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GlobalAutomakers 

June 21, 2016

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

Subject: Proposed Fiscal Year 2016-17 Funding Plan - CVRP

Members of the Board:

The Alliance of Automobile Manufacturers¹ and the Association of Global Automakers, Inc.² (Global Automakers) appreciate the opportunity to comment on the fiscal year (FY) 2016-17 Clean Vehicle Rebate Project (CVRP) funding plan. We support and share California's goal of expanding the market share for zero emission vehicle (ZEV) technology. The CVRP is critical to meeting this goal, and we support the proposed funding plan.

Automakers now offer 29 different ZEV models and are introducing more models in the coming months. We're also just starting to see second generation ZEVs with longer ranges and better performance. These vehicles are safe, reliable, efficient, fun to drive, and offered at very compelling prices, with automaker subsidized lease rates on some well-reviewed cars well below \$100/month with zero down.

California has the highest combined sales of battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) in the United States. This is the result of a combination of compelling products, financial incentives at the state and local level, carpool lane access, free or reduced parking, significant infrastructure, high population centers, an ideal climate, significant education and outreach, and highly engaged stakeholders. California's commitment to ZEV technology at every level is unmatched, and we sincerely appreciate the leadership of ARB in developing this comprehensive program to support ZEV technology.

Nevertheless, the market is still in its infancy. ZEVs make up less than three (3) percent of new vehicle sales in California, and surveys indicate consumer awareness is still low. Moreover, we (collectively, automakers, ARB, NGOs, utilities, etc.) face an enormous challenge of growing the market for ZEVs by more than 500% in less than nine years. For comparison, conventional

¹ Alliance members include BMW, Chrysler, Ford, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Porsche, Toyota, Volkswagen, and Volvo. Please visit www.autoalliance.org for further information.

² Global Automakers' members include Aston Martin, Ferrari, Honda, Hyundai, Isuzu, Kia, Maserati, McLaren, Nissan, Subaru, Suzuki, and Toyota. Please visit www.globalautomakers.org for further information.

hybrid electric vehicles have been on the market for 17 years, yet their market share was less than 6 percent in 2015. To meet the ZEV regulations, the ZEV market share must be about 16 percent, or almost three times the current conventional hybrid vehicle market.

One of the biggest components of California's growth in the ZEV market is the commitment provided by CVRP. In fact, according to the Center for Sustainable Energy, over 73% of recipients stated the CVRP is either "very important" or "extremely important" to their decision to purchase a ZEV.³

Over the last year, we have worked with staff on the proposed FY2016-17 Funding plan. The draft funding plan totals \$230 million for CVRP funding, including \$55 million to cover the current FY CVRP requests and \$175 million for FY2016-17 funding. While it is impossible to precisely predict the market, we expect this will be sufficient to cover growth in the ZEV market during this time. However, we recommend the board approve the recommendation to allow the ARB Executive Officer the discretion to establish a waiting list if the funding is exhausted prior to the end of the fiscal year.

In addition to supporting the overall FY2016-17 funding plan, the Alliance and Global Automakers provide the following comments:

- Fuel Cell Vehicle (FCV) Rebate Levels: The FCV market is about where the BEV and PHEV markets were in late 2010 (less than 500 FCVs have been sold or leased). The FCV market is not only at a much earlier stage in development, but FCVs also present particular challenges with hydrogen infrastructure (both availability and customer familiarity with the technology). Nonetheless, FCVs are an important element of transforming the transportation system and could offer opportunities to electrify additional, larger segments of vehicles. In summary, we strongly support maintaining the current CVRP incentives in FY2016-17 and probably for several years afterwards.
- Point of Sale and Pre-Qualification Mechanisms: The Alliance and Global Automakers support point of sale rebates to pre-qualified buyers. In fact, ARB and the CVRP Administrator have developed a relatively straightforward and quick process for customers to apply for and receive CVRP rebates. We envision using the current CVRP application and approval process to pre-qualify on-line (and at the dealership in most cases). These pre-qualified customers would then be eligible to receive the rebate at the point of sale. For most people, other than a home purchase, buying a car is the most expensive and complex purchase they make. Pre-qualification provides certainty regarding the rebate to both the customer and the dealer. Providing the rebate immediately at the point of sale, rather than several weeks to several months later, results in a more positive buying experience. Customers who are satisfied with both the vehicle purchase experience and the rebate process will help spread the word to friends

³ Center for Sustainable Energy (2016). California Air Resources Board Clean Vehicle Rebate Project, EV Consumer Survey Dashboard. Retrieved 13-Jun-2016 from <http://cleanvehiclerebate.org/survey-dashboard/ev>.

and colleagues concerning this important program. We understand that implementation issues must be addressed and are committed to working with ARB staff and the dealers to ensure a smooth transition.

- Long-Term Plan for CVRP Incentives: The FY2016-17 funding plan provides a detailed analysis of the long-term funding needs for CVRP. We agree with the staff's assessment over the next three years. We also agree that the ZEV market is in its very early stages, and it is difficult to predict with any accuracy the market for these vehicles. This is made particularly difficult since a sales mandate is in place for the vehicles, rather than free-market sales. We plan to continue our work with ARB staff in the coming years to provide up-to-date ZEV market information to inform and refine future decisions.
- Self-Sustaining: The FY2016-17 funding document suggests several metrics for determining when ZEVs have reached self-sustaining levels and vehicle incentives are no longer needed to promote sales. There are a number of metrics, but given the goal of 100 percent ZEVs by 2050 (and very large volumes long before 2050), the most logical starting point for determining self-sustaining is when the vehicle can be sold for the amount of money it takes to produce and market that vehicle. **Clearly, selling all products at a loss is not self-sustaining.**


The draft funding document recommends the use of Moore's Theory built upon Roger's Diffusion of Innovation Theory. We would only note that these theories are built upon free market products. In contrast, ZEV sales are mandated. Thus, without changes to the mandate, ZEVs will be declared self-sustaining in 2025, regardless of the value consumers place in them.

Overall, we believe it is premature to determine when the market will be self-sustaining, or to develop solid metrics for self-sustaining in a market driven by regulatory requirements. Thus, we agree with the draft funding plan that self-sustaining is at least 5 to 10 years away.

- Ramping Down Incentives: Finally, we would suggest that beginning to discuss ramping down the CVRP incentive amount or further limiting its availability is premature at this time. For example, income caps were just implemented in the last few months; yet, before any data on the impact of this even available (let alone analyzed), there are already discussions of further changes. The ZEV market is fragile, and substantial changes could negatively impact customer acceptance of these vehicles or result in confusion for people who are just beginning to considering electric vehicle technology. We will continue to work with ARB staff to understand the market and determine how improvements can be made to reduce the fiscal impact of the program.

In closing, we appreciate staff's hard work over the last few years, and ARB's support and commitment to the CVRP. We look forward to working with you to ensure its continued success.

Sincerely,



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