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08-3-5



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March 27, 2008

**Ford Motor Company Oral Testimony on
Agenda Item 08-3-5
Notice of Public Meeting to Consider
Adoption of the 2008 Amendments to the
California Zero Emission Vehicle Regulation
February 8, 2008**

Presented by Sara J. Rudy

Ford Motor Company (Ford) welcomes the opportunity to comment on California's Zero Emission Vehicle (ZEV) Regulation. The ZEV Regulation is a "technology-forcing" regulation that has needed to be modified on several occasions because the pace of technology development, costs, and realities of the marketplace have not met the expectations set by the Air Resources Board (ARB). We are here again today, based on the feedback from the Independent Expert Review Panel, with the need to change the ZEV regulation in order implement a feasible program that furthers the ARB's goal to drive emissions to zero.

Ford believes that the ARB is moving in the right direction by emphasizing zero-emission technology that is closer to commercialization. We also feel that significant progress has occurred with zero emissions technologies, such as fuel cells and advanced batteries. However, we remain concerned about the aggressive volume requirements. Pushing technologies into the market before they are commercially viable ties up resources that could be better utilized advancing core technology. It is important, at this stage of the technology development, to be nimble and take the lessons learned from a few vehicles and apply them

to the next generation of prototypes. If ARB decides to force high volumes, we believe more is needed to enable progress. We believe all stakeholders, including automotive manufacturers, technology suppliers, energy providers, research laboratories, the government, and the consumer, should work collaboratively and be fully committed to achieving the high volume goals of the ARB.

There are now 13 states that have adopted California's Low Emission Vehicle regulation. California should consider these other states when setting their aggressive volume targets. Ford supports the so called "travel provision" in which a ZEV placed in one states counts in another state. This provision is needed in recognition of the substantial resources needed to bring these vehicles to market. Ford believes that a transition is needed to phase-out the "travel provision". Otherwise, the step function volume increase from one phase of the program to the next is too overwhelming.

Ford appreciates the proposed amendments that recognize "blended operation" plug-in hybrid vehicles, in addition to all-electric range hybrids. However, we believe blended operation plug-in hybrids should be on more equal footing with all electric range hybrids. If the vehicles have the same battery, the same motor, and use the same amount of energy off the grid, then they should earn the same credit level. Furthermore, we believe the plug-in hybrid credit calculation should be simplified. Ford has provided a recommendation on how to simplify this credit calculation in our written comments.

The ZEV regulations are designed to be technology forcing, but it is difficult to judge the pace of technology development. When forcing technology, it may be necessary for the ARB to make adjustments if technology improvements or market acceptance of advance technology vehicles has not met expectations. Ford recommends that the Board conduct another technology review in a couple of years that would be used to assess the 2015MY and beyond ZEV requirements. In light of the technological uncertainty, it is not appropriate to apply a "no backsliding" rule in the future when such aggressive targets are set.

In conclusion, Ford supports the ARB's goal for a sustainable zero emission vehicle transportation system. However, we believe a collaborative approach that commits and holds accountable all stakeholders is a more viable approach than just forcing the placement of large volumes of vehicles on the road.