



March 11, 2008

Mary Nichols, Chairman
California Air Resources Board
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

Chairman Nichols:

I am writing to you in my capacity as the President and CEO of Tesla Motors, a Silicon Valley manufacturer of a widely acclaimed EPA, DOT, NHTSA and CARB certified zero emission battery-powered electric automobile. I have well founded concern about the recently proposed changes to the California Zero Emissions Mandate as reflected in the staff's Initial Statement of Reasons (ISOR) dated February 8, 2008. If adopted as proposed, key provisions of the ISOR would needlessly weaken the intended purpose of the Zero Emissions Mandate, if not make a mockery of CARB itself.

On the very first page of the Initial Statement of Reasoning (ISOR), the staff wrote, "The Board adopted Resolution 07-18 directing ARB staff to return to the Board with proposed changes that address the state of technologies needed to meet the regulation. In directing that changes were needed, the Board affirmed its support for the program and emphasized that **any changes should strengthen** the overall objective of the program". The staff echoed this directive by asserting that "the proposed amendments **are expected to maintain pressure on the commercialization of PURE ZEV technologies**" (p. ii, top paragraph).

In order to fulfill the Board directive the staff's experts have evaluated various zero emission technologies and have concluded, "**Given the current state of Battery technology staff doesn't anticipate that manufacturers will produce any battery EV prior to 2012**" (p. 29, last paragraph).

I assure you that Tesla Motors is in production of road-worthy fully certified battery powered ZEVs. I would like to emphasize that these cars are neither a "pipe dream" nor are they exotic one-of-a-kind creations. We have designed, developed and produced, **without benefit of any state or federal aid**, a remarkable and commercially viable battery powered zero emissions automobile. What's more, we are currently ramping up production that will reach an annual rate in excess of 1800 cars.

It seems clear that you have been misinformed about the availability of pure ZEVs and that the staff has erred in recommending that the Board substantially loosen for years to come, **requirements that can in fact be met today**.



What erroneous recommendations did the staff make?

- 1.0 Rather than recommend an increase in the minimum number of pure ZEV required in the years 2012-2014, the ISOR asks for 90% reduction from 25,000 to a mere 2,500 (p.26 section 4.1). Is this in line with “maintaining the pressure on the commercialization of pure ZEV technologies”?
- 2.0 What’s more, the ISOR proposes substitution of pure ZEVs with up to 90% Enhanced AT PZEVs in Phase III and substitution of up to 50% pure ZEVs with Enhanced AT PZEVs in Phase IV.
- 3.0 In their own words the staff proposal, if adopted, will decrease the number of pure ZEVs by 2/3 from 75,000 to 25,000 (page iii, last paragraph) between the years 2012 to 2017. How does one reconcile this with the Board’s stated mission and directive to “strengthen the overall objective of the program”?
- 4.0 The ISOR is extremely concerned about the cost of compliance to automotive giants and foreign car makers, in their own words, “The proposed amendments to the ZEV program are projected by ARB staff to reduce the cost of compliance for automobile manufacturers.” It’s entirely illogical to grant a relief to the most prosperous auto makers such as BMW, Mercedes, and Volkswagen by proposing that these foreign car makers will be exempted from delivering pure ZEVs for a period of twelve years as they transition from intermediate volume manufacturer (IVM) to a large volume manufacturer (LVM). The ISOR reasons that it was warranted in order “to provide additional time to develop full ZEV technologies” (p. 22, the paragraph below table 3.9).

Unequivocally no automobile manufacturer should be granted a waiver, an exemption or a delay in fully complying with the pure ZEV requirements. The CARB requirements were not sprung on the automakers suddenly. All manufacturers knew of these requirements for years and should they really wanted to comply they certainly have much more financial and engineering resources than Tesla, yet Tesla has done it. Tesla dispels the notion that it can’t be done. It’s transparent that rather than take seriously CARB’s requirements and work on a timely compliance the car makers have opted to rely on their considerable lobbying power.

- 5.0 Staff mistakenly has concluded, “Because the proposed amendments are anticipated to reduce costs faced by California businesses, they would have no adverse impact on the ability of California businesses to compete with businesses in other states (p.35, section 6.8). Where in fact the opposite is true. The staff proposals if enacted will have a severe adverse impact on Tesla, the only car maker based in California since having the ability to sell the accumulated ZEV rights mitigates in part some of the large costs incurred by the company in the development of a pure ZEV car. The staff recommendation is disturbing since in essence, not only it would substantially weaken the ZEV program but it will also bestow a financial windfall on rich foreign auto makers and domestic giants while at once penalizing a California based ZEV manufacturer. This untenable proposition is not only illogical but in fact contravenes both the letter and the spirit of the State’s own code (sections 11346.3 and 11346.5 of the government code).



Chairperson Nichols, with all the compelling evidence and facts provided, it is apparent that CARB must reject staff recommendation for granting any reduction, delays or reliefs in fully implementing the present requirements for pure ZEV. In fact CARB is now in a position to accelerate the schedule and increase the number of pure ZEV mandated.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Ze'ev Drori'.

Ze'ev Drori
President and CEO