CalETC
California Electric Transportation Coalition

November 8, 2021

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

*Submitted electronically: COTB@arb.ca.gov*

### Re: 21-12-4 Proposed Fiscal Year 2021-22 Funding Plan for Clean Transportation Incentives

Dear Chair Randolph and Members of the CARB Board:

The California Electric Transportation Coalition (CalETC) appreciates the opportunity to provide our feedback on the Proposed Fiscal Year 2021-22 Funding Plan for Clean Transportation Incentives. We also appreciate CARB staff and the efforts they have made to work with stakeholders in this difficult time.

CalETC supports and advocates for the transition to a zero-emission transportation future to spur economic growth, fuel diversity and energy independence, contribute to clean air, and combat climate change. CalETC is a non-profit trade association committed to the successful introduction and large-scale deployment of all forms of electric transportation. Our Board of Directors includes representatives from: Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison, Southern California Public Power Authority, and the Northern California Power Agency. In addition to electric utilities, our membership includes major automakers, manufacturers of zero-emission trucks and buses, electric vehicle charging providers, and other industry leaders supporting transportation electrification.

In addition to CalETC's membership, we manage a large coalition of industry and consumer groups, and coordinate closely with environmental and environmental justice stakeholders, in support of adequate and reliable funding for the Low Carbon Transportation Programs at CARB. CalETC appreciates CARB's yearly efforts to create a comprehensive funding plan that prioritized investment in disadvantaged and low-income communities and ensure consumer incentives are provided to those middle-class consumers most likely to respond to incentive programs. We will continue to advocate within the Legislature and with the Administration to ensure adequate and reliable funding is provided for these programs.

CalETC does not support lowering the income caps for middle-class Clean Vehicle Rebate Project (CVRP) incentive recipients. CVRP is the most successful incentive program for light-duty electric vehicles (EVs) in California and the U.S. It has been modified over the last 5 years to focus on middle-class and low- and moderate-income car buyers, only about 50 percent of new EV purchasers receive the CVRP incentive. Of those receiving the incentive, over 90 percent indicate the incentive was an important factor in their EV purchase decision. Further restricting the CVRP by reducing the income caps serves only to confuse and frustrate both middle-class consumers and auto dealers and reduce the market for EVs.

CARB staff proposes arbitrary phases for lowering the income cap on middle-class car buyers: phase 1 at 1 million EVs on the road, and phase 2 and 1.25 million EVs. The middle-class income cap reductions proposed by CARB staff are arbitrary and unrelated to income information from new car buyers or the importance of incentives for Californians under the current income cap levels. The phases are proposed even though there is no data indicating these phases are related to consumer response or market viability of EVs. There is no data indicating that these phases or more restrictive middle-class income caps support the state's efforts to electrify 100 percent of new vehicle sales by 2035. In fact, all data indicates otherwise:

- 90 percent of EV buyers that receive the CVRP indicate it is an important factor in their decision to purchase an EV rather than a conventional gasoline vehicle.
- The market for EVs in California has exceeded the EV market anywhere else in the country, even in states where California's ZEV mandate has been adopted and especially in states where no incentive for middle-class and low- and moderate-income car buyers exist.
- Over the past 10 years EV sales have grown, in 2021 sales are projected to reach just over 10 percent of new car purchases, far short of the 100% target California has set for 2035.
- 1 million EVs on the road represents less than 4 percent of the vehicles on the road in California.

There is no data indicating that California can further restrict middle-class incentives in 2021-2022 without harming the EV market in 2021-2022, nor is there a shortfall of CVRP funding allocated for 2021-2022. The modifications being suggested by staff are not informed by available data, the stakeholder community, consumers, or consumer groups. Proponents of reducing the middle-class income cap, none of whom represent middle-class Californians or EV drivers, simply state the current middle-class caps are too high, with no data or information to support this assertion, and/or that the income caps haven't been changed in 3 years, during which time there has been an international pandemic, economic recession, and supply shortages. Now is clearly not the time to further complicate the incentive program or make unnecessary arbitrary adjustments to the program.

CalETC joined a coalition letter supporting alternatives the staff's recommended fleet cap for HVIP of 100 trucks in 2023 and 50 trucks in 2024. We propose the following menu of options to ensure equitable distribution of HVIP resources among all fleets as well as the vigorous participation of all segments of the market in ensuring the success of California's efforts to transition to zero emission medium and heavy-duty vehicles:

1. **Carve Outs.** The discussion document includes carve outs for various vehicle/fleet types – $70 million for public transit, $130 million for school buses, $75 million for drayage trucks,

and $25 million for small fleets. $269.5 million remains for 'standard' requests, and staff should consider creating a carve out for 'mid-sized' fleets that do not fit the small fit criteria but have less than 100 trucks. This would ensure that fleets above 100 vehicles do not absorb a disproportionate amount of the funds available.

2. Application Windows. The Clean Off-Road Equipment (CORE) Program does not allow for a single equipment category to absorb more than 25% of the funding available within the first six months of the program's opening date. After the six-month mark, fleets can pursue the remaining funds for any equipment category. Staff should consider a similar model for HVIP. Within the first six months of the program, staff can limit eligibility to fleets of 100 vehicles or fewer. Then, after the six-month mark fleets of all sizes can pursue the standard funding that is still available.

3. Amended Incentive Structure. Rather than eliminate large fleets as eligible entities, staff can reduce the incentive amount for large fleets. Right now, every applicant is eligible for the same voucher amount, regardless of size. Staff could reduce the voucher amount for large fleets from $120,000 to $100,000 to show favor to smaller fleets without cutting out larger fleets. Further, if staff were to consider this pathway, we recommend CARB remove the stacking restriction that prohibits fleets from pursuing other state-level programs like the Carl Moyer Program and Volkswagen Environmental Mitigation Trust Funds.

CalETC supports the graduation of natural gas engines from the program to allow more ZEVs access to the limited funding. This is consistent with the ambitious goals for ZEVs established by the ACT Regulation and the Governor's Executive Order N-79-20. Additionally, there are more ZEVs coming to market in a variety of weight classes, so there will be more demand for ZEVs for a wider range of applications.

Thank you for your consideration of our comments. Please do not hesitate to contact me if you have any questions at eileen@caletc.com or (916) 952-7026.

Sincerely,

Eileen Wenger Tutt
Executive Director
California Electric Transportation Coalition