



SILICON VALLEY LEADERSHIP GROUP

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DATE

August 11, 2022

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California Air Resources Board (CARB)
1001 I Street
Sacramento, CA 95814

Re: May 2022 Draft Advanced Clean Fleets regulation

Dear CARB staff:

The Silicon Valley Leadership Group is excited to engage in the Advanced Clean Fleets (ACF) process and provide feedback on the proposed draft ACF regulation language that was made available May 2, 2022. We support the development of an environmentally beneficial regulation that provides a clear market signal for zero-emissions vehicle (ZEV) demand and fleet decarbonization.

The Leadership Group, founded in 1978 by David Packard of Hewlett-Packard, represents over 350 of Silicon Valley's most respected employers on issues that affect the economic health and quality of life in Silicon Valley, including energy, environment, transportation, education, housing, health care, tax policies and economic vitality.

Our organization believes CARB should enable greater deployment of ZEVs through an ACF regulation that relies on flexible, market-based and technology-neutral policies. Such policies include incentives for fleets of all sizes and a hierarchy of compliance options:

- first, add ZEVs;
- second, use a credit generation and trading mechanism;
- third, if neither of the first two options are reasonably or readily available, allow near-zero emissions vehicles (NZEVs) as a conditional alternative to ZEVs.

These policies will help maintain a balanced and competitive marketplace and achieve maximum greenhouse gas (GHG) emissions reductions at the least cost, while providing economic certainty and service reliability for business.

What follows are the Leadership Group's comments around specific elements of CARB's draft ACF language for High-Priority and Federal Fleets and the 100 Percent ZEV Sales Requirement for medium- and heavy-duty vehicles.

High-Priority and Federal Fleet Requirements

This component of the proposed ACF regulation would most impact Leadership Group member companies, namely those that are fleet owners and operators. Several of our members also manufacture medium- and heavy-duty ZEVs and/or provide fleet charging services. Collectively, our organization's members advocate for policies to achieve California's ZEV goals – by incentivizing and supporting the equitable deployment and utilization of ZEVs, and facilitating reliable charging infrastructure investments.

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Exemptions and Extensions

In line with our principle of flexible policies, the inclusion of a section in the draft regulatory language to allow for certain vehicles to be exempted from – or fleets to have more time to comply with – the ACF regulation is helpful to ensure a workable proposal that considers different types of impacted fleet operators and the industries in which they operate. The “Flexibility Option to Meet Fleet ZEV Milestones” similarly aligns with the Leadership Group’s principles of flexible policies and achieving maximum GHG reductions at least cost.

As part of its continued work on ACF, CARB should delineate and continue to explore challenges to decarbonizing fleets across California and why exemptions are needed – whether due to supply chain challenges, lack of reliable ZEV charging and fueling infrastructure, or other factors. CARB should also ensure that ACF requirements do not inhibit valuable research and development, like the testing and deployment of heavy-duty autonomous trucking. This innovation has [been long-delayed in California](#), and Leadership Group members are eager to see it move forward and take place in our state.

Credit Mechanism

In line with our principle of market-based policies, one way to reduce the need for ACF’s exemption and extension elements is to create a compliance credit generation and trading mechanism, specifically as part of the ACF framework applicable to high priority and federal fleets. This will help ensure that ACF realizes emissions reductions to meet California’s ZEV deployment targets and climate goals. An ACF regulation that leverages market-based approaches, like credit generation and trading, will allow fleet operators to make decisions that are both cost-effective and environmentally beneficial.

To preserve the overall emissions reduction impacts of ACF, it would be preferable to direct demand that cannot be met by a given fleet, for whatever reason, toward those fleets that are able transition at a faster rate and/or at lower cost. A crediting mechanism will enable this. Furthermore, by monetizing excess compliance, a crediting mechanism provides an incentive for fleets to exceed the floors established in the program. This could take the form of a fleet that is subject to ACF transitioning sooner – or to a greater degree – than called for, or a smaller fleet investing in ZEVs despite not being subject to ACF’s requirements.

NZEVs

There is value in having a component of regulatory language that allows for NZEVs – provided they operate like a ZEV for a minimum distance and are a compliance alternative for fleets only if the first two options (add ZEVs or use credits, as stated above) are not reasonably or readily available.

As currently drafted, the ACF language provides no assurance that NZEVs will result in the same emissions reduction benefits as ZEVs. There does not appear to be any means of ensuring that these vehicles operate, to the greatest extent possible, in electric-only mode. The all-electric range required for NZEVs to qualify as ZEVs under ACF also appears quite low and not comparable to the electric ranges of ZEVs that are currently available and/or expected to be available in the future (see table on page 9 of 41 – or B-2 – of [this document](#)).

SVLG requests that NZEVs only be permitted for compliance purposes if an entity is truly unable to purchase and deploy ZEVs in its fleet, or – with a crediting mechanism in place – if the entity has been unable to procure sufficient compliance credits from other entities at reasonable cost or in sufficient volume to cover its compliance deficits.

2040 100 Percent ZEV Sales Requirement

The Leadership Group is supportive of CARB considering 2040 as the year that all medium- and heavy-duty vehicles must be ZEVs. This proposed component of ACF will provide manufacturers a clear signal, building off of CARB’s Advanced Clean Trucks (ACT) regulation, of California’s continued commitment to ZEV deployment. A 100 percent sales requirement for California – the fifth-largest economy in the world – will complement ACT’s timelines and other elements, and drive demand across the U.S. and the world.

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Summarizing Thoughts

ACF will play a central role in California's path forward to achieve cleaner skies and carbon neutrality. The Leadership Group's membership includes many key players in this path – from those companies needing to decarbonize their fleets, to those producing the vehicles, technology and other solutions – towards zero-emissions fleets.

ACF should incent greater production and deployment of ZEVs, while leveraging policy and technological alternatives that enable cost-effective emissions reductions. A compliance credit mechanism – as part of the framework applicable to high priority and federal fleets – is one way to strengthen ACF. The Leadership Group recognizes that ACF could pose compliance challenges for particular fleets, and sees value in mitigating these challenges by adding a credit mechanism to ACF regulatory language.

CARB can and should move forward with an ACF regulation that enables the California economy to continue to innovate and thrive, as well as become more sustainable. As ACF continues to evolve and enter implementation, our organization encourages CARB to further account for fleet incentives, grid readiness for charging infrastructure, and heavy-duty autonomous trucking testing and deployment.

We welcome the opportunity to partner with CARB to support a robust ACF regulation, and look forward to working with you more throughout the rest of 2022, and in the years and decades to come.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mary Holing'.

Mary Holing
VP Environment