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15-5-8

June 24, 2015

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

RE: HATCI Comments on AQIP Funding Plan for FY 2015-2016

Air Resources Board Members:

The Hyundai-Kia America Technical Center, Inc. (HATCI) appreciates the opportunity to comment on the draft Air Quality Improvement Program (AQIP) and Low Carbon Transportation Greenhouse Gas Reduction funding plan for FY 2015-2016. HATCI is the U.S. research and development organization representing both Hyundai Motor Company and Kia Motors Corporation and is responsible for regulatory affairs.

HATCI would first like to express support for the proposal to maintain the funding level of rebates for fuel cell vehicles (FCEV) at \$5,000 per vehicle, \$2,500 for electric vehicles (EV), and \$1,500 for plug-in-electric vehicles (PHEV). These AQIP incentives are helping to establish the market for these environmentally-friendly technologies. Based on data gathered through eco-vehicle buyer surveys, and given the relative infancy of the vehicles, and their importance to air quality, HATCI believes it is important to incentivize early adopters of these technologies. As such, HATCI respectfully requests the Board to reconsider the proposed timing for eliminating rebates to higher-income purchasers.

Both Hyundai and Kia have shown their commitment to California's ZEV program. In June of 2014, Hyundai leased its first Tucson FCEV to a California resident. To date, Hyundai has leased 70 fuel cell vehicles and will continue to increase the volumes over time. Additionally, with the assistance of funds from the California Energy Commission, HATCI will be opening a public refueling site at HATCI's Chino facility at the end of October which will have a 700 bar dispenser providing 100% renewable hydrogen.

Second, Kia sells and leases electrified vehicles, and Hyundai will do so in the near future. The Kia Soul EV was offered for sale in October 2014. Hyundai will begin sales of the Sonata PHEV in 2015. Kia is on track to sell several thousand Soul EVs in California, thanks to many of its features such as its outstanding 93-mile range and support from California's \$2,500 Clean Vehicle Rebate.

In light of the staff's recommendations for putting an income cap in place, HATCI would like to share some relevant data based on Hyundai and Kia's experience with selling and leasing ZEV vehicles. Hyundai recently surveyed its Tucson fuel cell vehicle customers and determined, if the income caps were already in place, many of our current owners would not qualify for the credit. Therefore, HATCI was encouraged to see that the proposal would exempt FCEV customers from the income cap for the next three funding cycles. This is particularly important now that the federal incentive has expired. However, it is possible that

the market may not be able to progress to a point in three years where customers besides "early adopters" purchase these vehicles. Therefore, HATCI believes it would be more prudent to decide the future of this program at the expiration of the program in three years rather than set the expiration date now. This will allow the Board to assess if progress has been made towards the CVRP milestone of 150,000 rebates and if sales of FCEVs have moved beyond the early market stage.

Kia also recently conducted a Soul EV early buyer survey (respondents must have acquired a 2015 MY Soul EV and driven it for several weeks). Kia received 116 responses to their survey and found that 16% of buyers had a household income between \$200,000 and \$249,999, another 7% had a household income between \$250,000 and \$299,999, and 10% had a household income over \$300,000. Therefore, a significant number of Kia's current customers would not have received a rebate if an income cap was introduced. This is relevant because nearly two thirds of the purchasers reported that they would not have purchased the Soul EV without the rebate. For these reasons, continuation of the incentives is important to maintain robust sales. We recommend that cap on EVs be exempted for another two years with reevaluation at that time as to whether progress has been made in the market (similar to our recommendation for FCEVs).

In summary, monetary incentives offered by the State of California help to bridge the gap between what customers consider an affordable price and the cost of the new technologies. HATCI appreciates and recommends that all rebates be continued at their current levels, and that any market or income caps only be put in place when there is clear data that they are no longer necessary. Additionally, HATCI is supportive of point-of-sale rebates because they would reduce the amount of money that is needed at the time of purchase and would encourage sales of ZEV vehicles. HATCI appreciates California's support in encouraging the purchase of these environmentally-friendly vehicles.

Thank you for considering our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Deborah Bakker".

Deborah Bakker  
Director, Regulation and Certification Department