



SILICON VALLEY LEADERSHIP GROUP

▼ 2460 North First Street,
Suite 260, San Jose, CA 95131

📞 (408) 501-7864

🌐 svlg.org

DATE

October 17, 2022

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California Air Resources Board (CARB)

1001 I Street

Sacramento, CA 95814

Re: August 2022 Draft Advanced Clean Fleets regulation

Dear Chair Randolph,

The Silicon Valley Leadership Group appreciates the opportunity to comment on the proposed draft Advanced Clean Fleets (ACF) regulation language, published August 30, 2022.

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. At a high level, our organization believes CARB should employ flexible, market-based and technology-neutral policies that achieve maximum greenhouse gas (GHG) emissions reductions at the lowest cost.

ACF regulations will play a key role in decarbonizing the industrial, goods movement, and transportation sectors. Thoughtful regulations are critical to quickly reducing carbon emissions while maintaining a balanced marketplace and certainty for businesses. Our membership includes many key players in this arena—from companies transitioning to clean fleets, to those producing ZEVs and developing innovative new zero-emission technologies.

High-Priority and Federal Fleet Requirements

Near Zero-Emission Vehicles (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) 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.

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.

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Exemptions, Extensions and Credit Mechanism

The Leadership Group appreciates the inclusion of the section, "Flexibility Option to Meet Fleet ZEV Milestones," which aligns with the Leadership Group's principles of promoting flexible policies while achieving maximum GHG reductions at the least cost. However, the ZEV deployment goals of the ACF would be best served by additionally including a mechanism to generate and trade compliance credits. Credit trading would allow fleet operators to make the decisions that will maximize both cost-savings and emissions reductions while providing the greatest benefits to the State.

Milestone Requirements

The current draft ACF regulations include a compliance loophole that if, left unaddressed, jeopardizes the ability of the High Priority and Federal Fleets program to effectively and efficiently reduce emissions associated with heavy-duty vehicles.

Under the proposed regulations, the annual ZEV milestone for each fleet is calculated by multiplying the numbers of vehicles in each Milestone Group. However, under Section 2015.2(c), any ZEV may count towards the fleet's compliance goal, with no regard for the class of that vehicle, what it emits, or what type of vehicles the fleet's milestone goals were calculated from.

This could allow fleet operators to meet their milestone requirements by exclusively deploying lighter-duty vehicles due to their lower cost, rather than removing higher-polluting, heavier-duty vehicles from the road. To ensure that the ACF effectively accomplishes its goals of deploying ZEVs at all Group levels to reduce criteria pollutants and carbon emissions, the Leadership Group requests that CARB allow vehicles from heavier-duty Groups to be substituted for those in lighter-duty Groups when meeting Milestone requirements, without permitting the exchange in the opposite direction.

100 Percent ZEV Sales Requirement

As the fifth-largest economy in the world, California's 100% sales requirement will drive demand across the U.S. and the world. The Leadership Group supports maintaining a 100% ZEV sales requirement by 2040. This requirement will promote access to ZEV infrastructure across the state, improve air quality, and will be a key component for achieving the State's laudable and ambitious emissions reduction goals.

Summarizing Thoughts

The ACF is where rubber meets the road. It is a critical opportunity for California to demonstrate that its actions meet the values outlined in the CARB Scoping Plan by developing ambitious, dynamic regulations that will facilitate the deployment of zero-emission technologies in cost-conscious ways. The Leadership Group appreciates CARB's leadership on this topic in developing a 100% ZEV sales requirement by 2040, as well as the ACF's proposed inclusion of NZEV technology. The ACF can further meet its goals by allowing the banking and trading of credits to improve compliance and lower implementation costs. The Leadership Group also requests that the next version of the ACF be amended to close the loophole allowing any type of ZEV to count towards fleet milestone goals regardless of the type of vehicle from which the fleet's obligation stems.

The Leadership Group welcomes the opportunity to partner with CARB to support a robust ACF regulation. We look forward to working with you further.

Sincerely,



Mary Holing