness of CVRP continues to grow and as a result, the demand for incentives has increased significantly from the inception of the program in 2009/10. BMW Group supports staff's recommendation to keep the incentives at the current level and to standardize the rebates for zero emission vehicles. As noted in the proposal, the market for ZEVs/PHEVs is still in its infancy. It is therefore critical for CARB to continue its commitment to aid in growing the market. BMW Group agrees that lowering the rebate amount could have unintended consequences by reducing the demand of these vehicles and in turn slowing down the current momentum illustrated in the proposal. Automakers are investing significant resources to bring these vehicles to the market and are responding to market needs by offering lower prices on these new technologies at a loss. Consumer incentives remain critical to sustain the growth in the market and to get beyond the early adopter phase.

BMW Group remains concerned that the program will be significantly underfunded for the current fiscal year. According to staff's report, AQIP funding alone of \$10 million will not be sufficient to meet current consumer demand. In fact, the proposal expects that funding will only last a few months and the additional allocation from CEC (\$5 million) will extend the program only until fall 2013. With the current consumer demand and anticipated new model releases, staff anticipates a funding need between \$40 and \$60 million for FY 2013-14. That is a significant shortfall and with the pending releases of the next generation EVs, like the BMW i3 - a purpose built vehicle, any decline in consumer incentives could put industry efforts at a risk at this very critical phase. We urge CARB to consider other revenue streams such as Cap and Trade to aid in filling this gap.

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Again, we commend staff's work on CVRP and we look forward to continue working with them and other stakeholders in the months ahead to develop a more sustainable long-term plan for CVRP. Thank you for taking our comments into consideration.

Sincerely,

A handwritten signature in black ink that reads "Frank Breust". The signature is written in a cursive style with a long horizontal line extending to the right from the end of the name.

Frank Breust
Vice President of Governmental Affairs
BMW Group Representative Office California