

Submitted Electronically

*Proposed Amendments to the Advanced Clean Trucks Regulation and the Zero-Emission
Powertrain Certification Test Procedure*

Section 1963.2. Advanced Clean Trucks Credit Generation, Banking, and Trading

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NTEA – The Work Truck Association represents over 2,000 companies that manufacture, distribute, and install commercial trucks, truck bodies, truck equipment, and accessories. As the association representing upfitters of work trucks, we are pleased to have this opportunity to present the concerns of this vital industry segment.

Our membership includes almost 900 upfitters (secondary vehicle manufacturers). While we were only made aware of this proposed amendment very recently, none of the NTEA members with whom we consulted expressed interest in participating in such a market. Those consulted viewed it negatively.

As we understand it, the Board is considering the amendment below to the Advanced Clean Trucks regulation, which would allow secondary vehicle manufacturers to participate in purchasing, trading, and selling of ZEV and NZEV credits to facilitate chassis accessibility to end users.

- (e) *Credit Trading and Transfer.* ZEV and NZEV credits may be traded, sold, or otherwise transferred between manufacturers. ZEV or NZEV credits transferred in this manner may be used to satisfy deficits per section 1963.3 and have limited lifetimes per section 1963.2(g), and must be reported to the Executive Officer in accordance with the requirements of section 1963.4. Secondary vehicle manufacturers have the option to trade, sell, or otherwise transfer ZEV and NZEV credits with manufacturers. Transferred ZEV and NZEV credits must be reported to the Executive Officer in accordance with the requirements of section 1963.4(c).

NTEA is strongly opposed to this amendment.

In the absence of any published analysis by CARB or outreach to the affected companies regarding the possible ramifications of potentially including hundreds of small companies in an

unregulated financial market, it seems irresponsible to move forward without additional fact-finding and debate.

Truck Chassis Path to Market

The OEM designs and manufactures the work truck chassis (which includes the engine). The chassis moves through the franchised dealership to the customer/end-user. At some point before customer delivery, the chassis is sent to an upfitter for the installation of the specified body and equipment to make it a usable work tool.

The secondary vehicle manufacturer neither owns nor controls the allocation of the chassis. If CARB wanted to be more transparent, it could provide credit market access to dealers and end-users as they are more closely tied to the chassis than secondary vehicle manufacturers.

Big v Small

Secondary vehicle manufacturers come in all sizes, some big and some smaller. As a result, their financial resources differ.

This amendment would create an unregulated and speculative financial market with unequal access.

A significant concern is that a small number of large secondary vehicle manufacturers could take this transitional opportunity to squeeze smaller secondary vehicle manufacturers out of business.

Any benefits from including secondary vehicle manufacturers in the ZEV and NZEV credit market would likely accrue to only a small subset of the industry, particularly larger companies with the resources to navigate this credit system.

Compliance Burden

It is unclear whether any potential benefits for secondary manufacturers outweigh the downsides of the compliance burden of navigating a new, complex, risky system. Additionally, this is being proposed when secondary manufacturers are already navigating a highly cumbersome regulatory environment.

This amendment would create financial risk for secondary vehicle manufacturers. To our knowledge, no analysis has been presented concerning potential benefits (and risks) to buyers, sellers, or manufacturers.

No analysis has been conducted on concerns such as how secondary vehicle manufacturers would know what price to pay for credits, how many credits they will need to be competitive, and whether they can hold credits waiting for the market to move to sell them at a profit.

Will this unregulated market require OEM buyback of unused credits, and will the new complexity of an expanded market increase the cost associated with credits?

Work Truck Industry Background

We want to provide some background on how the motor vehicle industry's work truck segment differs from the passenger car side, hoping it will lend context to our previously stated concerns.

Work trucks are built in a very different manner than either passenger cars or tractors.

Commercial work trucks are primarily designed and produced individually or in small numbers on a custom-order basis. Their diverse applications, limited volume, and nearly limitless body and equipment variations dictate this production method.

Vehicles produced by NTEA member companies for commercial or vocational use include, but are not limited to, dump trucks, utility company vehicles, agricultural platform and stake body trucks, van-based delivery or service vehicles, shuttle buses, aerial bucket trucks, tow trucks, beverage delivery trucks, digger derricks, snow removal vehicles, fire trucks, ambulances, and a host of other specialized configurations.

Typically, work trucks are built in a multistage process involving three distinct yet interrelated industry segments. To ensure product compatibility, a close working relationship is necessary between the truck chassis manufacturers and their dealers, truck body and equipment manufacturers, and truck body and equipment distributors (also known as truck upfitters or final-stage manufacturers).

While an upfitter is necessary to the process of building a work truck, it has little influence with regard to chassis design or delivery. What is often known as an upfitter is typically the distributor for a number of body manufacturers (utility body, van body, stake body, reefer, etc...) and equipment manufacturers (aerial devices, hoists, plows, ladder racks, interior shelving, liftgates, etc...). As part of their distributor function, they install the bodies and equipment and certify the vehicles in the final stage for NHTSA purposes.

The initial process of designing (spec'ing) the truck is complex. The completed truck must be mission-capable, safe, and emission-compliant. Lastly, it must be attainable—meaning all of the parts are available, and it is reasonably affordable when completed.

Affordability and productivity are more critical in the work truck world than in the passenger car world. A passenger car purchaser can spend more or less, depending on their financial situation and desires. A vocational truck purchaser is buying a necessary tool (the completed truck) to accomplish a set of tasks. If they didn't have to buy the truck, they wouldn't.

As we enter into the ZEV era, work trucks present unique concerns. Assuming emission compliance is achieved via BEV, we expect that commercial chassis' weight and weight distribution will significantly differ from their traditional ICE equivalent. As the chassis dimensions change, so does the compliance and efficiency formula for building a viable truck. At the end of the day, this tool (the truck) is purpose-built and must be able to safely, efficiently, and cost-effectively do its job.

Safety comes first when the customer, final-stage manufacturer, dealer, and chassis OEM design the work truck.

The design process starts with the mission and works backward. With the mission in mind, what body and equipment configuration will be needed?

Once the body and equipment configuration is determined, what chassis is required?

Assuming the chassis is a BEV, a weight distribution calculation will indicate if the desired upfit is viable – can the chassis carry the weight of the upfit, and can the body and equipment be installed with a proper center of gravity (part of the process to determine if the completed truck can be legally certified as meeting NHTSA federal motor vehicle safety standards)?

Ultimately, is the completed truck safe, clean, mission-capable, economically viable, and available?

If we can provide additional information or insight, please contact me at mkastner@ntea.com or (202) 552-1600.

Respectfully,

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