

October 17th, 2022

**The Honorable Chair Liane Randolph
California Air Resources Board
1001 I Street, Sacramento, California, 95814**

RE: Title 13. Public Hearing to Consider Proposed Advanced Clean Fleets Regulation

AEE Recommendations on CARB Staff ACF Rule Proposal

Introduction

Advanced Energy Economy (AEE) and its industry members appreciate this opportunity to provide the following comments on the California Air Resources Board's Proposed Advanced Clean Fleets Regulation (ACF). AEE is a national association of more than 100 businesses representing the broad spectrum of advanced energy and electrified transportation industries. AEE's member companies include a wide range of industry actors actively investing in California, including vehicle manufacturers that produce light-, medium-, and heavy-duty electric vehicles; charging infrastructure providers; vehicle fleet operators; and firms providing supporting technologies.

The objectives of ACF align closely with AEE and our members' collective vision of accelerating the transition to a modern, fully electrified transportation system. AEE commends CARB for their forward-looking leadership and for drafting clean transportation policies that will continue to drive innovation, expand economic development, and further the state as a manufacturing and business leader in the global transition to zero-emission vehicles (ZEV) and a clean energy economy. AEE supports the adoption of the ACF rule with modifications, as described below. Specifically, AEE encourages CARB to adopt the ACT Accelerated ZEV Transition Alternative (Alternative 2) that requires 100% zero emission medium- and heavy-duty (MHD) vehicle sales in the state by 2036, with an added requirement of periodic assessments of the program's impact on fleet operators and emissions reductions.

We offer our input and recommendations on the following prioritized areas of interest within the program:

COMMENTS

1. Adopt the Accelerated ZEV Transition (Alternative 2), with modifications

To improve the ACF rule, AEE encourages CARB to adopt the Alternative 2. An accelerated timeline that zeros out fossil fuel medium- and heavy-duty vehicle sales as soon as feasible aligns with Governor Newsom's Executive Order N-79-20, will grow California's economy, and will support the development of California's clean transportation infrastructure network and manufacturing.

The staff proposed ACF rule would lead to a net benefit savings of \$47 billion between 2024 and 2050, which includes \$20 billion in savings to fleet operators. While these numbers indicate major benefits for California's economy, accelerating the electrification timeline with Alternative 2 would increase net cost saving to fleet owners by 2% and give California's economy an added boost of \$22.5 billion between 2024 and 2050. These increased benefits to fleet operators and business owners will not only help fortify the state's economy but will also increase businesses' available capital for further electrification of their fleets.

AEE appreciates CARB staff concerns about vehicle availability, supply chain constraints, and other factors outside the control of fleet operators. While health, climate and economic benefits drive AEE's support of the 2036 deadline presented in Alternative 2, AEE also encourages CARB to adjust the incremental dates within the accelerated timeline so that the requirements scale more slowly in the initial years and accelerate farther into the regulation timeline within Alternative 2. By 'back-ending' the requirements of ACF, CARB will allow these constraints and other market limiting factors more time to resolve before placing strict requirements on fleet operators.

2. Financial Assistance Programs

The increased public health benefits and economic benefits to fleet operators through Alternative 2 will help the state as a whole. However, these benefits may not accrue evenly for individual fleet operators, many of which are small businesses that are operating on smaller margins. Because zero-emission MHD vehicles have a higher upfront purchase price, CARB will need to focus substantial financial assistance toward lowering vehicle purchasing costs to create price parity for businesses, especially during the initial phases of ACF implementation.

CARB's 2021 decision to exclude larger fleets from accessing the Hybrid and Zero Emissions Truck and Bus Voucher Incentive Program (HVIP) also creates additional hurdles for fleet operators and goes against the aims of California's ambitious ZEV and climate goals. As early adopters and at such an early stage of market penetration for these vehicle categories, larger fleet operators have much to contribute to fleet electrification best practices.

3. Infrastructure Needs

Trucking electrification in California is only possible if vehicle charging infrastructure is available. Although many MHD fleets will be able to utilize 'home base' or 'depot' charging, CARB should not underestimate the substantial infrastructure costs that fleets will accrue to construct adequate charging infrastructure for their ZEV fleets. To properly support the goals of both the staff recommendation and Alternative 2, AEE implores CARB to increase funding for public charging infrastructure, as well as rebates and other cost cutting measures for private fleet chargers.

Fleet operators consistently report to AEE member companies that interconnection and permitting delays are some of the biggest obstacles for their businesses. Simply put, they cannot afford to invest in ZEV technologies without a cost-effective charging program in place when these vehicles arrive. While AEE is optimistic that new reporting requirements in AB 2700 will contribute to the solution, CARB should work closely with the California Energy Commission and California Public Utilities Commission to ensure utilities are adequately planning and deploying distribution system upgrades

that include optimized clean energy and energy storage assets (vehicle and non-vehicle) on timelines commensurate with (or in advance of) adopted ACF timelines. If these system factors become a compliance problem for fleet operators, CARB should consider reasonable extensions to adoption that reflect average market delay times.

4. Milestone Assessments

AEE encourages CARB to view the Alternative 2 rules as a living document to iterate on over time as conditions evolve. The rapid electrification of California's MHD sector will require the careful synchronization of grid capacity expansion, vehicle model availability, financial assistance for fleet operators, and infrastructure availability. It is a complicated task for which AEE appreciates the importance, but it is unlikely to be perfect. AEE advises CARB to institute regular milestone assessments to periodically collect input from diverse stakeholders to identify pain-points, industry limitations, and necessary compliance extensions. These milestone assessments must also happen in close collaboration with the CPUC and CEC, agencies which have key responsibilities in ensuring fleet managers have access to the right infrastructure, technologies, and rates to electrify their operations. By including a formal process for updating and improving the rule, CARB will ensure that the ACF rule is effectively guiding the electrification of the state's MHD fleets while building public trust.

CONCLUSION

In summary, AEE would like to express its sincere appreciation of CARB's work on the Advanced Clean Fleets rule which will bring enormous value to California. AEE encourages CARB to adopt the rule's Accelerated ZEV Transition (Alternative 2) that requires 100% ZE MHD vehicle sales by 2036, while adding periodic assessments of the program's impact on fleet operators and emissions reductions. By including a formal process for updating and improving the rule, CARB will ensure that ACF is effectively meeting the rule's goals based off real time market metrics. AEE and its member companies look forward to partnering with CARB to ensure the ACF rule advance California's climate leadership and successfully accelerate mass electrification of California's MHD vehicle fleets.

Respectfully Submitted,

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