



**To:** Mary D. Nichols, Chairman  
 John R. Balmes, M.D.  
 Sandra Berg  
 Judy Case  
 Dorene D'Adamo  
 Jerry Hill

Lydia H. Kennard  
 Ronald O. Loveridge  
 Barbara Riordan  
 Ron Roberts  
 Daniel Sperling

March 14, 2008

**Re: ZEV Rulemaking Issues for March 27, 2008**

Dear Chairman Nichols and Members of the Board:

The Large Volume Manufacturers<sup>1</sup> (LVM) share your vision and remain committed to the goals of the ZEV mandate; namely the trend to zero emissions and encouraging early deployment of zero emission vehicle technology. We remain very concerned, however, that some of the provisions being proposed by Staff are overly stringent and inconsistent with the findings of the Expert Review Panel commissioned by the Board to objectively study and report on the state of ZEV technologies.

**Gold and Silver + (Plug-in HEV) Volumes**

Our greatest concern is the volume of Gold vehicles required and the disproportionate credit levels for those vehicles relative to the Expert Panel findings on the state of ZEV technology. These volumes have increased for all Gold vehicles and for the new Silver + category with the release of Staff's February 8, 2008 45-day Notice. Staff is proposing a 25% increase in the number of Gold vehicles required from the LVM's relative to the November 2007 Concept Paper. In addition, Staff is proposing a 67% increase in the number of Silver + vehicles required. Together, the additional cost of these volume increases to our Industry is in excess of 900 million dollars in California and up to 3.4 billion dollars when considering all the states that have adopted California standards. This is the result of creating a new Type IV vehicle at 5 credits and basing the vehicle requirements off of this 5 credit vehicle. This is illustrated in Table 1 below for the 2012 to 2014 model years.

Category	Vehicle Type	Nov 2007 LVM Gold Vehicle Requirements	Feb 2008 LVM Gold Vehicle Requirements	Increase in LVM Vehicle Requirements	ARB per vehicle Incremental Cost	Total Incremental Cost to LVM's
Gold	Type III FCV/BEV	2520 Type III @ 3 credits	2520 Type IV @ 5 credits or 3150 Type III @ 4 credits	630 (+ 25%)	\$250,000	\$158 M
Silver +	Enhanced AT-PZEV PHEV	45,000 @ 3:1.5 ratio	75,000 @ 5:1.5 ratio	30,000 (+ 67%)	\$25,000	\$750 M

**Table 1**

<sup>1</sup> The Large Volume Manufacturers are Chrysler LLC, Ford Motor Company, General Motors Corporation, American Honda Motor Company, Inc., Nissan North America, Inc., and Toyota Motors North America, Inc.

The volume of vehicles being proposed in the November 2007 Concept Paper were inconsistent with the findings of the Expert Panel, yet staff proceeded to further increase those volumes and provided no rational explanation or justification for doing so.

### **Credit Carry Forward**

Our second concern is that of retroactively changing the Gold credit carry-forward provision such that Gold credits earned prior to 2009 MY could no longer be applied to Gold requirements beginning in 2012MY, and Gold credits earned in 2009 and later MY's would be limited to a two-year carry-forward. Large Volume Manufacturers develop long-range compliance plans with a margin of safety to account for market and product disruptions; however, the current provision with unrestricted Gold credit carry-forward provides the insurance necessary to account for unforeseen circumstances. Retroactively changing the carry-forward provision would erase the safety net that LVM's count on in case of emergencies to assure compliance and would also de-value investments that manufacturers already made.

### **Intermediate Volume Manufacturers**

Large Volume Manufacturers' third concern is that of providing six additional years of lead-time (for a total of fourteen years) to Intermediate Volume Manufacturers (IVM) before they have to meet any Gold vehicle requirements. This action was proposed by Staff although Board resolution 07-18 passed without specifically directing Staff to change the IVM provisions. Many of the IVM's are huge multi-national companies with vast resources that can continue to invest monies back into their core products to gain a competitive advantage – monies that we, as Large Volume Manufacturers, have to direct to the ZEV mandate, including the incremental 3.4 billion dollars identified herein with the proposed changes.

### **Travel Provision and Advanced Technology Demonstration Programs**

Finally, the LVM's are concerned that removing the travel provision for the new Silver + (Enhanced AT-PZEV) category greatly reduces the incentive needed for manufacturers to build a business case to justify investing the tremendous resources needed to bring this emerging technology to market in the near-term. As it stands, denying travel for Silver + vehicles could require the LVM's to produce over 100,000 more PHEV's at an incremental cost of 2.5 billion dollars over the 2012-2014 time period. Also, limiting Advanced Technology Demonstration Programs to six vehicles puts a constraint on LVM's that rely on this pathway to place advanced technology vehicles on the road to evaluate the functionality and address vehicle integration issues before launching full durability programs.

In summary, the Large Volume Manufacturers sincerely urge you to seriously consider our concerns and issues resulting from the 45-day Notice of Proposed Amendments to the ZEV Regulation. As we stated earlier, we remain committed to the goals of the ZEV program but the proposed changes highlighted above place an inordinate burden on the resources of LVM's with the greatest stake in making the ZEV mandate a success.

Very Truly Yours,

Chrysler LLC  
Ford Motor Company  
General Motors Corporation  
American Honda Motor Company, Inc.  
Nissan North America, Inc.  
Toyota Motors North America, Inc.