California Electric Transportation Coalition

October 21, 2019

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

Submitted electronically: http://www.arb.ca.gov/lispub/comm/bclist.php

Re: Proposed Fiscal Year 2019-20 Funding Plan for Clean Transportation Incentives for Low Carbon Transportation Investments and the Air Quality Improvement Program

The California Electric Transportation Coalition (CalETC) appreciates the opportunity to provide our support for and feedback on the Proposed Fiscal Year 2019-20 Funding Plan for Clean Transportation Incentives for Low Carbon Transportation Investments and the Air Quality Improvement Program (FY 2019-20 Funding Plan), which will be considered by the California Air Resources Board (CARB) on October 24, 2019.

CalETC supports and advocates for the transition to a zero-emission transportation future as a means to spur economic growth, fuel diversity and energy independence, ensure clean air, and combat climate change. CalETC is a non-profit association committed to the successful introduction and large-scale deployment of all forms of electric transportation including plug-in electric vehicles of all weight classes, transit buses, port electrification, off-road electric vehicles and equipment, and rail. Our board of directors includes Los Angeles Department of Water and Power, Pacific Gas and Electric, Sacramento Municipal Utility District, San Diego Gas and Electric, Southern California Edison, and the Southern California Public Power Authority. Our membership also includes major automakers, manufacturers of zero-emission trucks and buses, 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 identify the needed allocation and manage the programs to the best of their ability given insufficient allocations and no assurance of continuing allocations over time. We will continue to advocate within the Legislature and with the Administration to ensure adequate funding is provided for these programs, and that the funding is assured over at least three years.

Overall, CalETC supports the funding levels and programs in the FY 2019-20 Funding Plan for the three program categories: the Clean Vehicle Rebate Project and increased rebates for low-income recipients; the Enhanced Fleet Modernization Program, school bus replacement, and light-duty equity projects; and clean trucks, buses, and off-road freight equipment. We additionally offer recommendations on programmatic details of the Clean Vehicle Rebate Project, the Advanced

Technology Freight Demonstration and Pilot Commercial Deployment Projects, and the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project, as discussed in the FY 2019-20 Funding Plan. However, we have the following suggested modifications and clarifications to the Funding Plan:

1. Clean Vehicle Rebate Project

The Clean Vehicle Rebate Project (CVRP) has funded over 300,000 clean vehicles on California roads since 2010.[1] The FY 2019-20 Funding Plan allocates $238 million for CVRP, with $25 million to be dedicated to fund increased rebates for low-income recipients. Due to budgetary constraints, CARB staff are proposing a number of modifications to the current program. All of these modifications will hinder CVRP's ability to accelerate the market for ZEVs.

CalETC believes the modifications that will have the least impact on CVRP's effectiveness are:

- Lowering the rebate amounts for each vehicle category by $500 and zero-emission motorcycles by $150.
- Increasing the minimum required all-electric range for plug-in hybrid electric vehicles from 20 miles to 25 miles.
- Reducing the application window, during which consumers apply for the rebate, from 18 months to 3 months after vehicle purchase.
- Keeping the current income eligibility requirements.
- Limiting rebate eligibility from two to one rebate per person going forward (not retroactively).
- If necessary, in 2020, no longer building a waiting list once 2019/2020 funds are expended, so as not to encumber uncertain future unappropriated funds.

CalETC opposes adding a vehicle MSRP cap to CVRP. The program already has an income cap, ensuring people who have over a defined income cannot access the CVRP. Adding an MSRP cap is overly restrictive and the market is not yet mature enough to assume people shopping for larger or luxury vehicles will choose a ZEV. There are only a few models available in the larger vehicle and luxury market, with many more announced and expected to come to market in the next few years. Even for luxury vehicles, we have internal data showing that incentive dollars are the second most important factor when customers in this market are considering whether to purchase a ZEV or an internal combustion engine vehicle. We anticipate the same is true for customers shopping for larger crossovers, SUVs and trucks, which will be at a higher price point than compact vehicles, sedans, and smaller crossovers.

If CVRP continues to be constrained to just $200M in fiscal year 2020/21, CalETC supports transitioning the program to a limited-time rebate. For future years 2020-21 and beyond, CalETC

[1] https://cleanvehiclerebate.org/eng ["Since 2010, CVRP has helped put over 300,000 clean vehicles on California roads."]

suggests CARB consider establishing known periods of time during which limited-time CVRP rebates would be available. For example, CVRP could be available for four one-month-only periods spaced throughout the fiscal year. CalETC and our larger coalition partners would work with the dealers and auto industry to determine how best to implement a limited-time rebate program that maximizes the market acceleration of ZEVs within the constrained CVRP budget allocation.

Clarification is needed to ensure: The Clean Fuel Reward Program and CVRP are additive; the Clean Fuel Reward cannot replace the CVRP. CalETC has been working with CARB staff, utilities, automakers and other stakeholders to create a Clean Fuel Reward Program. The Clean Fuel Reward Program would provide a statewide reward for the purchase of a new electric vehicle, funded with a portion of the utilities' Low Carbon Fuel Standard (LCFS) base residential credit value. The CARB Board directed utilities to create a Clean Fuel Reward Program in November 2018.

Every year CARB has had to modify CVRP to extend its limited funding for as long as possible and for the last two years CARB has included language in the Low Carbon Transportation Funding Plan recognizing that the Clean Fuel Reward Program and CVRP are both needed to support California's ZEV market. Recognizing that more is needed to support the state's ZEV goals, we have confirmed with CARB staff that the two programs, CVRP and the Clean Fuel Reward, are and must remain separate and additive. The programs can complement each other and stacking of these incentives would incentivize more electric vehicle sales. At a time when the federal incentive for ZEVs is phasing out for some of the automakers and the market is still in its infancy, reliable and adequate funding for both CVRP and the Clean Fuel Reward Program is critical.

2. Clean Trucks, Buses, and Off-Road Freight Equipment

The Legislature and Administration appropriated $182 million for clean trucks, buses, and off-road freight equipment. CalETC is supportive of CARB staff's proposed division of this funding between the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and Advanced Technology Freight Demonstration and Pilot Commercial Deployment Projects, for $142 million and $40 million respectively.

The ZEV market for goods- and people-movement technologies is in its nascent stages. Although CARB is not contemplating regulatory action in the Plan before the Board in October 2019, we want to ensure the CARB Board and staff recognize that incentive programs and infrastructure considerations are essential components of medium- and heavy-duty ZEV regulations, particularly as these regulations are coordinated efforts aligning both OEM and fleet mandates. We will continue to work with CARB staff to ensure that ZEV regulations for medium- and heavy-duty vehicles are developed with full consideration of the availability of adequate and reliable incentive dollars, plans to ensure adequate and reliable infrastructure and ensure the grid-side impacts reinforce safety, reliability and affordability of electricity fuel.

a. Advanced Technology Freight Demonstration and Pilot Commercial Deployment Projects

Regarding the demonstration and deployment projects, we recognize that funding is important to support the vehicle and equipment commercialization pipeline and accelerate the introduction of advanced technologies. These projects support larger-scale deployments and seed promising beachhead markets. Manufacturing design, user acceptance, and support are the focus of pilot projects and are critical to achieve commercialization.

Of the demonstration and deployment projects being considered for funding, <u>we recommend focusing on medium- and heavy-duty projects to fill in gaps not covered by HVIP or the Clean Off-Road Equipment Voucher Incentive Project (CORE)</u>, given the extremely high level of demand. These projects would include zero-emission drayage and bus pilots, and the Zero- and Near-Zero Emission Freight Facilities (ZANZEFF) project. The budget provided suggestions for focus areas, including clean trucks, buses, and off-road freight equipment, as well as advanced technology freight demonstration projects. While we recognize the need for funding for marine and off-road applications, it seems some of these proposals could be covered by CORE. In addition, <u>the inducement prize idea is intriguing, but due to the anticipated budgetary shortfall, we recommend delaying this concept to a future year.</u>

b. Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project

The Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) has funded over 7,000 hybrid and zero-emission vehicles and low NOx engines since 2009 and has contributed 30% growth to the early market for zero-emission and hybrid trucks. Similar to CVRP, due to budgetary constraints, CARB staff are proposing modifications to HVIP.

CalETC supports the following modifications to HVIP:

- <u>Graduating the 8.9-liter and 11.9-liter natural gas low NOx engines from HVIP, as well as hybrid vehicles and hybrid conversation</u>. We agree with CARB staff's finding that these technologies have reached the necessary level of maturity to graduate from HVIP. Transit buses using low NOx engines have already graduated out of HVIP. We support prioritizing HVIP funding for zero-emission technologies, particularly as many regulations are under development to transition the medium- and heavy-duty sector to zero-emissions and there are substantial and long-standing incentive programs that support near-zero emission and hybrid technologies, like the Carl Moyer Program. We support keeping eligibility for new hybrid vehicles that will achieve at least 35 miles of all-electric range, as proposed by CARB staff and which is consistent with the Innovative Technology Regulation. We also support staff's recommendation of continuing eligibility for ePTO (electric power take-off) systems.
- <u>Reinstating fleet limits of 200 vehicles per fleet per year</u>. Recently, larger orders have been more frequent for HVIP, which is great for the market and for reducing emissions. However, given the budgetary constraints of the program, these large orders have the

potential to drastically impact funding for other projects. We support reinstating the annual cap for fleet limits.

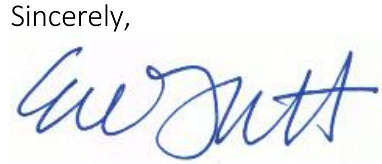
Clarification is needed in the following sections on the Plan:

- We support stacking/combining other State funds with HVIP not to exceed the costs associated with the incentivized vehicles. We have worked with staff and understand this is the intent in the investment plan as well. However, the language in the investment plan is not sufficiently clear; we would appreciate further clarity to ensure the investment plan accurately represents CARB staff and Board intent.
- CalETC supports authorizing the Executive Officer to reduce voucher amounts if HVIP funds are oversubscribed, however we are opposed to across-the-board reductions. We understand CARB staff's intent is to provide flexibility, however, the language in the investment plan is not sufficiently clear, so we would appreciate further clarity to ensure the investment plan accurately represents CARB staff and Board intent. If non-ZEV vehicles are included in HVIP going forward, then we support the Executive Officer having the authority to reduce the voucher amount beyond 20% or even eliminate the incentive for those vehicles and other non-zero-emission vehicle types, only if the funds are oversubscribed. The current program's voucher amounts are based on the cost differential of the rebated vehicle as compared to a traditional vehicle of the same type. Reducing the voucher amounts will have a substantial adverse impact on zero-emission medium- and heavy-duty technologies due to their higher cost relative to non-zero emission technologies.

CalETC thanks CARB staff for their commitment to involve stakeholders throughout the development of the FY 2019-20 Funding Plan. We recognize that staff has dedicated hundreds of hours to considering stakeholder feedback and has been responsive to both making modifications we, and other stakeholders, have requested or respectfully explaining why they CARB staff were not supportive of stakeholder recommendations.

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) 551-1943.

Sincerely,



Eileen Wenger Tutt
Executive Director
California Electric Transportation Coalition