ATTACHMENT A

California Environmental Protection Agency
AIR RESOURCES BOARD

PROPOSED SECOND 15-DAY MODIFICATIONS

Amendments to section 1962.2, title 13, California Code of Regulations

Amend title 13, California Code of Regulations, section 1962.2, to read as follows:

[NOTE: Set forth below are proposed amendments to title 13 of the California Code of Regulations. Amendments to existing sections proposed and subject to comment in this rulemaking are shown in underline to indicate additions and ~~strikeout~~ to indicate deletions, compared to the preexisting regulatory language as contained in the October 14, 2014 Errata. The further proposed amendments subject to comment under the first Notice of Public Availability of Modified Text are shown in double underline to indicate additions and ~~double strikeout~~ to show deletions. The further proposed amendments subject to comment under this Second Notice of Public Availability of Modified Text are shown in **bold double underline** to indicate additions and ~~**bold double strikeout**~~ to show deletions. All other portions remain unchanged and are indicated by the symbol "* * * * *" for reference.]

§ 1962.2. Zero-Emission Vehicle Standards for 2018 and Subsequent Model Year Passenger Cars, Light-Duty Trucks, and Medium-Duty Vehicles.

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(c) *Transitional Zero Emission Vehicles (TZEV).*

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(3) *Allowances for TZEVs*

(A) ***Zero Emission Vehicle Miles Traveled TZEV Allowance Calculation***. A vehicle that meets the requirements of subdivision 1962.2(c)(2) and has zero-emission vehicle miles traveled (VMT), as defined by and calculated by the "California Exhaust Emission

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Standards and Test Procedures for 2018 and Subsequent Model Zero-Emission Vehicles and Hybrid Electric Vehicles, in the Passenger Car, Light-Duty Truck and Medium-Duty Vehicle Classes," adopted March 22, 2012, last amended ~~**May 30, 2014**~~**[insert date of adoption]**, which is incorporated herein by reference, and measured as equivalent all electric range (EAER) capability will generate an allowance according to the following equation:

UDDS Test Cycle Range (AER)	*Allowance*
<10 all electric miles	0.00
≥10 all electric miles	TZEV Credit = [(0.01) * EAER + 0.30]
>80 miles (credit cap)	1.10

1. Allowance for US06 Capability. TZEVs with US06 all electric range capability (AER) of at least 10 miles shall earn an additional 0.2 allowance. US06 test cycle range capability shall be determined in accordance with section G.7.~~5~~3 of the "California Exhaust Emission Standards and Test Procedures for the 2018 and Subsequent Model Zero-Emission Vehicles, and Hybrid Electric Vehicles in the Passenger Car, Light-Duty Truck, and Medium Duty Vehicle Classes," adopted March 22, 2012, last amended ~~**May 30, 2014**~~**[insert date of adoption]**, which is incorporated herein by reference.

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(d) *Qualification for Credits From ZEVs.*

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(5) *Credits for 2018 and Subsequent Model Year ZEVs.*

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(E)

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~~1~~2. Optional Section 177 State Compliance Path.

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b. ZEV and TZEV Percentages for Intermediate Volume Manufacturers. Intermediate volume manufacturers that have fully complied with the

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optional Section 177 state compliance path requirements in subdivision~~subdvision~~ 1962.1(d)(5)(E)3 or intend to comply or have fully complied with requirements in subdivision 1962.2(d)(5)(E)2.a. are allowed to meet their total ZEV percentage requirements specified in 1962.2(b) in each ~~s~~Section 177 state by utilizing subdivisions 1962.2(d)(5)(E)2.~~a~~b.i and ii, below.

i. *Trading and Transferring ZEV and TZEV Credits within West Region Pool and East Region Pool.* Intermediate volume manufacturers may trade or transfer 2012 and subsequent model year ZEV and TZEV credits within the West Region pool to meet the requirements in subdivision 1962.2(d)(5)(E)2.~~b~~**a**, and will incur no premium on their credit values. For example, for a manufacturer to make up a 2020 model year shortfall of 100 credits in State X, the manufacturer may transfer 100 (2018 through 2020 model year) ZEV credits from State Y, within the West Region pool. Intermediate volume manufacturers that have fully complied with the optional Section 177 state compliance path requirements in subdivision 1962.1(d)(5)(E)3. or intend to comply or have fully complied with requirements in subdivision 1962.2(d)(5)(E)2.a. may trade or transfer 2018 and subsequent model year ZEV and TZEV credits within the East Region pool to meet the requirements in subdivision 1962.2(b), and will incur no premium on their credit values. For example, for a manufacturer to make up a 2020 model year shortfall of 100 credits in State W, the manufacturer may transfer 100 (2018 through 2020 model year) ZEV credits from State Z, within the East Region pool.

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c. ***Reduced ZEV and TZEV Percentages for Large Volume Manufacturers.*** Large volume manufacturers ~~and intermediate volume manufacturers~~ that have fully complied with the optional section 177 state compliance path requirements in subdivision 1962.1(d)(5)(E)3. are allowed to meet ZEV percentage requirements and optional TZEV percentages reduced from the minimum ZEV floor percentages and TZEV percentages in subdivision 1962.2(b)(2)(E) in each ~~s~~**S**ection 177 state equal to the following percentages of their sales volume determined under subdivision 1962.2(b)(1)(B):

ZEVs

Model Year	2018	2019	2020	2021
Existing Minimum ZEV Floor	2.00%	4.00%	6.00%	8.00%
Section 177 State Adjustment for Optional Compliance Path	62.5%	75%	87.5%	100%

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Minimum Section 177 State ZEV Requirement	1.25%	3.00%	5.25%	8.00%

TZEVs

Model Year	2018	2019	2020	2021
Existing TZEV Percentage	2.50%	3.00%	3.50%	4.00%
Section 177 State Adjustment for Optional Compliance Path	90.00%	100%	100%	100%
New Section 177 State TZEV Percentage	2.25%	3.00%	3.50%	4.00%

Total Percent Requirement

Model Year	2018	2019	2020	2021
New Total Section 177 State Optional Requirements	3.50%	6.00%	8.75%	12.00%

i. Trading and Transferring ZEV and TZEV Credits within West Region Pool and East Region Pool. Manufacturers that have fully complied with the optional section 177 state compliance path requirements in subdivision 1962.1(d)(5)(E)3. may trade or transfer 2012 and subsequent model year ZEV and TZEV credits within the West Region pool to meet the ~~**same model year**~~ requirements in subdivision 1962.2(d)(5)(E)~~1.a~~2.c., and will incur no premium on their credit values. For example, for a manufacturer to make up a 2019 model year shortfall of 100 credits in State X, the manufacturer may transfer 100 (2012 through 2019 model year) ZEV credits from State Y, within the West Region pool. Manufacturers that have fully complied with the optional section 177 state compliance path requirements in subdivision 1962.1(d)(5)(E)3. may trade or transfer 2012 and subsequent model year ZEV and TZEV credits within the East Region pool to meet the ~~**same model year**~~ requirements in subdivision 1962.2(d)(5)(E)~~1.a~~2.c., and will incur no premium on their credit values. For example, for a manufacturer to make up a 2019 model year shortfall of 100 credits in State W, the manufacturer may transfer 100 (2012 through 2019 model year) ZEV credits from State Z, within the East Region pool.

ii. Trading and Transferring ZEV and TZEV Credits between the West Region Pool and East Region Pool. Manufacturers that have fully complied with the optional section 177 state compliance path requirements in subdivision 1962.1(d)(5)(E)3. may trade or transfer 2012

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and subsequent model year ZEV and TZEV credits to meet the ~~**same model year**~~ requirements in subdivision 1962.2(d)(5)(E)2.~~a~~c. between the West Region pool and the East Region pool; however, any credits traded will incur a premium of 30% of their value. For example, in order for a manufacturer to make up a 2019 model year shortfall of 100 credits in the West Region Pool, the manufacturer may transfer 130 (2012 through 2019 model year) credits from the East Region Pool. No credits may be traded or transferred to the East Region pool or West Region pool from a manufacturer's California ZEV bank, or from the East Region pool or West Region pool to a manufacturer's California ZEV bank.

d~~b~~. ***Reporting Requirements.*** On an annual basis, by May 1st of the calendar year following the close of a model year, each manufacturer that elects the optional Section 177 state compliance path under subdivision 1962.1(d)(5)(E)3., shall submit, in writing, to the Executive Officer and each Section 177 state a report, including an itemized list, that demonstrates the manufacturer has met the requirements of this subdivision 1962.2(d)(5)(E)~~1~~2. within the East Region pool and within the West Region pool. The itemized list shall include the following:

i. The manufacturer's total applicable volume of PCs and LDTs delivered for sale in each Section 177 state within the regional pool, as determined under subdivision 1962.2(b)(1)(B).

ii. Make, model, credit earned, and Section 177 state where delivery for sale of TZEVs and ZEVs occurred to meet manufacturer's requirements under subdivision 1962.2(d)(5)(E)~~1~~2.a**, 2.b, and 2.c**.

e~~c~~. ***Right to Request Vehicle Identification Numbers.*** Upon request by the Executive Officer or a Section 177 state, each manufacturer that elects the optional Section 177 state compliance path under subdivision 1962.1(d)(5)(E)3. shall provide the vehicle identification numbers in the report required by subdivision 1962.1 (d)(5)(E)3.~~b~~d.

f~~d~~. ***Failure to Meet Optional Section 177 State Compliance Path Requirements.*** A **large volume** manufacturer that elects the optional Section 177 state compliance path under subdivision 1962.1(d)(5)(E)3, and does not meet the modified percentages in subdivision 1962.2(d)(5)(E)~~1.a~~2.c. in a model year or make up their deficit within the specified time and with the specified credits allowed by subdivision 1962.2(g)(7)(A) in all Section 177 states of the applicable pool, shall be treated as subject to the total ZEV percentage requirements in section 1962.2(b) for all future model years in each Section 177 state, and the pooling provisions in subdivision

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1962.2(d)(5)(E)~~1.a~~2.c. shall not apply. Any future transfers of ZEV or TZEV credits between Section 177 states will be prohibited.

An intermediate volume manufacturer that elects the optional Section 177 state compliance path under subdivision 1962.1(d)(5)(E)3. or subdivision 1962.2(d)(5)(E)2. but delivers fewer ZEVs than required under subdivision 1962.2(d)(5)(E) 2.a. shall make up the deficit by the end of the second model year in which the manufacturer is complying as a~~n~~ large volume manufacturer. For example, an intermediate volume manufacturer that becomes subject to large volume manufacturer requirements in 2019 model year must deliver the number of ZEVs required by subdivision 1962.2(d)(5)(E)2.a. by June 30, 2021. The pooling provisions in subdivision 1962.2(d)(5)(E)2.~~a~~**b.i. and b.ii.** shall not apply to an intermediate volume manufacturer that fails to provide the required amount of ZEVs under subdivision 1962.2(d)(5)(E)2.a. In that case, any future transfers of ZEV or TZEV credits within or between Section 177 states will be prohibited.

Penalties shall be calculated separately by each Section 177 state where a manufacturer fails to make up the ZEV deficits within the specified time and with the credits allowed by subdivision 1962.2(g)(7)(A).

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(i)

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(16) "Transitional zero emission vehicle" or "TZEV" means a vehicle that meets all the ~~all~~ criteria of subdivision 1962.2(c)(2) and qualifies for an allowance in subdivision 1962.2(c)(3)(A~~D) or (E~~) **or (E)**.

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Note: Authority cited: Sections 39600, 39601, 43013, 43018, 43101, 43104 and 43105, Health and Safety Code. Reference: Sections 38562, 39002, 39003, 39667, 43000, 43009.5, 43013, 43018, 43018.5, 43100, 43101, 43101.5, 43102, 43104, 43105, 43106, 43107, 43204 and 43205.5, Health and Safety Code.

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