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December 4, 2020

Andrea Morgan  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

## RE: Daimler's Comments on the Proposed Changes to HVIP

Dear Ms. Morgan:

Daimler Trucks North America (DTNA) appreciates the opportunity to submit the following information regarding the California Air Resources Board's (CARB) Clean Truck and Bus Vouchers (HVIP) Program. We recognize the importance of the agency's efforts to advance clean technologies and encourage fleets to adopt them in advance of regulatory deadlines. As we have in the past, DTNA continues to pledge its support and provide additional feedback.

DTNA is part of a thoroughly qualified global truck manufacturing company with unsurpassed personnel and infrastructure resources and a long history of innovative engineering. DTNA has over 70 years of experience engineering advanced truck solutions and invests \$1.45 billion annually on research and development. The eMobility engineering expertise at DTNA is significant, and our brands have developed a number of medium- and heavy-duty products, including the Class 8 Freightliner eCascadia, the Class 6 Freightliner eM2, the Jouley electric school bus from Thomas Built buses, the walk-in van MT50e from Freightliner Custom Chassis Corporation (FCCC), and the Freightliner eClique (original North American electric tractor prototype). Furthermore, DTNA has significant experience overseeing the procurement and installation of electric vehicle supply equipment (EVSE).

Based upon our experience building zero emission (ZE) vehicles and receiving feedback from our valued fleet customers, DTNA has provided detailed comments and recommendations below in response to HVIP's proposed changes.

### Voucher Tables and Amounts

DTNA disagrees with CARB staff's recommended reduced voucher levels for Class 4-8 ZE trucks. We believe that reducing the voucher amounts is in direct conflict with five of the seven goals established by CARB in its HVIP funding plan:

- *HVIP Guiding Principle 1: Accelerate market transformation for the cleanest advanced technologies to support the State's climate, air quality and petroleum reduction goals*

Reducing voucher amounts for a technology that has seen limited voucher redemptions will stifle the nascent yet promising ZE truck market. HVIP's own results show the veracity of the current situation – of the \$44.0 million in 2020-redeemed vouchers for class 7 and 8 trucks and buses, \$8.1 million<sup>1</sup> went to non-bus projects and a mere \$415,000<sup>2</sup>

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<sup>1</sup> 2020 redemptions went to Kalmar Ottawa and OrangeEV

<sup>2</sup> 2020 redemptions went to BYD and Xos

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went to medium- and heavy-duty trucks. Thus, reducing the medium- and heavy-duty ZE truck incentives will only serve to undercut the potentially crucial role that these technologies will play in the future.

It is also worth noting that reducing voucher amounts may have the unforeseen but likely effect of undercutting the state's own rules; in other words, the market may not be ready for the implementation of the ACT Regulation.

- *HVIP Guiding Principle 2: Support the goals laid out in CARB's Long-Term Heavy-Duty Investment Strategy*

Chief of this strategy's goals is to prioritize investments that can both achieve immediate emissions reductions but also provide support for emerging advanced technologies. Medium- and heavy-duty ZE trucks satisfy both of those elements. However, as discussed above, they have not yet seen the market penetration that would necessitate reduced or graduated incentive levels.

- *HVIP Guiding Principle 3: Drive purchase decisions*

Fleet's purchasing decisions are not made on the spot. They are planned for and come in prescribed annual cycles. Budgets are planned years in advance and any unexpected changes can cause significant disruptions and changes to purchasing habits.

- *HVIP Guiding Principle 4: Maintain simplicity and a fleet-friendly process*

Late-stage changes and unexpectedly reduced funding levels will make the HVIP Program less fleet-friendly and cause challenges for fleets who want to purchase advanced technologies.

- *HVIP Guiding Principle 6: Avoid market disruptions caused by unpredictable funding availability*

This is particularly poignant as CARB's own goal is to avoid unpredictable funding availability, yet it is creating an unpredictable funding situation by reducing voucher amounts within a few months of when funding is expected to open. This discordant messaging will result in market hesitancy, concerns from original equipment manufacturers (OEMs) regarding investments in advanced technology, and overall muting of potential benefits.

Finally, as it concerns the voucher modifiers, DTNA believes that the +100% plus-up for Class 8 Fuel Cell is too "rich" for a technology that has yet to be certified or deployed in commercial operations and is likely still several years away from deployments. Including this hydrogen plus-up further undercuts the ability to fund viable zero-emission battery electric technologies. DTNA also notes that recent funding programs from DOE, CEC, and CARB itself provide considerable incentives for hydrogen fuel cell vehicle research and demonstration projects.

## **Fleet Voucher Caps**

DTNA commends CARB and agrees with the principles of a fleet voucher cap, which will reduce fiscal drain on HVIP, diversify participating fleets, and focus resources to incentive new participating fleets. We offer one modification to CARB's proposed fleet cap of 30 vouchers per year: implement the fleet cap at a GVWR / truck classification level. Many of California's most progressive fleets (and those that have not yet participated in HVIP) operate trucks of various classifications and in different sectors (e.g., drayage and last-mile delivery).

Thus, implementing a fleet cap at the GVWR / truck classification level could allow a fleet to secure up to 30 vouchers for Class 8 drayage trucks as well as up to 30 vouchers for its Class 6 last-mile delivery trucks, for example. By doing so, CARB would avoid stifling the market for advanced technologies, better reflect the operations of progressive fleets, and create financial conditions that align with its own goals of fostering innovation. Furthermore, such a fleet voucher cap structure would clearly serve as a market signal from CARB its support for OEMs that can produce multiple truck and bus classifications.

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## **Manufacturer Rolling Voucher Caps**

DTNA commends CARB and agrees with the principles of a rolling manufacturer voucher “soft” cap and manufacturer probation. Too often has HVIP been inequitably exploited by unproven ZEV technologies, which has only served to sideline its valuable investments for years at a time. DTNA pledges its support to CARB in the development of the case-by-case review process and the framework for manufacturer probation.

## **Conventional Internal Combustion Engines**

DTNA notes that, in 2019-2020, our customers redeemed 216 HVIP vouchers for Freightliner natural gas trucks, totaling \$9.68 million in vouchers. At the same time, DTNA supports graduating the program away from natural gas to allow commercial vehicles to get more access to the limited ZEV funding. This is consistent with the Governor’s Executive Order and the goals of the ACT program.

## **Vehicle Eligibility**

DTNA commends CARB and agrees with the proposal to raise the minimum GVWR for HVIP vehicle eligibility from 8,001 to 10,001 pounds. In fact, DTNA would support CARB should it choose to raise the level to 14,001 pounds (i.e., Class 4). By limiting funds to medium- and heavy-duty vehicles (as opposed to also including some lighter vehicles equipment), CARB will better isolate and prioritize funding for commercial-use vehicles.

## **Conclusion**

DTNA is ideally positioned to bring medium- and heavy-duty electric trucks to the market, stemming directly from the trust and customer loyalty that it has developed with fleet operators. Our development fleets of eCascadias and eM2s have now logged hundreds of thousands of commercial miles in real-world operations with fleets in Southern California. As the world’s largest truck original equipment manufacturer, DTNA’s commitment to vehicle electrification will have transformative effects on fleets’ truck replacement plans by increasing fleet operator confidence in zero emission technology and providing service and training required to support these trucks for years to come.

DTNA’s efforts will enable a transformative market change through the deployment of emission reducing electric trucks. As the point of contact for any questions regarding DTNA’s electrification efforts, please reach out directly to me at the information provided below. We again thank you for the opportunity to support CARB and HVIP.

Sincerely,

Michael Scheib

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