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Mercedes-Benz

**Mercedes-Benz Remarks on California's Advanced Clean Cars
Midterm Review Recommendations**

Oral Testimony

24 March 2017

Good morning/afternoon. My name is Amy Lilly and I am here representing Mercedes-Benz. Last year we had our best sales year ever with over 380,000 vehicles sold, and we are excited about significantly boosting the share of vehicles sold in our portfolio with alternative drivetrains. Today I'd like to talk about our robust investments in electric mobility and fuel cell vehicles, as well as our plans for marketing these products. Lastly, I want to underscore our commitment to partnering with California to ensure our EV customers' infrastructure needs are met.

Investments and Product

Mercedes-Benz's goal is to become the undisputed leader in EV sales in the premium segment by 2025, and we will have over 10 electric models by that year. This is an ambitious goal, but we have already begun to seriously invest in the transition to a more heavily-electrified fleet. Almost 11 billion dollars of our research budget have been dedicated to e-mobility, and we have invested over one billion dollars in our global battery production.

Investments continue to be made in manufacturing capacity, hardware, and designs - and rest assured, these projects will move forward, independent of any changes in the standards. But just offering compelling products will not be enough. We will need consumer acceptance and adequate infrastructure in order to sell

ZEV vehicles in the volumes that will be necessary to achieve all of our goals.

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To give you a sense of our near term plans, we have begun selling the Mercedes-Benz GLE550e plug-in hybrid SUV, the S550e plug-in hybrid sedan and the C350e plug-in hybrid sedan. We will be offering the GLC 350e PHEV this fall and the Smart electric coupe and cabriolet this summer. Starting in MY 2018, 100% of the Smart vehicles will be EVs. Additionally, we will offer three more PHEV models in 2018 and 2019. We plan to officially announce our GLC F-cell later this year at the Frankfurt auto show. Further details will be announced about its introduction into this market at that time. Mercedes-Benz will also launch our EQ brand in 2019. EQ represents “electric intelligence” and is comprised of a comprehensive electric ecosystem of services, technologies and innovations. The Mercedes-Benz EQ brand will be fully scalable in every respect and usable across all models including SUVs, sedans, coupes and other model series. We will continue to offer PHEVs because we believe advanced long range batteries offer customers a no-compromise solution.

Marketing and Consumer Acceptance

Mercedes-Benz fully supports what CARB stated in Appendix B of its recommendations for the Green Car Program midterm review. Namely, that “While the ZEV regulation has been effective in generating product development and initial vehicle supplies, fleet transformation to near- or pure-ZEVs also requires consumers to demand and ultimately purchase these products.” While early adopters are excited about these vehicles, we are simply not going to reach our joint goals unless we can sell to mainstream consumers.

We have heard the feedback that our dealers are not serious about selling ZEV vehicles. I am here today to dispel that perception. Mercedes-Benz USA has created a new department specifically tasked with preparing our dealers to sell ZEV vehicles by developing and executing new and enhanced training programs, installing charging stations at dealerships for sales and service needs, and embarking on marketing efforts nationwide. We take this task seriously and I believe you will see the fruits of this strategy in the near future.

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Infrastructure

Lastly, I mentioned the need for adequate infrastructure. The successful vehicle electrification program in Norway, for example, provides approximately one public charging station for every 10 PEVs. It should be noted that this ratio assumes that people can charge at home. If they cannot, one public station for every five PEVs would be necessary. If we compare these statistics to current and planned USA infrastructure, we know the number of stations is woefully inadequate. When you consider that most automakers have plans to introduce a variety of models in all segments, the infrastructure must see exponential growth for consumers to feel confident purchasing these products. As such, Mercedes-Benz and other auto manufacturers are not only building electric vehicles, but are also investing in needed infrastructure. For example, we recently made an investment in Chargepoint. We support the EV Charging Corridors announced by the Obama Administration and have engaged in Washington in these, and similar, endeavors. Because of California's importance in the industry, we would also like to stress our support of the September 2016 California Public Utility Commission (CPUC) recommendations to mandate the ISO 15118 communications protocol as the standard for communication between the PEV and the EVSE which would ensure PEV to infrastructure interoperability. We view

infrastructure interoperability as a critical component of electric vehicle acceptance in the U.S. In addition, the functionality that ISO 15118 enables in the PEV will further drive the widespread consumer acceptance of PEVs in the U.S.

In closing, when our CEO, Dr. Dieter Zetsche announced our goal of becoming the EV sales market leader within the premium segment by 2025, it signaled that Mercedes-Benz is committed to deploying electrified vehicles in the mainstream market. We plan to work collaboratively with CARB and other stakeholders to overcome our challenges with consumer acceptance and infrastructure to achieve our shared goals through 2025. Additionally, we are ready to start the discussion on how best to encourage additional ZEV deployment after 2025. Thank you for this opportunity to share our company's perspective and I look forward to addressing these challenges together.