August 30, 2018

SUBMITTED ELECTRONICALLY

Clerk of the Board
1001 I Street
Sacramento, CA 95814

Chair Nichols, Vice-Chair Berg, and Members of the Board,

RE: Second Notice of Public Availability of Modified Text and Availability of Additional Documents and Information for the Proposed Amendments to the Low Carbon Fuel Standard Regulation and to the Regulation on Commercialization of Alternative Diesel Fuels (lcfs18)

The Association of Global Automakers, Inc.[1] (Global Automakers) and the Alliance of Automobile Manufacturers[2] (Alliance) appreciate the opportunity to provide comments to the California Air Resources Board on the "Second Notice of Public Availability of Modified Text and Availability of Additional Documents and Information" for the proposed amendments to the Low Carbon Fuel Standard (LCFS) Regulation and the subsequent "Errata" to these changes (collectively, "2nd 15-Day Changes"). The LCFS is an important, complementary policy in the state of California for supporting the transition to lower carbon transportation, and we support creation of the Point-of-Purchase (POP) Clean Fuel Reward, also known as "POP into Electric".

Together, our two associations represent over 99% of the new vehicle market. Our automakers are working diligently to increase electrification of the fleet, and there are now over 40 models of electric vehicles, including plug-in electric vehicles (PEVs) and fuel cell electric vehicles (FCEVs), with more range, body styles, sizes, and features, providing options that should work for nearly every customer in the state of California. Yet, we still face many challenges, even as California's market has exceeded six percent sales of new electric vehicles; this is truly an amazing and unprecedented feat, resulting from the tireless efforts of automakers, ARB, legislators, and all other public and private PEV and FCEV stakeholders.

However, the PEV and FCEV market faces headwinds in the coming years. First, several manufacturers will reach their limit for federal tax credits (up to $7,500 per PEV, FCEVs do not receive this credit) over the next year. Second, all customers, and especially mainstream customers, must want to adopt PEVs and FCEVs to push this market beyond six or seven percent. These customers demand the vehicle attributes – range, refueling time, cost, convenience, capability, etc. – that match or exceed their current vehicle. These facts underscore that now more than ever we need ongoing purchase rebates

[1] Global Automakers' automaker members are Aston Martin, Ferrari, Honda, Hyundai, Isuzu, Kia, Maserati, McLaren, Nissan, Subaru, Suzuki, and Toyota. Please visit www.globalautomakers.org for further information.
[2] Alliance members are BMW Group, FCA US, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche Cars North America, Toyota, Volkswagen Group of America, and Volvo Cars of North America. For additional information, please visit http://www.autoalliance.org.

and development of both electric charging and hydrogen refueling infrastructure as we work to maintain this achievement and strive to continue growth of the electric vehicle market.

As directed by the Board at its April 2018 meeting, the Executive Office was asked to explore options to increase on-the-hood Clean Fuel Rewards for electric vehicles, funded by LCFS residential charging revenue as follows:

> Explore with stakeholders the opportunities to increase the magnitude of ZEV vehicle rebates funded by sale of LCFS credits. Focus these discussions on the possibility to offer the rebate at the point of sale of the vehicle. Evaluate the opportunities to harmonize rebate designs statewide and explore synergies with other rebate programs, including the Clean Vehicle Rebate Project. [3]

As a result, we have been working diligently with the utilities to scope such a program, following the guidelines to implement a statewide, transparent, and larger Clean Fuel Reward applied at the point of purchase to help further assist in advancing electric vehicle sales in the state. As explained further below, our two associations support the proposed 2nd 15-Day Changes to create a Point-of-Purchase (POP) Clean Fuel Reward, also known as “POP into Electric.” We also support the changes for the Fast Charging Infrastructure (FCI) and Hydrogen Refueling Infrastructure (HRI) pathways.

We would like to recognize staff’s efforts and diligence in working with industry to understand, develop and propose this language through the public regulatory process, including hosting a workshop in August to present the regulatory text and plans associated with the “POP into Electric” program. It is also important that we recognize the assistance of Vice Chair Sandy Berg, who has been integral in bringing the utility and automotive industry to consensus on many critical aspects of the “POP into Electric” program.

Support for Clean Fuel Rewards and the “POP into Electric” Program

One of many challenges that PEVs and FCEVs continue to face is that the cost of the technology is still more expensive than gasoline engines. Thus, the need for incentives is as important as ever, particularly as many companies face the end of the Federal Tax Credit, which currently provides up to $7,500 for PEVs. **That is why we have been coordinating with the utilities to develop and scope out a statewide “POP into Electric” program, to provide additional on-the-hood vehicle incentives in a simple and fast manner, providing value to every customer that decides to buy or lease a PEV.** This program will likely be an important backstop to the Federal Tax Credit as it phases out, and therefore, it is important that we work to maximize the Clean Fuel Reward.

California has stepped up to the plate, providing over $500 million in vehicle incentives, including the Clean Vehicle Rebate Program, numerous equity benefits, like the Charge Ahead and Enhanced Fleet Modernization programs, and additional incentives for HOV lanes, chargers, hydrogen infrastructure and more. These programs in combination have been integral to the success of electric vehicles in the state, and we appreciate ARB’s ongoing commitment to working to fund these incentives programs and look for innovative ways to make sure the EV market is growing across all communities in the state. These programs should continue and are all needed, continuing to help offset costs while also addressing the

[3] Board Resolution 18-17.

state's ongoing concerns related to equity. They should also be viewed as necessary and important complements to the creation of the "POP into Electric" program, which will work to encourage residential electric charging as a key aspect of PEV use and provide additional value to customers through application at point of purchase.

Every electric vehicle that is purchased or leased in the state and charged at home contributes to this program, by generating credits that can earned by the utility companies and contributing to a real and increasing reduction in petroleum use. Based on LCFS credit prices of around $150 per credit, every single PEV that is sold will generate $4,000 in LCFS residential charging revenue.

As a result, every PEV sold or leased in the state should be eligible to receive a Clean Fuel Reward, because those consumers are contributing to the state's goals by choosing to go to electric. Any separate approach that would limit availability would be inequitable to those customers that have gone electric, regardless of location, income, or vehicle preference.[4] Furthermore, all manufacturers that are selling PEVs now, or in the near future, have invested heavily into electrification, have ZEV requirements in California, and could be greatly disadvantaged by an arbitrary MSRP cap if implemented.

2nd 15-Day Change Regulatory Amendments

Regarding the specific 2nd 15-Day Changes applicable to the "POP into Electric" program, we support staff's inclusion of minimum percentage contributions for the Clean Fuel Reward for EDUs that opt-in.[5] We believe this is necessary, because it helps to ensure necessary contributions to maximize rebate values; provides certainty and transparency about the revenue available for the rebates; and should provide assurance to the California Public Utility Commission (CPUC) that this program will provide value for all rate-payers. However, to ensure the success of the "POP into Electric" program to meaningfully drive PEV adoption to further the state's clean transportation goals, we recommend higher percent contributions by the utilities and recommend the following minimum contributions by the utilities:

EDU Category	% Contribution
IOU	80%
Large POU	55%
Medium POU	20%
Small POU	0%

[4] Our associations would oppose any application of MSRP or income caps to the "POP into Electric" program, whether done by resolution or through the governance structure. We believe such action would detract from the program's integrity, and other state programs, using public dollars, have been designed to address equity issues. Moreover, **almost half of the utilities LCFS revenue will be used for equity programs**, including secondary vehicle rebates, and infrastructure benefits, which will address additional market needs beyond the Clean Fuel Reward and should adequately address any potential equity concerns on how to further encourage electrification throughout the state.

[5] We also support that CARB provide the LCFS base credits for EDUs that do not opt-in directly to the program, whether via credit or revenue distribution to the other utilities and/or a 3rd party program administrator. While we understand the impact of these non-opt-in EDUs is minimal, it is nonetheless important to make sure any potential revenue is not left on the table.

If ARB does not increase the minimum contribution in the current rulemaking, we encourage ARB to investigate increasing these contributions in future rulemakings.

The current minimum percent contributions for Clean Fuel Reward will result in a substantial portion of LCFS residential charging revenues, approximately 41% , being diverted out of the “POP into Electric” program. While we prefer a higher percent contribution into “POP into Electric,” it is our understanding that the utilities are requesting to withhold this portion of revenue to fund important and necessary equity programs in addition to the Clean Fuel Reward, providing more value to all customers in the state and ensuring that this revenue source meets the state’s equity needs.

We are pleased that the agency has committed to making the POP rebate work, and we appreciate all staff efforts to scope and assist in developing the framework for this program. There are still, however, a number of critical aspects to this program that must be sorted out following implementation of the program, and ongoing support from ARB is needed to help get this program started as expeditiously as possible. These efforts include CPUC support to move forward, development of a transparent process for rebate designations, and supporting the utilities in getting a governance structure and 3rd party administrator in place to oversee the program.[6]

Program Start Date

While we understand that the program’s start date is reliant on CPUC approval, as noted in ARB’s proposed regulatory text, it is not clear why CPUC approval is needed. Current CPUC guidance allows the IOUs to provide vehicle rebates with this revenue using 100% of the revenue.[7] Based on past CPUC proceedings that have lasted several years, we are concerned the “POP into Electric” could be unnecessarily delayed. Consequently, we recommend ARB revise the regulations to reassign the LCFS Base Residential EV Charging credits no later than March 2020, if the “POP into Electric” has not started by December 1, 2019. Additional consideration of equity programs and changes to revenue contribution

[6] There are a number of uncertainties still surrounding implementation of the “POP into Electric” program that may impact its success. One of the key unknown elements is the governance structure for the group that implements the rebates. Our associations believe that the governance structure needs to be robust and transparent to ensure success of the program and a maximum rebate level. We also understand that the utilities want some assurance that they can continue to earn residential credits and run the “POP into Electric” program for an unspecified period of time. We agree the utilities will undertake a significant effort in getting the rebates up and running, and we appreciate that they would like some certainty surrounding the program. Our associations therefore recommend Board Resolution language that assures utilities can earn these credits for three years following the effective date of the regulation. We believe this language will encourage all parties to work quickly to implement the program and provide additional encouragement for the program to operate smoothly, easily and at the maximum rebate levels. If for some reason this does not occur, then any potential regulatory amendments to reassign credits would not occur before three years after the effective date of the regulations.

[7] CPUC guidance clearly states that the funding generated by IOUs must be returned to EV customers in the form of a rebate: “…we will permit each utility to choose between an annual credit and a one-time upfront rebate.” (“DECISION ADOPTING LOW CARBON FUEL STANDARD REVENUE ALLOCATION METHODOLOGY FOR THE INVESTOR-OWNED ELECTRIC AND NATURAL GAS UTILITIES,” p. 30). While any deviation from these authorized uses would require additional CPUC approval, the CPUC has already allowed for 100% of the IOUs’ LCFS revenue to be used as a “one-time upfront rebate”.

can occur in parallel through the CPUC process, without impacting the start date of the "POP into Electric" program.

Our associations recommend that this program start no later than six months after the effective date of the regulation, and we hope that the Board can provide resolution language that puts in place a goal to implement within six months, understanding that there are a number of critical factors, like CPUC support, that could delay implementation. It is also important for the Board's resolution to include direction to work with the CPUC to determine how best to implement the program in a timely manner. This direction is consistent with the Board members' desire to see an expeditious implementation of the program and is reasonable considering EDUs, most of which already have rebate programs in place, will have had over a year since the April board hearing to implement a program.

Rebate Equation

Our associations and our member companies support the inclusion of a rebate equation to designate the value of the rebate for each PEV. The proposed equation corresponds with the structure of the federal tax credit, which is a well-known and easy-to-implement structure at the manufacturer and dealer level. The equation also recognizes and rewards battery capacity, giving comparable rebates to larger vehicles with lower ranges compared to smaller vehicles with the same battery capacity. This aspect of the rebate designation structure is particularly important as the auto industry works to increase EV offerings in larger vehicles (e.g., minivans, SUVs, etc.). We will work with the utilities and dealers to ensure easy and complete information about the Clean Fuel Reward amounts available to each PEV.

Other

We continue to support the inclusion of FCI and HRI pathways, and we recommend adoption of these provisions, including the proposed 2nd 15-day changes. For the HRI pathway, we support the proposed revisions to the 2nd 15-day changes submitted by the California Fuel Cell Partnership on August 24th on behalf of Air Liquide, FirstElement Fuel, American Honda Motor Co, Inc., Hyundai Kia America Technical Center, Inc., Linde LLC, Mercedes-Benz Research & Development North America, Inc., NEL Hydrogen A/S, Shell New Energies, Toyota Motor North America, United Hydrogen, California Hydrogen Business Council and Energy Independence Now.

Conclusion

We greatly appreciate the Board's and ARB's vision to work to create additional Clean Fuel Rewards for EVs, using LCFS base residential credit revenue, and we fully support the goal of a statewide, easy-to-implement rebate applied at the time of purchase. We believe this program will and should provide Clean Fuel Rewards to *all* customers that buy or lease an EV, because each of these purchases contributes not only to the future availability of these rebates, but also to the state's goal to reduce petroleum use. We have worked collaboratively and diligently with the utilities to scope out this rebate program, and it is our hope that in the coming months, the program can be started and administered at the earliest possible time and continue annually at a maximum possible rebate value. Transparency, governance, and CPUC support will be critical to the smooth operation of this program, and we appreciate any and all efforts by ARB and the Board to help see through these goals. This program demonstrates how we can all work together to find ways to help grow the electric vehicle market and support the future for a lower carbon transportation fleet.

Thank you again for the opportunity to comment. Should you have any questions regarding these comments, please feel free to contact us using the information below.

Sincerely,

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