November 15, 2021

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

Subject: Proposed Fiscal Year 2021-22 Funding Plan - CVRP

Members of the Board:

The Alliance for Automotive Innovation (Auto Innovators)[1] appreciates the opportunity to provide comments on the California Air Resources Board's (CARB's) October 8, 2021, Proposed Fiscal Year 2021-22 Funding Plan for Clean Transportation Incentives. This letter specifically addresses the changes to the Clean Vehicle Rebate Project (CVRP). The CVRP rebate is the single most effective way that California has moved consumers to electric vehicles, and the changes proposed unnecessarily and substantially reduce the effectiveness of the program. We do not support the changes proposed in this plan and ask the Board to direct staff to work with all stakeholders to revise it.

Auto Innovators and our members have worked cooperatively with CARB staff for about a decade on the CVRP, and we sincerely appreciate their hard work over those years. During that time, Auto Innovators, our predecessor organizations, and members have supported the Staff's proposed changes every year. However, the changes proposed in this Funding Plan (at least as they relate to CVRP) did not receive the broad stakeholder input and discussion so characteristic of past funding plans, nor was there a robust analysis of the need for, or impact from, the proposed changes.

Instead of adopting the staff-proposed 2021-22 Funding Plan, we recommend the Board direct staff to (1) work with all stakeholders to develop a revised plan for Board consideration at a hearing in the first quarter of 2022; and (2) continue the current program while they complete this process. This would provide all stakeholders an opportunity to provide feedback on proposed changes and might allow better analysis of the threshold for proposed changes.

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[1] The Alliance for Automotive Innovation members include vehicle manufacturers (BMW, Ferrari, Ford, GM, Honda, Hyundai, Isuzu, Jaguar Land-Rover, Karma, Kia, Maserati, Mazda, Mercedes-Benz, Mitsubishi Motors, Nissan, Porsche, Stellantis, Subaru, Suzuki, Toyota, Volkswagen, and Volvo) that produce about 99% of the new vehicles sold in the United States, original equipment suppliers, technology companies, and other automotive-related companies and trade associations. The Alliance for Automotive Innovation is headquartered in Washington, DC, with offices in Southfield, MI and Sacramento, CA. For more information, visit our website http://www.autosinnovate.org.

Background

We share California's goal of increasing the market for zero emission vehicle (ZEV) technology.[2] Automakers are committed to net-zero carbon and electrification of the vehicle fleet. Today, automakers offer over 50 ZEV models in every shape and size, from small cars to large cars, economy cars to luxury cars, minivans to SUVs, powered by fuel cells, batteries, and plug-in hybrid powertrains. This is just the beginning; we expect over 130 ZEV models in just the next few years. These vehicles are reliable, safe, efficient, affordable, and fun to drive.

Virtually every automaker has announced broad electrification plans, with several setting aspirational targets of 100% ZEV in the 2035 to 2045 timeframe. Automakers will invest over $330 billion by 2025.

For its part, California has by far the highest ZEV sales in the United States. This is the result of a combination of compelling products, financial incentives at the state and local level, carpool lane access, parking incentives, significant charging infrastructure, dedicated efforts to expand hydrogen refueling infrastructure, high population centers, an ideal climate, significant education and outreach, and highly engaged stakeholders including every level of the state government. California's commitment to ZEV technology at every level is unmatched, and we sincerely appreciate the leadership of CARB in developing this comprehensive program to support ZEV technology.

Nevertheless, the market has a long way to go to reach the goal of 100 percent electric vehicles by 2035. In 2020, ZEVs made just over 8 percent of new vehicle sales in California,[3] and even though sales are over 11 percent this year, surveys indicate consumer awareness is still low. Moreover, we (collectively, automakers, dealers, CARB, NGOs, utilities, etc.) face an enormous challenge of developing a sustainable market for ZEVs not from enthusiasts but from very mainstream consumers. For comparison, conventional hybrid electric vehicles have been on the market for 22 years, yet their market share peaked at just over 7 percent in California in 2013 and then steadily declined until just last year.

California's market share of new ZEV sales is twice that of any other state in the country, and almost half of all ZEVs sold in the United States since 2011 were sold in California.[3] One of the biggest components of California's success is the CVRP. According to the Center for Sustainable Energy, 75% of recipients stated the CVRP is either "extremely important" or "very important"

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[2] Unless otherwise noted, ZEVs or EVs in this document refers to fuel cell electric vehicles (FCEVs), battery electric vehicles (BEVs), and plug-in hybrid electric vehicles (PHEVs).

[3] Alliance for Automotive Innovation (2021) Advanced Technology Vehicle Sales Dashboard. Data compiled by the Alliance for Automotive Innovation using information provided by IHS Markit (2011-2018, Nov 2019-2021) and Hedges & Co. (Jan-Oct 2019). Data last updated 10/6/2021. Retrieved 11/1/2021 from https://www.autosinnovate.org/resources/electric-vehicle-sales-dashboard

to their decision to purchase a ZEV.[4] Moreover, the portion of buyers who would not have purchased or leased a ZEV without the rebate is increasing. In the latest survey 57% of the respondents would not have chosen a ZEV without the rebate.

2021/22 FY Proposed Changes

The proposed Funding Plan arbitrarily breaks the program into two phases – Phase 1 (February 2022/1 million ZEVs sold) and Phase 2 (February 2023/1.25 million ZEVs sold).

Phase 1: One million vehicles represent about 3.5 percent of the 28 million vehicles on the road in California. We are not aware of any study that suggests 3.5 percent of vehicles represents a tipping point where incentives can be phased out. Nonetheless, the Proposed Plan lowers the income cap and the MSRP cap for passenger cars.

Phase 2 starts in February 2023 if more than 1.25 million EVs have been sold in California, which is highly likely. 1.25 million represents just over 4 percent of the light duty vehicle fleet. Again, we're not aware of any analysis that suggests the market is mature when 4 percent of the vehicles on the road are ZEVs. With no analysis of the impact of changes, the program changes again, lowering the income cap for eligibility further, eliminating PHEVs from the program altogether (despite evidence that low-income consumers disproportionately favor PHEVs compared to affluent buyers), and reducing the rebate amount by $250 across the board. (We note a typo in Table 10: Current and Proposed Rebate Amounts, where the BEV rebate drops by $500 instead of $250).

These changes dramatically complicate the program for customers, automakers, and dealers alike at a time when the rebate is needed most. As noted above, California's goal is 100 percent ZEVs by 2035, and staff's initial proposal for Advanced Clean Cars 2 is around 24-30 percent ZEVs in 2026. Manufacturers are rolling out a slew of new ZEV models over the next few years. Now is not the time to abandon the most effective ZEV market building program to date, particularly when there is no compelling reason to do so.

Again, we urge the Board to direct staff to (1) work with all stakeholders to develop a revised plan for Board consideration at a hearing in the first quarter of 2022; and in the meantime, (2) continue the current program. This provides stakeholders an opportunity to provide feedback on proposed changes and might allow better analysis of the threshold for proposed changes.

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[4] Center for Sustainable Energy (2021). California Air Resources Board Clean Vehicle Rebate Project, EV Consumer Survey Dashboard. Data last updated December 8, 2020. Retrieved 11/1/2021 from https://cleanvehiclerebate.org/eng/survey-dashboard/ev.

We sincerely appreciate your consideration. If you have any questions or need additional information, please don't hesitate to contact me.

Sincerely

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