



BYD America
1800 S Figueroa St.
Los Angeles, CA 90015

May 25, 2018

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments in Response to March 27, 2018 Update on Innovative Clean Transit

Dear Chair Nichols and Members of the Board:

Thank you for this opportunity to comment on the update to the Innovative Clean Transit (ICT) process. BYD is an international manufacturer of zero emission light-duty and heavy-duty vehicles. BYD deliberately located its North American headquarters in Los Angeles and its manufacturing facilities in Lancaster because California is the global leader in advancing a policy agenda that squarely tackles climate change and the dangers it poses for our future.

With the ICT rulemaking, California has the opportunity to significantly reinforce its role as a leader in the fight against climate change while simultaneously improving the lives of many of the state's most disadvantaged populations. BYD strongly supports the goal of transitioning the state's transit fleets to zero-emission vehicles by 2040 and stands ready to do its part to make that transition happen smoothly.

As a stakeholder engaged since the early days of the rulemaking, BYD has seen numerous proposals throughout the development of the rulemaking. The current proposal put forward by the California Transit Association (CTA), as articulated in their April 30, 2018 letter, contains a framework that provides a viable path forward for a zero-emission transit bus regulation. This proposal would see the original goal of a complete transition to zero-emission by transit agencies by 2040, while allowing each transit agency to chart a unique path forward based on their individual circumstances. As such, BYD would like to respectfully submit the below comments on the CTA proposal.

Individual Plans by 2020; Fully Zero-Emission by 2040

BYD supports the process laid out in the CTA proposal, which would require transit agencies to submit individualized zero-emission transition plans to ARB by 2020. BYD believes that this critical planning process will enable transit agencies to put forward individualized plans that are suited to their individual needs and concerns. Each of these plans would retain the goal of completing a fleet's transition to zero-emission by 2040. The individual plan requirement would be backstopped by a provision allowing ARB to impose individualized purchase mandates,

beginning in 2025, on agencies that fail to meet their zero-emission bus (ZEB) deployment targets.

As a battery electric transit bus manufacturer, BYD recognizes that each agency has its own unique set of circumstances and challenges. These factors include fleet size, infrastructure needs, land use and financial position. BYD works with transit customers day in and day out to address these concerns on a case by case basis. It is important to recognize these realities and acknowledge that it is the individual transit agency who is best positioned to determine how they can achieve the 2040 zero-emission goal. Therefore, BYD supports the proposal requiring each transit agency, by 2020, to submit a plan laying out the path to achieving zero-emission fleet in 2040 to ARB.

The individual plans will be backstopped by a strong provision of the proposal that will allow ARB to impose individualized purchase mandates on transit agencies that fail to meet their ZEB deployment targets, beginning in 2025. This aspect of the proposal ensures that the state will have adequate time to evaluate the progress of each transit agency and implement course corrections via a procurement mandate. BYD believes that the individual plans and ability to impose procurement mandates create a balanced path to zero-emission that takes into account individual agency needs with the wider objective of achieving emissions reductions in a timely manner.

BYD is concerned that some of the state's smaller agencies may not have the internal expertise, or the funding to pay for outside experts, to create a detailed plan for electrification. BYD proffers that CARB should consider allowing transit agencies to utilize one HVIP voucher to fund technical services. This would allow all transit agencies to put forward ambitious but achievable electrification plans, making it more likely that the backstop provision becomes unnecessary.

Reliable Funding for Transit Agencies

To ensure that the rule succeeds, BYD supports CTA's proposal calling on ARB to identify dedicated and reliable funding streams to help offset the incremental cost between ZEBs and conventional buses, especially in the form of voucher programs such as HVIP. These programs should not be encumbered by arbitrary limits or barriers. Importantly, the funding should be accessible to transit agencies for funding regulatory compliance.

Although ARB policy has historically adhered to a "polluter pays" principle for its funding programs, the proposed rule's narrow application to solely transit agencies calls for a more nuanced analysis. Previous regulations prevented access to subsidies for compliance because doing so would require the use of public state funds to bring private fleets into compliance. As the ICT rule would only apply to public transit agencies, which rely solely on fares and public funding from federal, state and local sources, the concern about public funds going to private fleets does not apply. Additionally, transit agencies provide an essential public service to the state's most disadvantaged communities, which argues strongly for the ability to continue to access state incentives to ensure that these services operate smoothly. A dedicated and reliable funding stream will ensure that funds meant to ensure service reliability and state of good repair

are not diverted. For these reasons, BYD supports the funding elements of CTA's proposal.

Use Regulatory Assessments as Opportunities to Course Correct

Periodic technology assessments have played an important role in numerous ARB rulemakings, including ICT. These assessments provide an opportunity for staff and stakeholders to take a step back and look at the larger picture. BYD believes that these status checks will be an important aspect of implementing a successful ICT rule and supports the CTA's proposal calling for assessments beginning in 2023 and every two years thereafter.

As part of these assessments, ARB would examine the status of the ZEB industry, including cost trends, funding levels, infrastructure availability and transit agency progress toward their 2040 goals. It will largely be incumbent upon OEMs to ensure that these technology reviews will demonstrate successful outcomes, in the form of decreased bus costs, effective early deployments and satisfied customers. Between the increasing demand for ZEBs nationally, the entry of more OEMs, both existing and startup, into the ZEB space and the rapid advances in zero-emission technologies, BYD is confident that the electric bus industry will be up to the task. Such a review process will send a strong market signal that the state, while unwavering in its commitment to the 2040 goal, is willing to make adjustments in response to implementation challenges found in the process.

Conclusion

ICT is a critical and necessary element of California's Strategic Plan. CTA's proposal articulates a framework that is viable and fair and BYD stands in support of it. The time to adopt the rule is now. BYD thanks the ARB Board Members and staff for their efforts in developing this plan as well as for the opportunity to provide comments. We look forward to the opportunity to discuss these concepts with you in more detail soon. For questions or more information, please contact myself, Zach Kahn (zach.kahn@byd.com) or Mark Weideman (mark@weidemangroup.com).

Sincerely,



Zachary S. Kahn
Director of Government Relations
BYD America