

Zero-Emission Vehicle (ZEV) Rebate Project Working Group Meeting Proposed Fiscal Year 2009-10 AQIP Funding Plan

Synopsis

This project provides up to \$5 million in rebates for California purchasers of zero-emission vehicles, including zero-emission cars, trucks, commercial vehicles, motorcycles, and neighborhood electric vehicles (NEV's), as well as plug-in hybrid light-duty vehicles (PHEV). Each vehicle would be eligible for a rebate reflecting about half of its incremental cost relative to that of a traditionally-fueled vehicle. Funding limits for each vehicle category help ensure that no one vehicle type monopolizes all the project funding. Table 1 summarizes the maximum per vehicle rebate amount and the project funding limit for each vehicle category.

Table 1: Summary of ZEV Rebate Project

Vehicle Category	Maximum Rebate Amount	Maximum Project Funding
Zero-Emission Commercial Vehicle	\$20,000 - 40,000	\$3 million
Zero-Emission or Plug-in Hybrid Light-Duty Vehicle	\$5,000	\$5 million
Zero-Emission Motorcycle or Neighborhood Electric Vehicle	\$1,000	\$1 million

The ZEV Rebate Project will build upon the success of ARB's \$25 million Alternative Fuel Vehicle Incentive Program (AFVIP) drawing upon the existing program's structure, rebates, and qualifying vehicles.¹ Additional information on the AFDVIP and how it relates to this project may be found in Appendix XX.

Overview

Air quality in California has improved dramatically for the past 30 years due to continued progress in controlling vehicle emissions. Manufacturers have made remarkable advances in vehicle technology in order to comply with stringent California vehicle emission standards. The objective of this project is to accelerate market penetration of electric vehicles and plug-in hybrid passenger vehicles in order to lay the foundation for significant emission reductions from the transportation sector in the post-2020 timeframe. Staff's proposed ZEV Rebate Project is intended to offset the incremental cost of zero-emission vehicles – which can be as high as \$20,000 for passenger cars – so that the purchase price is more competitive with that of conventionally fueled vehicle. This rebate project will facilitate the development and commercialization of electric vehicle technology, and support the critical ramp-up in zero-emission vehicle production that is vital in driving down vehicle cost.

This incentive funding will also help manufacturers meet the ZEV Mandate which encourages zero-emission vehicle technology innovation and requires deployment of

¹ See Staff Report on the Proposed Allocations of \$25 Million for the Alternative Fuel Incentive Program (California Air Resources Board, May 15, 2007) for more information.

cleaner vehicles. This program is consistent with the Board's commitment to making incentives available to accelerate the commercialization of zero-emission vehicles. Staff believes that this program could help encourage purchase of up to 500 ZEVs, 300 PHEVs, and 1000 NEVs or zero-emission motorcycles (ZEMs) in California in 2010-2011.

Project Funding

ARB is proposing up to \$5 million of AQIP funds be allocated to this project category. The funding amount corresponds to the demand for rebates in the current AFVIP and the anticipated availability of vehicles for consumers to purchase over the next two years. Based on conversations with vehicle manufacturers, staff believes up to 1,000 zero-emission and plug-in hybrid passenger vehicles, 1000 NEVs or ZEMs and 150 electric commercial trucks could be available for purchase in California in the 2010-2011 timeframe. The \$5 million in project funding includes the funds available for rebates and up to 10 percent for project administration.

Project Structure

The ZEV Rebate Project will emulate the structure of the existing AFVIP. The funds budgeted for the AFVIP will sunset in June 2009. This AQIP project allows California purchasers of new, qualifying vehicles to redeem rebates for a portion of the incremental cost of these vehicles after vehicle purchase. The project website will ensure that the list of qualifying vehicles, corresponding rebate amounts, and forms are centrally available to the public and other interested parties. The project website will also include information regarding rebate applications and disbursements. The rebates will be distributed first-come, first-serve until funds are depleted.

Rebate Amounts

Staff is recommending the maximum rebates per vehicle and funding limits for vehicle categories shown in Table 1. The actual rebate amount will be the greater amount of either ten percent of the manufacturer's suggested retail price or fifty percent of the incremental difference in cost between the qualifying vehicle and a comparable internal combustion engine vehicle, up to the maximum rebate amount for that vehicle type. These rebate amounts are the same as those currently being used in the AFVIP. The AFVIP has had positive feedback regarding these limits and is currently oversubscribed.

Vehicle category funding limits help ensure that no one vehicle category monopolizes the project funding. Staff considered developing separate programs for commercial ZEVs, light-duty passenger ZEVs and PHEVs, ZEMs, and NEVs, with set funding amounts for each vehicle type. However, a single program designed with maximum funding limits by vehicle category provides additional funding for those vehicles that reach the market soonest (potentially accelerating deployment), while ensuring a base funding level for each vehicle category. If some of the vehicle categories are oversubscribed while others have not reached their limit as of January 1, 2012 (six months prior to the June 30, 2012 expenditure deadline), the vehicle category funding limits would be removed to ensure timely expenditure of any remaining project funds.

Qualifying Vehicles

Appendix XX describes in detail the criteria for a qualifying vehicle. Vehicle manufacturers are responsible for providing the ARB with sufficient information to determine a vehicle's eligibility. In general, qualifying vehicles must be new, manufactured by the Original Equipment Manufacturer or its authorized licensee, certified, capable of operation on the highway, and meet minimum warranty requirements. Qualifying vehicles consist of the following:

Zero-Emission Vehicles- Electric-drive, zero-emission passenger cars, light-duty trucks, and commercial vehicles that are powered by batteries and/or a hydrogen fuel cell and are capable of operation on freeways. To be eligible these vehicles must be ARB certified.

Plug-in Hybrid Electric Vehicle- PHEVs have zero-emission vehicle range capability, an on-board electrical energy storage device, an on-board charger, and are rechargeable from an external connection to an off-board electrical source. To be eligible these vehicles must be ARB certified.

Neighborhood Zero-Emission Vehicle- NEV's are zero-emission vehicles that are also categorized as low speed vehicles. These vehicles operate with four wheels and are capable of propelling itself at a minimum speed of 20 miles per hour and a maximum speed of 25 miles per hour on a paved level surface. To be eligible these vehicles must meet all NEV America mandatory technical specifications as well as additional performance goals.

Zero-Emission Motorcycles- ZEMs are fully-enclosed zero-emission vehicles designed to travel on two or three wheels or two-wheel electric motorcycles meeting the provisions of California Vehicle Code Section 400. Staff recommends that only freeway capable ZEMs, as these are the vehicles most likely to be used for commuting rather than recreational purposes, be eligible for funding.

Project Solicitation

The ZEV Rebate Program solicitation will be open to foundations, non-government organizations, public agencies, educational facilities, or non-profit agencies with expertise administering a grant program and having general knowledge of the Board's clean vehicle programs. An agency would be chosen by ARB via a competitive solicitation and would be responsible for implementing the ZEV Rebate Program statewide. The selected agency would be responsible for program outreach, monitoring and reporting, disbursement of funds, among other requirements. Project solicitation criteria are described in Appendix XX.