

**STATE OF CALIFORNIA
AIR RESOURCES BOARD**

**Second Notice of Public Availability of)
Additional Documents and Information;)
Advanced Clean Trucks Regulation)**

**Hearing Date:
June 25, 2020**

**COMMENTS OF THE
TRUCK AND ENGINE MANUFACTURERS ASSOCIATION**

October 20, 2020

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The Truck and Engine Manufacturers Association (EMA) hereby submits comments on the *Second Notice of Public Availability of Additional Documents and Information for the Advanced Clean Trucks (ACT) Regulation* that the California Air Resources Board (CARB) released on October 5, 2020.

EMA represents the world's leading manufacturers of medium- and heavy-duty on-highway trucks and engines. EMA member companies design and manufacture highly-customized low-volume commercial vehicles that perform a wide variety of functions, including long-haul interstate trucking, regional freight shipping, intracity pickup and delivery, parcel delivery, refuse hauling, and construction. EMA member companies are investing billions of dollars to develop and promote medium- and heavy-duty zero-emission vehicles (ZEVs) for those diverse trucking applications and therefore strongly support efforts to expand the California commercial ZEV market.

EMA appreciates CARB providing the additional material for the ACT rulemaking record. However, we are concerned that some of the new documents appear to follow the flawed regulatory structure of the ACT regulation. The *Multi-State Medium- and Heavy-Duty Zero Emission Vehicle Memorandum of Understanding* and the Governor's Executive Order N-79-20 both appear to promote establishing a commercial ZEV market simply by mandating that manufacturers sell the vehicles. Like the ACT rule, they ignore the fundamental barriers that must be overcome before trucking companies will convert to ZEVs. Trucking fleets must earn a profit on the investment they make to purchase a truck, and if a new truck technology is not cost effective they will choose a different technology or decide to maintain their existing trucks longer. The ACT rule does not address the higher life-cycle costs and lower utility of zero-emission trucks, nor does it require development of the unique electric charging or hydrogen fueling infrastructure needed to operate commercial ZEVs. By failing to confront those crucial market challenges, the sales mandate in the ACT rule will not alone be successful in achieving sustainable medium- and heavy-duty ZEV deployments.

During both hearings on the ACT regulation the Board members repeatedly recognized that the ACT rule was incomplete, and that expanding the commercial ZEV market in California would require addressing the fundamental fleet and infrastructure issues. CARB's anticipated Advanced Clean Fleets (ACF) regulation is intended to address the missing purchase part of the purchase=sale equation that must be solved to make the ACT rule successful. Unfortunately, the ACF regulation has a long way to go before becoming reality. CARB currently is evaluating multiple disparate regulatory concepts for the rule, and each involves significant challenges that

CARB must overcome to finalize an effective regulation. At the same time, the ACT rule becomes effective in 2024, anticipates deploying approximately 100,000 ZEVs in California by 2030, and targets 300,000 by 2035. The ACF regulation must ensure that fleets are motivated to purchase all those ZEVs, plus unregulated ZEV sales. Those unregulated sales may come from ZEV manufacturers that do not also produce traditional vehicles and thus are not mandated by the ACT rule to sell anything, and low volume manufacturers that are exempt from the rule. CARB plans to choose a regulatory path for the ACF rule, complete a proposed regulation and achieve Board approval, in time to make the rule effective in 2023. We hope CARB is successful meeting that ambitious rulemaking timeline, and we note that failure to promulgate an effective and implementable ACF regulation will cripple the chances that the ACT rule will be successful.

When approving the ACT rule the Board members also recognized the importance of developing an electric charging and/or hydrogen fueling infrastructure for the commercial ZEVs to be deployed under the rule. The infrastructure must be appropriately sized for medium- and heavy-duty ZEVs, and chargers must be located at fleet terminals where trucks are parked. Since it can take between 24 and 48 months from concept to a fully-functional charging station, and even longer for a hydrogen fueling station, development should begin immediately on the infrastructure for ZEVs sold in 2024, the first year of the ACT rule sales mandate. Similarly, the charging/fueling infrastructure for ZEVs sold in 2025 should be underway next year – and so on for the increasing volumes every subsequent year. Unfortunately, the ACT does not include any requirements for establishing a charging/fueling infrastructure or directly address that crucial market element. Without the infrastructure in place, or at least under construction, it would be financially reckless for a fleet to begin purchasing ZEVs.

Perhaps the greatest challenge in developing the medium- and heavy-duty ZEV market in California will be identifying the funding needed to incentivize fleets to purchase ZEVs and to build out the infrastructure to keep the vehicles in operation. Since a trucking company may only replace ten percent of its fleet with new vehicles in any given year, it could take ten years for the fleet to fully convert to ZEVs. Before undertaking such a long-term technology changeover, a trucking company must be assured of incentive funding throughout that time period that is sufficient to cover the higher life-cycle costs and lower utility of ZEVs. Additionally, the fleet must not only install the first charging stations at its terminals before purchasing ZEVs, it must plan to expand those stations over time and far in advance of receiving each new set of ZEV purchases. Trucking businesses already operate on razor thin profit margins and cannot absorb the financial burden associated with ZEVs, and therefore CARB must provide significant funding for the commercial ZEV market for the foreseeable future. Such government expenditures will be particularly challenging at a time when State revenue is declining precipitously due to the coronavirus pandemic and the resulting economic crisis. The California Budget Act of 2020 predicts declining revenue in each of the next four years, with revenue in 2023-24 is expected to be twenty percent less than in 2019-20. Without adequate and sustained funding, developing the California medium- and heavy-duty ZEV market as envisioned in the ACT is not sustainable.

The ACT manufacturer sales mandate is on the books, but now CARB must begin some truly hard work. The medium- and heavy-duty ZEV fleet and infrastructure issues must be addressed with appropriate regulatory measures and timely, sufficient, and sustained funding. Otherwise, the lack of follow through will doom the ACT rule to failure.

We look forward to continuing to work with CARB and other stakeholders to ensure that the ACT rule can constructively contribute to developing the medium- and heavy-duty ZEV market in California. If you have any questions, or if there is any additional information we could provide, please do not hesitate to contact Timothy Blubaugh at (312) 929-1972, or tblubaugh@emamail.org.

Respectfully submitted,

TRUCK & ENGINE MANUFACTURERS
ASSOCIATION

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