

Written Record Only
10-9-4



October 24, 2019

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

RE: Proposed Fiscal Year 2019-20 Funding Plan for Clean Transportation Incentives

Dear Chair Nichols and Members of the Board:

Consumer Reports¹ appreciates the opportunity to comment on the Air Resources Board's FY 2019-2020 Funding Plan for Clean Transportation Incentives. As transportation makes up 41 percent of California's Greenhouse Gas (GHG) emissions,² incentives for consumers to adopt low and zero emission vehicles are critical for reducing air pollution and meeting California's emissions goals.

Our comments address proposed changes to the Clean Vehicle Rebate Program (CVRP). We appreciate the ARB staff's hard work and acknowledge the difficulty of reshaping a successful program. While we understand changes are necessary to keep this program solvent, we must share some concerns.

1. Consumers Need Clarity on CVRP Availability

We understand the CVRP has a limited budget, as outlined in the funding proposal, and we believe legislators should appropriate more funds to this program. But, the potential to end the rebate if funding runs out mid-year would confuse consumers and places arbitrary limits on which consumers may be able to afford an Electric Vehicle (EV) based on whether or not the rebate is available.

This change could also hamper Electric Vehicle adoption just as the market needs to begin moving past early-adopters and toward mainstream consumers. According to a recent survey, 31% of consumers would consider buying an EV for their next car.³ And, increasingly

¹ Consumer Reports is an independent, nonprofit membership organization that works side by side with consumers to create a fairer, safer, and healthier world. For 80 years, CR has provided evidence-based product testing and ratings, rigorous research, hard-hitting investigative journalism, public education, and steadfast policy action on behalf of consumers' interests. CR has exposed landmark public health and safety issues and strives to be a catalyst for pro-consumer changes in the marketplace. From championing responsible auto safety standards, to winning food and water protections, to enhancing healthcare quality, to fighting back against predatory lenders in the financial markets, Consumer Reports has always been on the front lines, raising the voices of consumers.

² ARB California Greenhouse Gas Emissions for 2000 to 2017, Trends of Emissions and Other Indicators, [2019](#)

³ Consumer Report, Union of Concerned Scientists survey data, [2019](#)

consumers say they would not have purchased an EV without incentives.⁴ Consumers who base their decision to buy an EV on the availability of the rebate would be unlikely to purchase an EV if the rebate were unavailable or uncertain.

That said, we understand the ARB must take action to address funding shortfalls. If the CVRP moves to a stop-and-start model, then the ARB must tell consumers that the rebate is only available on a first-come-first-served basis and clearly announce the cut-off date for a qualified purchase. Consumers need timely, accurate information about when the rebate will and will not be available. We urge the ARB to make sure consumers understand the new system and to provide up-to-date information regarding the rebate's availability.

A well-funded and targeting marketing effort for the CVRP program overall is necessary to ensure that the program reaches and influences consumers whose primary barrier to an EV purchase is price. Considering that 78 percent of consumers were unaware that their state currently offers discounts, rebates, or credits for purchasing or leasing EVs,⁵ it is imperative that ARB, and its partners, communicate the rebate's availability to consumers, as well as the clear parameters for qualification.

2. Tie Rebate To Battery Size

While a proposed MSRP cap and mileage minimums for Plug-in Hybrid Electric Vehicles (PHEV) are reasonable approaches to deal with the program's limited funding, we believe scaling the rebate to a vehicle's battery size would be a simpler, long-term solution that would diversify the EV market more efficiently. If the state tied the rebate to the vehicle's battery size, it could promote choice in the EV marketplace, align with the real driver of the price premium for EVs (battery size) and incentivize consumers who prefer large SUVs and crossovers to buy electric. Larger battery packs will continue to impose a greater price premium for the near future, relative to smaller vehicles. A rebate tied to battery size will allow more consumers to choose their preferred model of plug-in electric vehicle and incentivize automakers to sell larger electric vehicles. A rebate that includes greater numbers of SUVs and crossovers will help consumers move from these higher gasoline-consuming vehicles to electric SUVs and crossovers models⁶.

If the rebate eventually scales with battery size, then we believe a higher MSRP cap would be justified by the premium imposed by larger battery packs needed for larger vehicles. This would prevent the CVRP from subsidizing luxury features and amenities, instead incentivizing consumers to purchase larger but more fuel efficient EVs.

3. Other Ideas to Extend Funding and Access

The proposed MSRP cap for eligible vehicles and current income eligibility caps are key equity and cost-saving measures. If the rebate does not become tied to battery size (which would justify higher rebates for vehicles that are more expensive due to a larger battery), then we would welcome additional steps by ARB to lower the MSRP cap even further, moving it closer to the median cost of new vehicles. Likewise we would support a reduction in the current income caps because both changes would help extend the CVRP's availability and increase access for middle class consumers.

⁴ Jenn, A., Lee, J., Hardman, S., & Tal, G. (2019). An Examination of the Impact That Electric Vehicle Incentives Have on Consumer Purchase Decisions Over Time. UC Office of the President: University of California Institute of Transportation Studies. [Policy Brief](#), [Full Report](#)

⁵ Consumer Report, Union of Concerned Scientists survey data, [2019](#)

⁶ Rhodium Group, [9/26/19](#)

The CVRP is an important program and tool for increasing consumer access to EVs and accelerating the EV market, and these changes would further promote consumer choice and maintain a robust rebate program that will continue to help California meet its emission goals. Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "Alfred J. Artis", with a long horizontal flourish extending to the right.

Alfred J. Artis
Policy Analyst