

December 4, 2020

California Hydrogen Business Council Comments on CARB's Proposed Fiscal Year 2020 – 2021 Transportation Funding Plan

I. Introduction

The California Hydrogen Business Council (CHBC)¹ welcomes the opportunity to comment on the California Air Resources Board's (CARB) Proposed Fiscal Year 2020-2021 Transportation Funding Plan ("TFP"). A summary of our comments is below, with a detailed explanation in the Comment section that follows.

- A. We oppose expanding weight class of the CVRP because it creates regulatory uncertainty.**
- B. We support expanding pilot and demonstration programs to include precommercial class 3-8 commercial vehicles.**
- C. We generally recommend that the HVIP allocation be flexible to accommodate current funding shortfalls and going forward focus on helping pre-commercial ZEV trucks become cost competitive.**
- D. We support CARB's proposal to not impose hard OEM manufacturing caps in the HVIP, which we believe would add burdensome regulatory uncertainty.**
- E. The CHBC would like to work with CARB on a soft cap program to ensure adequate flexibility and accountability.**

¹ The CHBC is comprised of over 100 companies and agencies involved in the business of hydrogen. Our mission is to provide clear value to our members and serve as an indispensable and leading voice in promoting the use of hydrogen and fuel cells in the energy and transportation sectors in California and beyond. The views expressed in these comments are those of the CHBC, and do not necessarily reflect the views of all of the individual CHBC member companies. Members are listed here: www.californiahydrogen.org/aboutus/chbc-members/

II. Comments

A. We oppose expanding weight class of the CVRP because it creates regulatory uncertainty.

Our members appreciate CARB's intention to continue to improve the CVRP; however, expanding the CVRP weight class from 8,000 lbs. to 10,000 lbs. introduces a level of regulatory uncertainty and risk, sending a confusing market signal to OEMs that currently supply vehicles to meet the state's zero emission vehicle requirements. This concern is in addition to the already uncertain program funding and may complicate communication to customers and light duty vehicle OEMs who require certainty to plan production and manufacturing schedules. We understand from our discussions with staff that CARB intends to keep "commercial vehicles" in HVIP and move "personal vehicles" up to 10,000 lbs. from HVIP to the CVRP. While we understand the goal, the CHBC would emphasize that CVRP provides manufacturer certainty today and as such, would like to see the CVRP and HVIP weight class delineation continue unchanged. The consequences of regulatory changes at this juncture remain uncertain.

B. We support expanding pilot and demonstration programs to include precommercial class 3-8 commercial vehicles.

The CHBC supports expanding the TFP to include pilot and demonstration programs for class 3-8 pre-commercial Fuel Cell Electric Vehicles (FCEVs). CARB's TFP has been a tremendous success over the years and continues to spur innovation in the zero-emissions transportation sector. To date, the TFP has successfully demonstrated new zero emission technologies and provided manufacturers the "real world" data they need to develop commercially ready zero emission goods movement and public transportation products. Several market segments have made significant strides in deploying these advanced technology vehicles, but more needs to be done.

Fuel Cell Electric Trucks (FCETs) are just now beginning to emerge in the pre-commercial stage. Fuel Cell Electric Buses (FCEBs) are also being deployed in greater numbers today in the transit segment in large part due to CARB's support of early market demonstration projects to prove out the technology. The ongoing project with Toyota and Kenworth in the Ports of Los Angeles and Long Beach is an excellent "real world" example of truck OEMs gathering information under various duty cycles in HD goods movement applications. While this progress is welcome, more needs to be done to support the development and commercialization of class 3-8 FCETs.

Expanding funding for additional pilot and demonstration testing of class 3-8 FCETs in this and future TFPs is also in line with recent state policies. Such policies include Governor Newsom's recent Executive Order requiring the drayage segment of the HD truck market move to zero

emissions by 2035, CARB's Advanced Truck Rule (ACT) and the Innovative Clean Transit Rule (ICT), all of which encourage CARB to do more, not less to advance MHD zero emission vehicle pilot and demonstration projects.

C. We generally recommend that the HVIP allocation be flexible to accommodate current funding shortfalls and going forward focus on helping pre-commercial ZEV trucks become cost competitive.

The CHBC understands the fiscal position the state has forecasted for the upcoming funding cycle, and the need to create contingency plans to address what may be limited transportation funding. Staff's proposed 20% reduction in the HVIP voucher is certainly one way to make limited resources go further. With regard to the HVIP voucher amount, the CHBC supports a periodic review of voucher amounts as they apply to various technologies.

In general, the CHBC recommends HVIP vouchers be set at a level which brings the cost of a pre-commercial zero emissions truck in line with that of a conventionally powered truck. This amount should be periodically reviewed and reduced (and eventually sunset) as necessary, commensurate with the technologies' "state of commercial readiness". The CHBC supports a process that periodically evaluates the "state of commercial readiness" of various technologies and makes relevant HVIP funding program adjustments. We look forward to reviewing CARB's recommendation and working with staff on an acceptable methodology.

D. We support CARB's proposal to not impose hard OEM manufacturing caps in the HVIP, which we believe would add burdensome regulatory uncertainty.

The CHBC supports and applauds CARB's decision to forego any hard manufacturing caps on OEMs. We support the ability of new market entrants to access HVIP funds and are sensitive to larger OEM draw on the funding pool.

Hard manufacturing caps that restrict the number of vouchers for each OEM, introduces a new element of regulatory uncertainty into the HVIP. While the CHBC supports a process that ensures new market entrants have access to HVIP funds, placing caps on manufacturers with products that are ready to deploy may stunt market growth and the broader commercialization of FCETs and FCEBs.

E. The CHBC would like to work with CARB on a soft cap program to ensure adequate flexibility and accountability.

The CHBC supports and encourages CARB to track and ensure HVIP issued vouchers are used in a timely and productive manner. We also understand there are legitimate circumstances which can cause delays in vehicle procurement and these should not result in the revocation of HVIP vouchers.

CARB staff has indicated an interest in developing a process to review outstanding vouchers and extending where appropriate any proposed soft cap to accommodate legitimate delays. The CHBC would like to work with CARB staff to develop a process that provides adequate flexibility and accountability for program participants.

III. Conclusion

The CHBC thanks CARB for its consideration of these comments and looks forward to continue to work with CARB on designing and implementing funding and other related programs that can help California succeed in reaching its ZEV goals and continue to build on its global leadership as a launching pad for innovative hydrogen fuel cell transportation technologies.

Respectfully,

A handwritten signature in black ink, appearing to read 'W Zobel', is written over the printed name and title.

William Zobel

Executive Director

California Hydrogen Business Council