

December 2, 2019

Mary Nichols, Chair California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Follow-up from Advanced Clean Trucks Rule Meeting with NGOs

Dear Chair Nichols:

We wanted to follow-up on our meeting and provide some of the bigger picture context that we heard you seeking around the proposed Advanced Clean Truck rule. Specifically, we want to provide more background on why staff continue to get push back from manufacturers when most everyone now agrees there are no significant technological or economic barriers to adopting a more ambitious zero-emission mandate for trucks.¹

We continue to believe that manufacturers' concerns over customer acceptance are overblown. Indeed, the arguments over customer demand are belied by the 14,000 preorders of the Nikola Class 8 tractor, the 100,000 Amazon purchase from Rivian, and the host of major companies that have made commitments to transition to zero-emissions.²

There are several hurdles to widespread acceptance by the customer, but the three most cited are: price, availability of charging infrastructure, and familiarity/comfort with the new technology. While there is more work to do on each of these fronts, we believe the evidence shows that we are generally on a good path and in a much different place than we were when the first passenger vehicle mandates were adopted:

(1) Cost: In many applications, zero-emission trucks already have equal or lower total cost of ownership than diesel trucks, and rapidly declining battery prices promise to shorten the payback period further with some electric trucks reaching up-front price parity in the 2030 timeframe or sooner. *Next steps: Adopt a strong rule to accelerate production to bring down prices faster and create information clearinghouse on available incentives and innovative financing models.*

(2) Infrastructure: Investor-owned utilities (IOUs) alone have been approved to spend nearly \$700 million between now and 2024 on installing make-ready and charging infrastructure to support a minimum of 18,000 medium- and heavy-duty vehicles—more than the Advanced Clean Truck proposal would require until 2027. IOUs may apply for authority from the CPUC to make additional investments if demand warrants it. *Next steps: develop programs to streamline installation process by, e.g., adapting GoBiz EV Charging Station Permitting Guide for MD/HD, accelerating time for utilities to approve*

¹ Attachment A visually summarizes the key barriers (real and perceived) to manufacturer acceptance.

² Attachment B is a letter from the Ceres Business for Innovative Climate and Energy Policy (BICEP) noting the broad corporate customer desire for a stronger rule.

interconnection requests, and supporting development of increased capacity training programs to meet growing infrastructure workforce needs.

(3) Customer knowledge and awareness: Multiple programs now support pilot and demonstration projects that raise awareness of the success of new technologies. Deployment in high-visibility segments (e.g. transit buses and airport shuttles) will increase awareness, but customers need a greater understanding of positive total cost of ownership and available incentives. *Next steps: expand product offerings through a broad and higher sales mandate, develop marketing campaigns similar to Veloz focused on truck sectors, and offer annual ZE Truck Symposiums to educate customers on how to transition to ZEVs, similar to CARB's Transit Tech Symposium from February 2019.*

Based on our conversations with experts in the industry, we believe the real objections from OEMs are not about the customer, but about their basic desire to delay transition as long as possible. The two concerns we have heard are that: (1) OEMs want to squeeze out as much return as possible from their existing capital investments around diesel truck manufacturing; and (2) OEMs see the transition to zero-emission trucks as a threat to their current business model, which relies on extended maintenance and service agreements even more than actual sales to generate profits. In the end, these are not arguments about feasibility or cost, but about industry recalcitrance. While it is true that a strong mandate will force industry to change their business models, there is no reason to believe that OEMs cannot find a way to achieve adequate returns.

We need a strong rule to address our pollution and climate emergencies. We also need a strong rule to ensure that the rule itself is successful. We will not achieve the transition that is required to bring down costs and provide customers with adequate choices if we set the targets too low. Already, we are seeing that purchases from single manufacturers could result in a flood of ZEV credits that major OEMs will gladly use to delay action.

We would welcome the opportunity to discuss this with you more and look forward to the Board's strong leadership in improving this rule.

Sincerely,

Earthjustice

Paul Cort, Staff Attorney

Sasan Saadat, Research and Policy Analyst

Sierra Club

Ray Pingle, CARB ACT Rulemaking Project

Katherine Garcia, Policy Advocate