November 14, 2022

California Air Resources Board
1001 I Street
Sacramento, CA 95814

*Submitted online:* *[https://ww2.arb.ca.gov/applications/public-comments](https://ww2.arb.ca.gov/applications/public-comments)*

**Re: Coalition Letter on HVIP and Large Fleet Eligibility**

Chair Randolph and Members of the Board:

As representatives of a diverse set of stakeholders, including labor, fleet operators, OEMs, utilities, charging developers, and the cleantech industry, we are requesting that the Board modify the Proposed Fiscal Year 2022-23 Funding Plan for Clean Transportation Incentives (Proposed Funding Plan) to enhance the environmental and market development benefits of the Hybrid and Zero Emission Truck and Bus Voucher Incentive Program (HVIP) by ensuring greater opportunities for continued participation in the program by large fleets. Specifically, for fleets of 500 or more we request CARB remove the 30-truck minimum purchase requirement and the requirement that trucks be deployed in a disadvantaged community (DAC). We also recommend reducing the voucher amount for fleets of 500 or more by only 30%. Finally, in accordance with CARB's data on voucher demand, we recommend reserving 50% of the standard voucher funds for fleets of 100 vehicles or less. Given the vital role that larger fleets play in proving out new technologies and driving scale, coupled with the substantial share of medium- and heavy-duty vehicles that these fleets represent across the state, we are deeply concerned that the practical exclusion of larger fleets from HVIP will jeopardize state efforts to effectively and quickly transition medium- and heavy-duty vehicles to zero emission alternatives.

Medium- and heavy-duty vehicles represent a significant source of emissions across the state, with the environmental and health burden associated with these emissions borne disproportionately by low-income communities and communities of color. This is true regardless of whether a medium- or heavy-duty vehicle is operated by a small or large fleet. The decision to exclude larger fleets was not predicated on data showing that this exclusion from access to HVIP for the purchase of battery-electric trucks will yield more or better targeted emission reductions and thus better health and environmental outcomes in impacted communities, and directly undermines some of the HVIP guiding principles[1] the Board adopted in its current Funding Plan.

Consequently, it would be a profound mistake to exclude larger fleets from this program given their presence in vulnerable communities. Over half of the vouchers requested in the program in 2021 and 2022 were associated with fleets with more than 100 vehicles and over 70% of the

[1] For example, excluding larger fleets would not "[a]ccelerate market transformation for the cleanest advanced technologies", "drive purchase decisions", or "[a]void market disruptions caused by unpredictable funding availability."

vouchers requested were associated with fleets with more than 50 vehicles.[2] We support the Proposed Funding Plan's inclusion of fleets with 100 or more vehicles but remain concerned that the restrictions on fleets with 500 or more vehicles will undercut a significant portion of demand for the program and work against CARB's goals. The transition of medium- and heavy-duty vehicles to ZEVs is very much in its nascency. This is reflected in the fact that there are less than 600 medium- and heavy-duty ZEV trucks and vans on the road in the state.[3] It is far too early in the market's evolution for CARB to exclude a large swath of the market from a critical incentive program.

The California Legislature agreed with our coalition and included budget control language in SB 179 that requires CARB to maintain large fleet eligibility through 2023. Instead of cutting out large fleets, the Legislature also adopted our recommendations to set aside additional funding for smaller fleets and limit the voucher amount for larger fleets. Both of these options are far superior to wholesale cutting a large portion of the medium- and heavy-duty ZEV truck demand from the program. The Draft Funding Plan is inconsistent with the Legislature's intent because of the degree to which it seeks to profoundly limit the ability of large fleets to access HVIP funds. Beyond the steep discount the Proposed Funding Plan would apply to the incentives very large fleets are eligible for, the Plan also proposes a set of highly restrictive eligibility criteria including requiring a minimum purchase obligation and 50% reduction in voucher amount. Such criteria will make it very difficult for large fleets to participate in HVIP to the point that it seems to undermine the legislature's direction to maintain large fleets in the program through 2023.

Over the past year, we have collectively engaged with staff to express our concerns with the decision to exclude larger fleets from this program. Fleet operations are not easily categorized by fleet size. This is an arbitrary construction that does not reflect meaningful differences in fleet businesses or fleet operations in the state. A small fleet is not necessarily a small business and large fleets are not necessarily more profitable than small fleets. This calls into question staff's assertion that equity interests are advanced by limiting eligibility to smaller fleets. Given the nascency of the current zero-emission truck market, the goal of market acceleration is lost when the program eliminates or severely restricts large fleets arbitrarily. Small and medium fleets benefit from a more mature market for both new and used zero-emission trucks. Importantly, stakeholders have offered a number of constructive and highly practical alternatives to the onerous restrictions currently in the plan that can better address the important equity concerns of staff while also helping the program deploy incentive dollars more effectively.

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[2] See "Clean Truck and Bus Vouchers (HVIP) 2021 and 2022 Voucher Request Data "; https://ww2.arb.ca.gov/sites/default/files/2022-06/hvip_2021_2022_voucher_data.pdf ; & "Second Public Work Group to Discuss the Clean Truck and Bus Voucher Incentive Project (HVIP) for Fiscal Year 2022-23", CARB, June 28, 2022, slide 11, https://ww2.arb.ca.gov/sites/default/files/2022-06/June_28_HVIP_WG_Slides.pdf.

[3] Excluding buses, there are 588 ZEV trucks, vans, and tractors on the road in California at the end of Q2 2022, See https://www.energy.ca.gov/data-reports/energy-almanac/zero-emission-vehicle-and-infrastructure-statistics/medium-and-heavy.

We ask that CARB remove the restrictions on fleets of 500 or more vehicles, which we believe amount to a practical exclusion of those fleets from the program. Specifically, we request CARB remove the 30-truck minimum purchase requirement and the requirement that trucks be deployed in a DAC. Although we agree that some larger fleets might enjoy economic advantages compared to smaller fleets, we do not agree that larger fleets will purchase battery-electric trucks regardless of whether they receive incentive support or that larger fleets as defined by CARB necessarily have an economic advantage over small fleets. It is not reasonable to expect larger fleets to invest in ZEVs at the scale the proposed conditions require before making incentives available. Despite their promise and potential, ZEVs in the medium- and heavy-duty space remain an emerging technology and, from the perspective of fleet operators, include substantial operational and technology risk. CARB acknowledges this with respect to fuel cell vehicles, which are exempt from the bulk purchase requirement, but, despite the very limited deployments of battery electric medium- and heavy-duty vehicles, CARB assumes battery electrics have achieved some level of mainstream acceptance amongst larger fleets. This is simply not true. Incentive funding remains a critical means of encouraging larger fleets to make meaningful investments in zero-emission trucks in the immediate and near term, particularly in this early stage of the technology's development and commercialization. The timeframe within which ZEVs will become cost competitive with incumbent technologies is unknown, as evidenced by the varying estimates from total cost of ownership (TCO) studies produced by CARB[4] and NREL[5]. This is true for both battery electric and fuel cell vehicles. The pandemic and ongoing supply chain challenges have resulted in constrained inventory across the vehicle market, injected cost pressure and, thus, even more uncertainty into future supply and inventory projections. Therefore, we also recommend reducing the voucher amount for fleets of 500 or more by only 30%, not 50%. We remain unaware of any evidence or analysis that would support the proposed 50% reduction in the voucher amount. It is simply too early to declare with any confidence that larger fleets will adopt these vehicles in the near term without meaningful incentive support.

The minimum purchase and deployment requirement, on top of the 50% reduction in the voucher amount, will make it extremely difficult if not impossible for large fleets to access HVIP. We are very concerned that this will slow the market for ZEV trucks just as we need the market to accelerate into the compliance periods for ambitious targets set out in the Advanced Clean Trucks (ACT) and proposed Advanced Clean Fleets (ACF) rules. CARB's own large entity reporting collected under the ACT rule shows that 68% of the medium- and heavy-duty trucks in California are in fleets of 500 or more.[6] Slowing the transition to ZEV fleets will only increase air pollution in DACs and frontline communities that continue to bear a disproportionate amount of health

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[4] See "Draft Advanced Clean Fleets Total Cost of Ownership Discussion Document"; California Air Resources Board; September 9, 2021; pgs. 5-6. https://ww2.arb.ca.gov/sites/default/files/2021-08/210909costdoc_ADA.pdf

[5] See "Spatial and Temporal Analysis of the Total Cost of Ownership for Class 8 Tractors and Class 4 Parcel Delivery Trucks"; Chad Hunter, Michael Penev, Evan Reznicek, Jason Lustbader, Alicia Birky, and Chen Zhang; National Renewable Energy Laboratory; September 2021; pgs. vii-x. https://www.nrel.gov/docs/fy21osti/71796.pdf

[6] See https://ww2.arb.ca.gov/sites/default/files/2022-02/Large_Entity_Reporting_Aggregated_Data_ADA.pdf.

impacts associated with unhealthy air quality. Furthermore, there is no data to suggest that these restrictions will drive investments in DACs or more effectively reduce harmful diesel emissions. We are concerned that the Proposed Funding Plan does not include any method for verifying that trucks are deployed in DACs and, if included, this requirement should be clarified so that fleets understand how to comply. However, given that these restrictions will only be in place for one year, we recommend removing these restrictions so that large fleets can continue to help make investments in this nascent market.

We recommend reserving 50% of the standard voucher funds for fleets of 100 vehicles or less.
We continue to recommend a larger set aside for smaller fleets to ensure they have access to HVIP funds throughout 2023. We believe this set aside should mirror the demand the program has seen from fleets of 100 vehicles or less. CARB's data regarding demand for vouchers unambiguously shows that fleets with 100 vehicles or less have accounted for less than 50% of the voucher requests in recent years. Therefore, we recommend 50% of the standard rebate be set aside for these fleets. A 50% set aside exceeds the share of funds that small fleets sought in 2021 and 2022 and therefore provides ample runway for smaller fleets and will ensure they are not crowded out by larger fleets.

We greatly appreciate your consideration and look forward to working with you on these very important issues.

Sincerely,

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