



AUTO ALLIANCE
DRIVING INNOVATION®



December 11, 2017

Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

Subject: SUPPORT – Proposed Fiscal Year 2017-18 Funding Plan - CVRP

Members of the Board:

The Alliance of Automobile Manufacturers¹ and the Association of Global Automakers, Inc.² (Global Automakers) appreciate the opportunity to comment on the fiscal year (FY) 2017-18 Clean Vehicle Rebate Project (CVRP) funding plan. We support and share California's goal of expanding the market share for zero emission vehicle (ZEV) technology. The CVRP is critical to meeting this goal, and we support the proposed funding plan.

Automakers now offer 35 different ZEV models and are introducing more models in the coming months. We're also just starting to see second generation ZEVs with longer ranges and better performance. These vehicles are safe, reliable, efficient, fun to drive, and offered at very compelling prices, with automaker subsidized lease rates on some well-reviewed cars well below \$100/month with zero down.

California has the highest combined sales of battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) in the United States. This is the result of a combination of compelling products, financial incentives at the state and local level, carpool lane access, free or reduced parking, significant infrastructure, high population centers, an ideal climate, significant education and outreach, and highly engaged stakeholders. California's commitment to ZEV technology at every level is unmatched, and we sincerely appreciate the leadership of ARB in developing this comprehensive program to support ZEV technology.

Nevertheless, the market is still in its infancy. ZEVs make up only about 4.5 percent of new vehicle sales in California, and surveys indicate consumer awareness is still low. Moreover, we (collectively, automakers, ARB, NGOs, utilities, etc.) face an enormous challenge of more than doubling ZEV sales and developing a sustainable market for ZEVs that does not rely on large

¹ Alliance members include BMW, Chrysler, Ford, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz, Mitsubishi, Porsche, Toyota, Volkswagen, and Volvo. Please visit www.autoalliance.org for further information.

² Global Automakers' members include Aston Martin, Ferrari, Honda, Hyundai, Isuzu, Kia, Maserati, McLaren, Nissan, Subaru, Suzuki, and Toyota. Please visit www.globalautomakers.org for further information.

incentives by either the automakers or government. For comparison, conventional hybrid electric vehicles have been on the market for 17 years, yet their market share has never broken 7 percent.

One of the biggest components of California's growth in the ZEV market is the commitment provided by CVRP. In fact, according to the Center for Sustainable Energy, over 74% of recipients stated the CVRP is either "very important" or "extremely important" to their decision to purchase a ZEV.³

Over the last year, we have worked with staff on the proposed FY2017-18 Funding plan. The draft funding plan totals \$165 million for CVRP funding, including \$25 million equity funding for low income CVRP applicants. While it is impossible to precisely predict the market, we expect this will be sufficient to cover growth in the ZEV market during this time. However, as in past years, we recommend the Board allow the ARB Executive Officer the discretion to establish a waiting list if the funding is exhausted prior to the end of the fiscal year. Moreover, we will continue to seek and support long-term sustainable funding for this important program.

In addition to supporting the overall FY2017-18 funding plan, the Alliance and Global Automakers provide the following comments:

- Fuel Cell Vehicle (FCV) Rebate Levels: The FCV market is about where the BEV and PHEV markets were in late 2011 (under 2,500 FCVs have been sold or leased in California). The FCV market is not only at a much earlier stage in development, but FCVs also present particular challenges with hydrogen infrastructure (both availability and customer familiarity with the technology). Nonetheless, FCVs are an important element of transforming the transportation system and could offer opportunities to electrify additional, larger segments of vehicles. In summary, we support maintaining the current CVRP incentives in FY2017-18 and for the next several fiscal year funding plans.
- Point of Sale and Pre-Qualification Mechanisms: The Alliance and Global Automakers support point of sale rebates to pre-qualified buyers. In fact, ARB and the CVRP Administrator have developed a relatively straightforward and quick process for customers to apply for and receive CVRP rebates. For most people, other than a home purchase, buying a car is the most expensive and complex purchase they make. Pre-qualification provides certainty regarding the rebate to both the customer and the dealer. Providing the rebate immediately at the point of sale, rather than several weeks to several months later, results in a more positive buying experience. Customers who are satisfied with both the vehicle purchase experience and the rebate process will help spread the word to friends and colleagues concerning this important program. We understand that implementation issues must be addressed and are committed to working with ARB staff and the dealers to ensure a smooth transition.

³ Center for Sustainable Energy (2016). California Air Resources Board Clean Vehicle Rebate Project, EV Consumer Survey Dashboard. Retrieved 5-Dec-2017 from <http://cleanvehiclerebate.org/survey-dashboard/ev>.

- Long-Term Plan for CVRP Incentives: We agree with the staff's 3-year assessment of CVRP funding. We also agree that the ZEV market is in its very early stages, and it is difficult to predict with any accuracy the market for these vehicles. This assessment is particularly difficult since a sales mandate is in place for the vehicles, rather than free-market sales. We plan to continue our work with ARB staff in the coming years to provide up-to-date ZEV market information to inform and refine future decisions.

In closing, we appreciate staff's hard work over the last few years, and ARB's support and commitment to the CVRP. We look forward to working with you to ensure its continued success.

Sincerely,



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