**POLICY MEMO**

To: California Air Resources Board Members Liane Randolph, Chair, Law and Air Pollution Control; Daniel Sperling, Automotive Member; Nathan Fletcher, San Diego Air Pollution Control District Member; Gideon Kracov, South Coast Air Quality Management District Member; Davina Hurt, Bay Area Air Quality Management District Member From: Ellen Kennedy Date: October 8, 2021

 Subject: **The Need for a Ramping Up Electric Vehicle Requirement for Rental Car Fleets**

 California is a pacesetter for clean energy policy and clean energy transportation nationwide with the highest number of privately registered electric vehicles (EVs) in the country[[1]](#endnote-1). The state has mandated that as of 2035 all new cars and passenger trucks sold must be zero emission[[2]](#endnote-2). Still, there is no policy to spur rental car fleets to go electric in the next fifteen years. As such, there needs to be a mandated minimum percentage, ramping up over time, for electric vehicles in rental car fleets. Enacting this policy will help promote the adoption of EVs by giving drivers a direct introduction to driving and charging different EV makes and models.

**EVs are lacking in rental fleets**

According to the Electric Power Research Institute (EPRI), the number of EVs registered by rental companies in the state of California decreased from 0.5% of the 117,588 rental vehicles registered in 2019 to 0.1% of the 54,873 rental vehicles registered as of August 2021[[3]](#endnote-3). It is clear from these numbers that there is a significant opportunity for electric vehicles to become a much more prominent part of rental fleets in the state. This shift is important because rental cars are the gateway introduction for many drivers to purchase their future cars. “Customers who rent a car from Enterprise Holdings,” for example, “are 55% more likely to purchase a new vehicle within six months of their rental.”[[4]](#endnote-4) Further, as “rental car companies are the largest purchasers of cars and trucks in the United States[[5]](#endnote-5),” there is a notable potential to influence future buyer behavior.

**Precedent for change**

There are strong examples of successful EV fleet expansion. For instance, in 2015, Orlando, Florida was “the largest rental car market on earth.”[[6]](#endnote-6) Recognizing a meaningful opportunity to educate tourists visiting the area, the Central Florida Clean Cities Coalition partnered with the Electrification Coalition and the Florida Department of Agriculture and Consumer Services Office of Energy to launch Drive Electric Orlando, a two year consumer education and demonstration program for electric vehicles. Rental car companies, hotels, theme parks, and other tourist attractions all participated to make the pilot a success, expanding EV rental from multiple companies and charging opportunities in 200 locations.[[7]](#endnote-7)

Additionally, in 2019, the Metropolitan Washington Airports Authority awarded its on-airport rental car concession to four companies (Enterprise-Alamo-National, Hertz, Dollar-Thrifty, and Avis) with the stipulation that these fleets must include green vehicles such as plug-in hybrid, battery electric, and plug-in electric vehicles.[[8]](#endnote-8) Each company “must maintain an annual average of green vehicles of at least 2 percent of total vehicles during the second and third contract year, and 3 percent of total vehicles during the fourth and remaining years.”[[9]](#endnote-9) If this threshold were applied at current registration levels to the rental vehicles in California over the next five years, it could result in almost 10,000 new EVs on the road.

According to the Environmental Protection Agency’s estimate that the typical passenger vehicle emits 4.6 metric tons of carbon dioxide per year[[10]](#endnote-10), having 10,000 EVs on the road in lieu of gas powered vehicles would prevent over 46,000 metric tons of carbon dioxide from entering the atmosphere each year by the fifth year of EV fleet program ramp up. According to a Travis County sustainability report, 46,000 metric tons of carbon dioxide is the equivalent of burning 51 million pounds of coal.[[11]](#endnote-11)

**The need for used EVs**

Rental car companies offer a unique chance for customers to try before they buy. However, they also offer the opportunity to buy used cars from their fleets. Given the average holding period for a car in rental fleets averages 13 months,[[12]](#endnote-12) there is a considerable possibility that rental car companies can help open the EV market to an increased number of used models, which are in high demand. As EVs tend to be more expensive at the time of purchase but result in a lower cost of ownership over time than their gasoline powered counterparts, having more used EVs available for buyers is critical.

**Mandates for Rideshare but not rental fleets?**

 Data from the California Air Resource Board’s (CARB) Greenhouse Gas Emission Inventory[[13]](#endnote-13) shows the transportation sector contributes almost 40% of total carbon emissions in California. Recognizing this, CARB adopted the Clean Miles Standard which requires 90% of the miles logged by Uber and Lyft drivers in California to be made in electric vehicles by 2030.[[14]](#endnote-14) This is an ambitious goal for rideshare. It calls to question why there is a statewide goal for rideshare, but not for rental companies, given both essentially rent time in a car type of the renter’s choosing.

**Why this is the moment to act**

As illustrated in the Florida and Washington examples, rental car companies have experience with ramp-up requirements to include electric vehicles in their fleets. As many of these companies experienced remarkable fleet sell-offs in 2020 due to the coronavirus and are still undersized due to a lack of cash and ongoing concern about pandemic-related travel uncertainties,[[15]](#endnote-15) it is an opportune time for the state of California as well as its major airports, theme parks, and hospitality partners to meet car rental companies with both policy and incentives to include a growing percentage of electric vehicles in their fleets and to make the rental price competitive with gas powered vehicles. Incentive programs, such as California’s Clean Vehicle Rebate[[16]](#endnote-16) and the federal tax rebate for many new EV models, have already been wildly popular. Many such incentive programs also already fully subscribed[[17]](#endnote-17), such that all available funds have been committed. More are needed.

**Conclusion**

California needs to build on the growing momentum for electric vehicles by building a ramp up requirement for rental car companies to carry these vehicles in their fleets. This change is critical not only to address ongoing climate change concerns stemming from emissions from transportation, but also to build public awareness and comfort with EV driving and charging, in anticipation of the state’s 2035 mandated shift to all electric vehicles in new car and passenger truck sales.

1. ####  “California Greenhouse Gas 2000-2019 Emissions Trends and Indicators Report.” California Air Resources Board, July 28, 2021, <https://ww2.arb.ca.gov/ghg-inventory-data>.

 [↑](#endnote-ref-1)
2. “Governor Newsome Announces California Will Phase Out Gasoline-Powered Cars & Drastically Reduce Demand for Fossil Fuel in California’s Fight Against Climate Change.” Office of Governor Gavin Newsome, State of California, September, 23, 2020, <https://www.gov.ca.gov/2020/09/23/governor-newsom-announces-california-will-phase-out-gasoline-powered-cars-drastically-reduce-demand-for-fossil-fuel-in-californias-fight-against-climate-change/> [↑](#endnote-ref-2)
3. Vehicle registration data for California, January 2019- July 2021. [www.epri.com](http://www.epri.com) [↑](#endnote-ref-3)
4. “Demographic Shifts: Shaping the Future of Car Ownership.” Knowledge@Wharton, February 21, 2017, <https://knowledge.wharton.upenn.edu/article/demographic-shifts-shaping-future-car-ownership>. [↑](#endnote-ref-4)
5. Maxfield, John. “Surprising Facts About the Rental Car Industry.” The Motley Fool, October 3, 2018, [www.fool.com/amp/investing/general/2012/07/13/surprising-facts-about-the-rental-car-industry.aspx](http://www.fool.com/amp/investing/general/2012/07/13/surprising-facts-about-the-rental-car-industry.aspx) [↑](#endnote-ref-5)
6. #  “Drive Electric Orlando: Using America’s Premier Vacation Destination as Mechanism for Change.” Align, <https://alignpublicstrategies.com/casestudy/drive-electric-orlando-using-americas-premier-vacation-destination-as-a-mechanism-for-change/>.

 [↑](#endnote-ref-6)
7. Shahan, Zach. “Drive Electric Florida & Drive Electric Orlando.” Electric Vehicle Obsession, December, 30, 2015, <https://evobsession.com/drive-electric-florida-drive-electric-orlando/>. [↑](#endnote-ref-7)
8. “Dulles International Airport Rental Cars Go Green.” Dulles International, June 19, 2019, <https://www.flydulles.com/iad/dulles-international-airport-rental-cars-go-green>. [↑](#endnote-ref-8)
9. Hurst, Wes and Pujo, Leslie. “Operational and Legal Challenges to Electrify Rental Car Fleets.” Auto Rental News, Legal and Legislative, May 11, 2021, <https://www.autorentalnews.com/10143155/operational-and-legal-challenges-to-electrify-car-rental-fleets>. [↑](#endnote-ref-9)
10. “Greenhouse Gas Emissions from a Typical Passenger Vehicle.” United States Environmental Protection Agency, <https://www.epa.gov/greenvehicles/greenhouse-gas-emissions-typical-passenger-vehicle>. [↑](#endnote-ref-10)
11. Smalley, Seth. “Travis County Commissioners field 2020 sustainability report.” Austin Monitor, April 26, 2021,

<https://www.austinmonitor.com/stories/2021/04/travis-county-commissioners-field-2020-sustainability-report/>. [↑](#endnote-ref-11)
12. Maxfield, John. “Surprising Facts About the Rental Car Industry.” The Motley Fool, October 3, 2018, [www.fool.com/amp/investing/general/2012/07/13/surprising-facts-about-the-rental-car-industry.aspx](http://www.fool.com/amp/investing/general/2012/07/13/surprising-facts-about-the-rental-car-industry.aspx). [↑](#endnote-ref-12)
13. “Sources of Greenhouse Gas Emissions.” United States Environmental Protection Agency, <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>. [↑](#endnote-ref-13)
14. Becker, Rachel. “California approved electric car mandate for Uber and Lyft.” Cal Matters, Climate Change, May 20, 2021, [www.calmatters.org/environment/climate-change/2021/05/uber-lyft-electric-cars-california-mandate-weighed](http://www.calmatters.org/environment/climate-change/2021/05/uber-lyft-electric-cars-california-mandate-weighed). [↑](#endnote-ref-14)
15. Ramey, Jay. “Here’s Why the Rental Car Shortage Isn’t Going Away Any Time Soon.” Autoweek, April 6, 2021, <https://www.autoweek.com/news/industry-news/a36040237/rental-car-shortage/>. [↑](#endnote-ref-15)
16. “Car Sharing and Rental Fleets.” California Clean Vehicle Rebate Project, <https://cleanvehiclerebate.org/eng/fleet/rentals>. [↑](#endnote-ref-16)
17. “State and Federal Electric Vehicle Incentives.” California Clean Vehicle Rebate Project, <https://cleanvehiclerebate.org/eng/ev/incentives/state-and-federal>. [↑](#endnote-ref-17)