California Electric Transportation Coalition

David L. Modisette
Executive Director

Julee Malinowski-Ball
Legislative Director

1015 K Street Suite 200
Sacramento CA 95814

916-551-1943
FAX-441-3549
CalETC@ix.netcom.com

A non-profit association promoting cleaner, healthier air through the development and use of zero-emission electric vehicles, hybrid electric vehicles, electric mass transit buses and rail.

August 15, 2008

The Honorable Mary Nichols, Chair
Honorable Members of the Board
The Honorable James Goldstene, Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: CARB Zero Emission Vehicle Regulation – 15-Day Notice

Dear Chairwoman Nichols, Members of the Board, and Mr. Goldstene:

The California Electric Transportation Coalition (CalETC) appreciates this opportunity to comment on the Proposed 2008 Amendments to the California Zero Emission Vehicle Regulation in the15-Day Notice.

CalETC is shocked and dismayed with one provision of the proposed 15-Day changes which would **dramatically REDUCE incentives** for automakers to produce Plug-In Hybrid vehicles before 2012.[1] Staff is proposing to reduce the "Early Introduction Multiplier" for Plug-In Hybrid vehicles (PHEVs) during this critical time period of 2009-2011, from a multiplier of 3.0 down to 1.25.

As you know, PHEVs can provide very large benefits to California citizens in the form of large reductions in air emissions, both GHG and criteria pollutants, and large reductions in the use of petroleum.[2] In recognition of these benefits, the Board provided powerful regulatory incentives, some would even say requirements, for automakers to produce PHEVs during the 2012-2014 timeframe. But there are no requirements for automakers to produce PHEVs before this, in the 2009-2011 timeframe. Automakers were encouraged to produce PHEVs before 2012 through the incentive provided in the "Early Introduction Multiplier".

But now staff is proposing to virtually eliminate the "Early Introduction Multiplier" and therefore any additional incentive to produce PHEVs during this critical 2009-2011 time period. Yet this is exactly the time when additional incentives are needed. PHEVs are not commercially available today from major automakers. They are a new technology, with an unproven market, and represent a business risk for automakers. These vehicles will undoubtedly be more costly to produce, and automakers are expected to lose money in the early years of production. Regulatory incentives, such as the "Early Introduction Multiplier", can help to overcome these barriers and improve the business case for PHEVs in the early years of vehicle introduction. In addition, PHEVs are more difficult for an automaker to produce

[1] Section 1962.1(c)(7)(B). Also, Notice of Public Availability of Modified Text, Public Hearing to Consider Adoption of the 2008 Amendments to the California Zero Emission Vehicle Regulation, page 3, section 4, "PHEV Multiplier During 2009 to 2011 Timeframe".

[2] Full Fuel Cycle Assessment: Well-to-Wheels Energy Inputs, Emissions, and Water Impacts; State Plan to Increase the Use of Non-Petroleum Transportation Fuels, Prepared for the California Energy Commission by TIAX LLC, August 1, 2007, CEC-600-2007-004-REV, pages 39 and 41.

than battery EVs because they are more technologically complex; another reason for the need for the larger incentives in 2009-2011.

This proposed reduction in the "Early Introduction Multiplier" for PHEVs was NOT in the proposal that went to the Board. Nor was it discussed during the Board Hearing. Nor was it included in the Board Resolution. In fact, the Board Resolution directed the staff to consider a much different approach, which was to add a new multiplier for pure ZEVs during the 2009-2011 time period, similar to the multiplier for PHEVs.[3] So the direction of the Board was to consider adding additional incentives, not to reduce incentives in the regulation, for advanced technology vehicles during this critical early introduction time period.

We also agree with the following statement in the ARB Staff's Notice of Availability of Modified Text of the 2008 Amendments to the ZEV Regulations, which reads:

> "Staff does not expect large numbers of Enhanced AT-PZEV credits to be banked and carried forward during the 2009 to 2011 time frame. These vehicles have never been produced in large production volumes, and it is unlikely that a sudden ramp up of volumes would occur. Additionally, if a manufacturer were to be successful in their production of Enhanced AT-PZEV, it would be unlikely that they would stop production during the 2012 through 2014 timeframe."[4]

For the reasons stated above, CalETC urges you not to reduce regulatory incentives for the production of PHEVs during the 2009-2011 time period. We urge you to retain the "Early Introduction Multiplier" for PHEVs during this critical timeframe.

On other issues, CalETC supports the creation of a new Type G HEV category for PHEVs that can meet the US06 Driving Cycle test in all-electric mode. We also support staff's proposals to limit the use of historic, banked NEV credits, and the additional NEV requirements.

CalETC very much appreciates the time and effort that ARB staff and the Board have put into the development of these proposed 2008 ZEV Amendments. Most of the proposed amendments are beneficial to the development and production of ZEVs and ZEV technologies. However, we urge you to correct the issue described at length above before issuing the final amendments.

Sincerely,

DAVID L. MODISETTE
Executive Director

cc: Tom Cackette
Analisa Bevan
Elise Keddie
Craig Childers
Clerk of the Board

---

[3] State of California, Air Resources Board, Resolution 08-24, March 27, 2008, page 6.

[4] Notice of Public Availability of Modified Text, Public Hearing to Consider Adoption of the 2008 Amendments to the California Zero Emission Vehicle Regulation, page 3, section 4, "PHEV Multiplier During 2009 to 2011 Timeframe".