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May 24-25, 2007

BMW Testimony at the California Air Resources Board Public Meeting to Consider a Status Report on the Zero Emission Vehicle (ZEV) Program on May 24-25, 2007 in San Diego.

Slide 1: Introduction

Good Morning Chairman Sawyer, members of the Board and Staff. I am Karl-Heinz Ziwica, Vice President of Engineering US at BMW of North America, LLC, representing our parent company BMW AG.

I am pleased to be here today and very much appreciate the opportunity to present our views on the zero emission vehicle program status report. BMW also worked closely with the IERP and supported their fact finding efforts.

Slide 2: BMW is Technology-Driven

BMW is a technology-driven company, dedicated to providing individual mobility to a discerning customer base.

We are an independent mid-size manufacturer with a US market share of approximately 1.7%. On a worldwide basis our market share is 2%.

Over many years BMW has made great efforts to comply with the ZEV mandate. Beginning with model year 2003, we were the first in the industry to offer six-cylinder PZEV automobiles in California and other states. Through model year 2006, we have sold over 26,000 3 Series PZEVs in California.

While responding to customer demands for sporty and performance-oriented automobiles, we have also made great strides in improving the fuel efficiency of our vehicles. As a matter of fact, Environmental Defense quotes BMW as the manufacturer improving significantly fleet-based fuel economy by 12% over the last 15 years, despite adding several light truck models to our product offering and meeting our customers' demand for safety, comfort and driving experience.

Slide 3: BMW Hydrogen Vehicles

BMW has also acknowledged for many years the need to divert our dependence on a carbon-based energy infrastructure toward a hydrogen clean energy infrastructure. BMW strongly believes that hydrogen as an alternative fuel holds the greatest promise to assure a sustainable clean mobility future.

BMW started working on hydrogen-powered vehicles in the late 1970's and has since refined its design in six generations of hydrogen vehicles.

The design of safe and performance-oriented vehicles has long been a trademark of BMW automobiles, fulfilling the expectations of our customers. Power density of the drive train is of utmost importance to achieve this objective. In this respect, the internal combustion engine (ICE) is a superior technology to achieve this.

BMW has been working on the most suitable integration of a hydrogen drive train and a hydrogen storage system. One major development objective was to keep the environmental footprint as small as possible.

We have made great progress in achieving this goal. With hydrogen ICEs, the only emission of concern is nitrogen oxide. BMW has developed a two-mode operating strategy, extremely lean and stoichiometric, to nearly eliminate NOx exhaust emissions.

In November of last year in Los Angeles, BMW introduced its latest generation of hydrogen vehicles. About one hundred of these Hydrogen 7 vehicles will be produced this year and 25 of them will be operated from here in California. The Hydrogen 7 underwent a full production development program, a process every conventional BMW model has to go through. The total program cost is nearly half a billion dollars.

BMW is also cooperating closely with energy providers to establish the necessary hydrogen infrastructure. As we all know to date, even the most rudimentary hydrogen refueling network is still missing.

Slide 4: H2 ICE Further Advancements Needed

But we also recognize that more work is still required to improve the hydrogen ICE drive train efficiency, lifetime NOx emission stability and the vehicle hydrogen storage system. From our laboratory work we know that today's hydrogen ICEs still offer a significant potential for efficiency improvements through application of technologies such as turbo-charging, direct injection, hybridization and possibly waste energy recuperation. We are confident that we can achieve efficiencies that are compatible with fuel cell power plants and emissions that for all practical purposes are zero. With the new Hydrogen 7 dedicated to run on hydrogen only, we can already demonstrate emission performance of less than 10% required under the SULEV standard.

We respect ARB's policy recommendation not to include the hydrogen ICE's in the gold standard category. However, we remain hopeful that just like for manufacturers who are embracing fuel cell vehicle development, the Board will endorse and maintain a policy that provides the proper incentive that would allow us to continue our hydrogen ICE vehicle development program.

Slide 5: Intermediate Volume Manufacturer Category

Currently, an intermediate manufacturer is defined as a manufacturer having a three year California sales average between 3,001 and 60,000 vehicles. BMW has been slowly growing and exceeded the 60,000 mark with the 2006 model year, becoming a large volume manufacturer under the current requirements with MY 2012.

BMW has a market share of about 3% in California and as mentioned 1.7% in the United States. In automotive terms we are a relatively small and independent manufacturer. Our resources are limited and are based on a total world market share of approximately 2%.

Becoming a large volume manufacturer would require us to develop gold category vehicles. If this happened we would have to refocus our development activities away from hydrogen ICE vehicles towards fuel cell and/or battery electric vehicles.

We concur with ARB's findings in the Status Report that a significant gap still exists between large volume and intermediate volume

manufacturers. Accordingly, BMW respectfully asks for an upward adjustment of the 60,000 threshold to a level deemed appropriate by ARB staff and Board.

Slide 6: Conclusion

BMW generally supports the IERP's findings and directionally agrees with the proposed revisions to the existing ZEV regulation.

BMW has successfully shown the feasibility of a Hydrogen ICE production car and is committed to advance the technology further.

By focusing on improving ICE technology, BMW can make the biggest contribution to clean air and sustainable mobility future.

Remaining in the intermediate manufacturer category would allow us to do so.

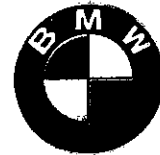
We will continue to work with the ARB staff to achieve regulatory requirements that will address any concern with respect to hydrogen ICE durability.

CARB Public Meeting, May 24th 2007

Status Report on Zero Emission Vehicle Program

Statement

Karl-Heinz Ziwica
VP Engineering
BMW of North America



CARB Public Meeting

Status Report on Zero Emission Vehicle Program



BMW 325i model year 1990



BMW 325i model year 2007

Output 168 HP
Torque 164 Nm



215 HP
250 Nm

Interior volume 93 cu. ft.
0-60 acceleration 9.4 s



106 cu. ft.
7.2 s

Weight 2899 lb

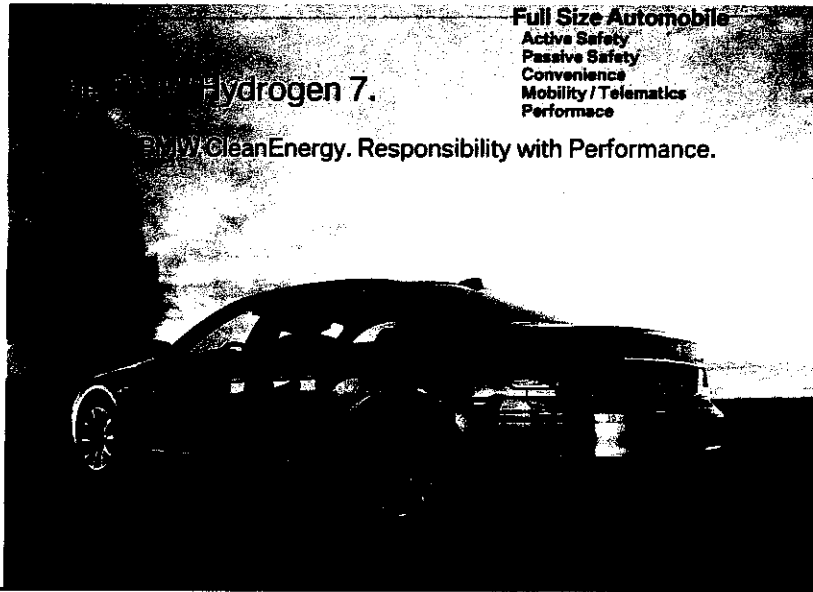
3551 lb

consumer
attributes

fuel
consumption
- 18%

emissions

CARB Public Meeting Status Report on Zero Emission Vehicle Program

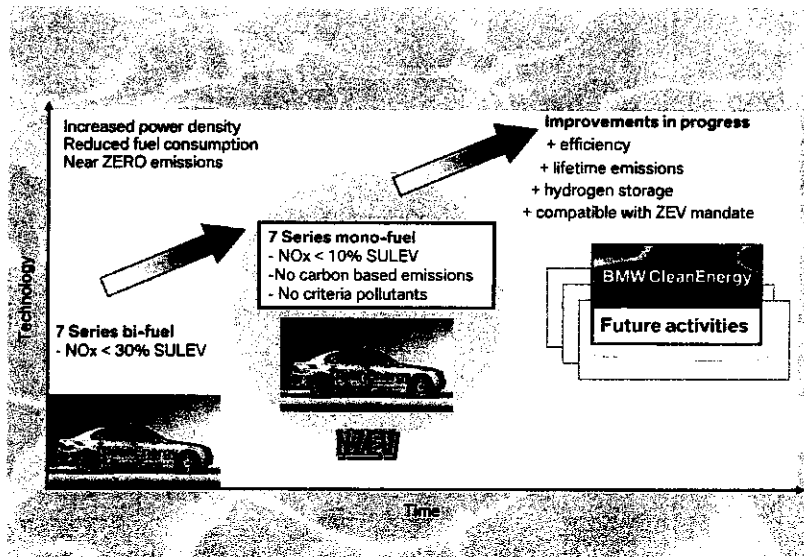


Hydrogen 7.

BMW CleanEnergy. Responsibility with Performance.

- Full Size Automobile
- Active Safety
- Passive Safety
- Convenience
- Mobility / Telematics
- Performance

CARB Public Meeting Status Report on Zero Emission Vehicle Program

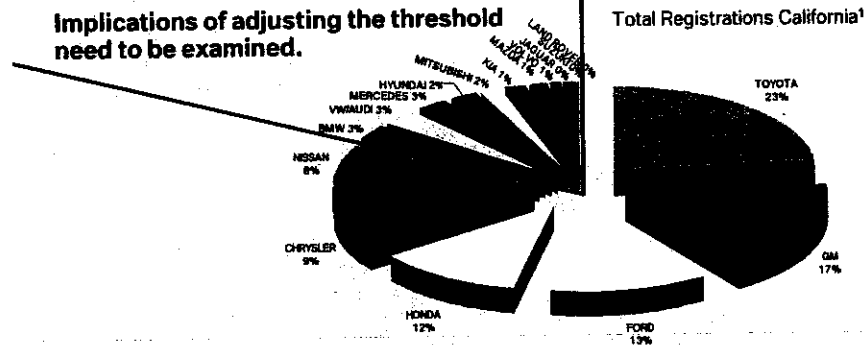


CARB Public Meeting Status Report on Zero Emission Vehicle Program

A significant gap still exists between large volume and intermediate volume manufacturers.

The 60,000 threshold should be adapted to the present market situation.

Implications of adjusting the threshold need to be examined.



¹Data source: CARB (average 2003-2005)

CARB Public Meeting Status Report on Zero Emission Vehicle Program BMW Position and Proposal

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