

May 27, 2022

Ms. Liane Randolph
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: Advanced Clean Cars II

Dear Chair Randolph, Vice Chair Berg and Members of the Board,

The American Honda Motor Company, Inc., based in Torrance, California, appreciates the opportunity to share our perspective on the proposed Advanced Clean Cars II (ACC2) zero-emission vehicle (ZEV) regulations. As you know, Honda has a longstanding history of environmental leadership, as well as support for California’s role in steering the nation toward cleaner mobility. For decades, we have been an industry leader in reducing the environmental impact of vehicles, improving the efficiency, carbon profile and tailpipe emissions performance of our products. More recently, beyond these engineering achievements, we have also invested, designed, developed and produced electric vehicles (EV), including battery electric (BEV), plug-in hybrid (PHEV) and fuel cell electric (FCEV) vehicles. This pursuit of electrification comes in part as a result of the encouragement and direction of this board, but also in part because we as a company recognize the need for society to move in this direction. We understand, and agree, that the ultimate goal is zero tailpipe emissions.

Proposed Stringencies are Exceedingly Challenging

While Honda is very much committed to an electric future, it must be noted that the ACC2 regulations as proposed will be exceedingly challenging to meet. It should also be noted that these regulations disproportionately affect manufacturers with a larger share of national sales in CA and the §177 states. As we have collectively experienced, markets are built methodically, one customer at a time. Yet the stringency of these regulations – particularly in the early years of the program – are extremely ambitious. While we are cautiously encouraged by California’s recent EV adoption rates, the market share of EVs in the Section 177 (§177) states remains deeply troubling. Not only are adoption rates in these states below the market share found in California, but they are also grossly below imminent upcoming regulatory requirements that automakers will face in as little as three years.

Unfortunately, these gaps persist even with concerted state and automaker efforts to help build EV markets in those areas. As shown in Figure 1, there are currently three distinct

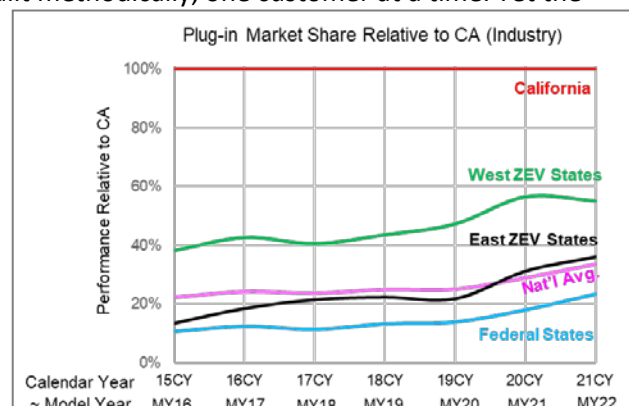


Figure 1: Plug-in Market Share Relative to California, ~MY2016-MY2022. West includes CO, OR, WA; East includes CT, MA, MD, ME, NJ, NY, RI, VA, VT

markets for vehicle electrification in the United States:

1. California
2. Western ZEV states (which see adoption rates roughly 40 percent below that found in California)
3. Eastern ZEV states (which see adoption rates roughly 65 percent below that found in California)

It is worth noting that these findings are not a result of industry averaging; similar findings are also seen when examining prominent ZEV-only automakers. To put it plainly: with respect to EV adoption, California, Western ZEV states and Eastern ZEV states are uniquely different markets.

Given this, challenges meeting aggressively escalating ZEV requirements in the §177 states present very real concerns about future ZEV credit market liquidity. According to a credit market analysis conducted by Honda, traditional automakers will – in just three years – need to increase electric vehicle sales between five- and twenty-times current levels (depending on the §177 state), simply to meet the 2026 requirements (see Figure 2). This is a profound expectation to place on regulated parties and, ultimately, on new vehicle buyers in those states.

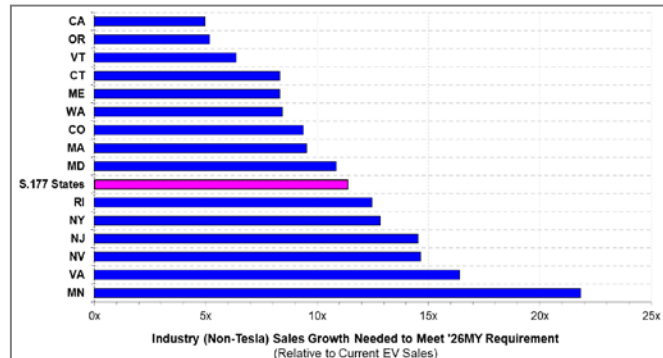


Figure 2: Level of Sales Growth Required by Traditional Automakers to meet MY2026 Proposed Stringency (Relative to Current Sales). Based on pre-Covid (MY19) state sales volumes.

The high degree of uncertainty for industry to meet such requirements underscores the critical importance of programmatic flexibilities in the ACC2 program. One such flexibility would be to permit an average-based “allowance” for automakers’ use of converted credits between model years 2026 and 2030, such

that there is not an annual 15 percent cap for use of those credits. Honda strongly supports such an approach, which would provide critical flexibility without any programmatic erosion. Such a provision is vitally important to mapping a path to success in building a robust and achievable regulation.

A Successful Transition Requires a Collective Effort

Honda will strive to meet its ZEV requirements, further reducing carbon emissions from the transportation sector. It must be noted, however, that a successful transition of the market depends on more than just automakers’ development and production of vehicles. Adoption rates called for in these regulations necessitate moving well beyond “early adopter” customers that have both the financial means to afford such vehicles, and a convenient place to charge them. As the ACC2 ZEV requirement moves quickly to 100 percent in model year 2035, a larger and larger fraction of new vehicle purchasers in the state – even those of more moderate means – must choose an electric vehicle. Such a transition will require actions well beyond the purview of automakers. A successful transition will depend upon a persistent commitment from government at all levels, in key areas that will influence consumers’ uptake of electric vehicles: infrastructure buildout, utility rates, residential and commercial codes and standards, the development of robust and resilient supply chains, policy incentives and market incentives fairly applied across all automakers, to name a few. It is incumbent upon the California Air Resources Board – as well as legislative and regulatory policymakers in the §177 states – to identify, track and support these efforts. Absent that support, our shared goal of a successful market transformation will be gravely jeopardized.

Battery Durability

Honda believes it is appropriate for consumers to have access to battery information that provides them sufficient “assurance” regarding the range and performance integrity of the vehicle. As such, we support battery durability requirements that align with the United Nations Economic Commission for Europe Global Technical Requirements. These globally developed standards specify a worldwide harmonized method for setting and verifying minimum performance requirement for EV battery durability. Honda does not support the agency setting a unique ACC2 durability requirement, as doing so would significantly increase vehicle cost (undermining CARB’s own affordability concerns), while providing no additional emissions benefit.

Additional ACC2 Feedback

Honda generally concurs with public comments submitted by our trade association, the Alliance for Automotive Innovation. In particular, we echo the views of the association regarding the topics of battery durability, programmatic stringency, the importance of compliance flexibilities and collective efforts necessary to achieve programmatic success.

While Honda does not produce medium-duty ZEVs, given the importance of a ZEV credit market with sufficient liquidity, Honda is open to interaction between different ZEV programs (light-duty and medium-duty), assuming appropriate adjustments are made for stringency differences between the two programs.

Separately, Honda believes it is both appropriate and important for the ACC2 regulation to include a reasonably bounded travel provision applicable to hydrogen FCEVs. Excluding this policy lever would unnecessarily undermine FCEV technology, which we believe has a key role to play in a fully zero-emission mobility future. A reasonably bounded travel provision can provide critical support for the technology as hydrogen fueling infrastructure outside California begins to grow.

Concluding Remarks

Honda appreciates the opportunity to share our thoughts and concerns with you regarding the proposed ACC2 ZEV regulation. We appreciate California’s continued leadership and look forward to working towards our collective goal of a 100% ZEV future.

Sincerely,



Jenny Gilger
Vice President
Product Regulatory Office

Copy: Members of the California Air Resources Board

Richard Corey
Craig Segall
Jennifer Gress
Michael McCarthy
Anna Wong
Joshua Cunningham