HONDA
American Honda Motor Co., Inc.
1919 Torrance Boulevard
Torrance, CA 90501-2746

January 25, 2012

To:	**Mary D. Nichols, Chair**	
	John R. Balmes, MD	**Barbara Riordan**
	Sandra Berg	**Ron Roberts**
	Dorene D'Adamo	**Alexander Sherriffs, M.D.**
	Hector E La Torre	**Daniel Sperling**
	Ronald O. Loveridge	**Ken Yeager**

Re: Comments on Proposed 2012 Amendments to the Advanced Clean Car Regulations

Dear Chairman Nichols and Members of the Board:

On behalf of American Honda Motor Co., Inc., I am writing to share our views on the proposed 2012 amendments to the ZEV regulation. Honda has been a leader in high fuel economy, low emission vehicles for three decades in California. We were the first automaker to introduce advanced battery electric vehicles to consumers, and the first to market a hybrid vehicle in the United States. We are committed to a robust, portfolio approach that is actively advancing a broad range of technologies. Today we have launched or are launching programs to market Plug-In Hybrid Electric Vehicles, Battery Electric Vehicles and Fuel Cell Electric Vehicles in California.

Honda would like to thank the staff for their efforts to reach out to stakeholders during the development of the Advanced Clean Car Regulations. We hope it is clear that, like you, Honda supports the ultimate purpose of these programs: significant reductions in CO2 and smog-forming pollutants generated from transportation. Taken together, the Advanced Clean Car regulations are setting significant goals and presenting important challenges to automakers: over 70% lower tailpipe emissions, 33% lower greenhouse gas emissions, and a dramatic ramp-up in ZEV volumes, from today's very limited levels by a few OEMs to millions of vehicles on the road by 2025.

Honda fully participated in and supports the comments made by the Large Volume Manufacturers and Global Automakers, both submitted to the board under separate cover. Here, Honda only seeks to speak for itself and to focus on four key points: item #1 is a request for a change, and items #2 - #4 are comments in support of staff proposals.

Honda's Request to the Board for Changes

1. Phased-In Credits for ZEVs and TZEVs

The staff proposal dramatically reduces the credit values for vehicles between 2017 and 2018. A 2018 Plug-In Hybrid vehicle with 20 miles electric range (PHEV20) receives approximately 1/3rd (one-third) the credit value that the identical car receives the year before. A 2018 Battery Electric Vehicle with 100 miles range (BEV100) receives ½ (one-half) the credits that the identical car receives the prior year. All other things being equal, this requires OEMs to triple their PHEV volumes and double their BEV volumes between one year and the next.

Honda strongly urges the Board to consider phasing in these dramatic, single year credit changes over a short, three year period. Simply put, we would keep the 2018 and later formulae for BEVs and PHEVs but add a multiplier that would phase-out over three years. Our proposal is to multiply the new credit values by 1.7 in 2018, 1.5 in 2019 and 1.3 in 2020. This concept has the sanguine effect of phasing-in the credit reductions by 30% in 2018, 50% in 2019 and 70% in 2020. Overall volumes would be modified slightly (-4.2% reduction in BEVs and -8.5% for PHEVs) over the 2018 – 2025 period of this program. Considering that the CARB staff proposal will obligate OEMs to build millions of vehicles over the same period, this relatively small phase-in of credits seems reasonable to us, worthy of the Board's support.

Honda's Support for Key Staff Recommendations

2. GHG Over Compliance

Honda is very supportive of the flexibility inherent in the GHG Over Compliance proposal. Simply put, by achieving a national fleet average significantly lower than the standard, it is as if that OEM met the fleet standard and took a significant number of vehicles off the road and out of circulation. The vehicles that are virtually "off the road" provide a similar benefit to putting ZEVs on the road, and thus are "virtual ZEVs." The GHG Over Compliance option allows an OEM to treat these virtual ZEVs as if they were actual ZEVs, and thus help fulfill their overall ZEV obligations.

This flexibility does not allow an OEM to eliminate its ZEV obligations, only to reduce the number of actual ZEVs it must build and place into service. This is an important distinction; an OEM that avails itself of this option will still need to develop fuel cell, battery electric and plug-in electric vehicle technology, and market them in very significant volumes. The option, however, allows an OEM to allocate compliance costs between the two programs in such a way as to maximize the advantage to consumers without sacrificing environmental benefits or technology progress.

3. Section 177 State Compromise

Honda, together with other OEMs, has been working closely with the Section 177 states on addressing both the states' and the automakers' concerns with respect to the 2012 Amendments to the ZEV regulations. As a result, Honda supports the "New Optional

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Section 177 ZEV Compliance Path" document as proposed by Staff. The main features of this optional compliance path are that if an OEM produces additional, non-traveled ZEVs in 2016 and 2017, that OEM will qualify for: a) phased-in ZEV and TZEV volumes, and credit pooling for ZEVs and TZEVs. The features of this option meet the concerns of both OEMs and Section 177 states. We urge the Board to support this direction.

4. Infrastructure

Infrastructure development for both Battery Electric Vehicles (BEVs) and Fuel Cell Vehicles Electric Vehicles (FCEVs) are important aspects for the success of these technologies as it supports the market by making the vehicles more attractive to customers. While not as critical for BEVs, since home charging is possible, for FCEVs, public infrastructure is a critical issue. OEMs are investing very significant resources in the development of FCEVs. Without the availability of conveniently located refueling stations and reasonably priced hydrogen, FCEVs will not be able to develop into a market technology. Honda is committed to work with government agencies, including CARB, and energy providers to support this goal through the development of a voluntary agreement. However, as FCEVs are a key technology and an important part of ZEV compliance, the LVMs support the CARB CFO revisions in order to provide a "backstop," or certainty, to a voluntary agreement.

Conclusion:

The ZEV program ranks as one of the more ambitious regulations anywhere in America. It is pushing the limits of automobile manufacturers, technology, and markets. As such, it is important that the CARB staff pay close attention to technology, costs, and market acceptance in the years between more formal regulatory reviews. Market signals to consumers will also be important as we all seek to influence positively the choices that consumers are making with respect to their transportation needs.

Honda believes that the 2012 ZEV Amendments will be strengthened by the addition of phased-in credit values between 2018 and 2020. Additionally, Board support for flexibilities like the GHG Over Compliance Option and the New Optional Section 177 ZEV Compliance Path will make the program more feasible for OEMs. Finally, Support for the CFO Amendments will help create the infrastructure for the FCEV market.

Regards,

Robert Bienenfeld
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