

April 28, 2015

Chairwoman Mary Nichols and Members
California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Re: 15-day Changes to 2014 ZEV Amendments

Dear Chairwoman Nichols and Board Members:

On behalf of the undersigned organizations, we are writing in response to the proposed 15-day Change package for the Zero Emission Vehicle (ZEV) regulation that was released on April 20, 2015. Our organizations appreciate that the California Air Resources Board and staff continued to work on pathways to maintain a strong ZEV program following the October 2014 Board hearing.

The strength of the ZEV program is critical to many of California's major clean air and climate goals. The deployment of ZEV technologies is a bedrock of California's efforts to meet federal air quality standards designed to protect the public from unhealthy levels of air pollution, especially critical in the South Coast and San Joaquin Valley air basins. The ZEV program is also a major driver of California's leadership in combatting climate change, with our program now in place in ten US states.

Maintaining the strength of the ZEV program is key to meeting targets in place through Governor Brown's ZEV Work Plan goal for 1.5 million vehicles by 2025, the one million electric car, truck and bus target over the next eight years contained in California's Charge Ahead Initiative, and the 8-State Memorandum of Understanding to place 3.3 million ZEVs on the roads around the United States. Further, ZEV technologies will play a crucial role in meeting Governor Brown's goal for reducing petroleum consumption by 50 percent over the next 15 years, a goal outlined in Senate Bill 350 (de León and Leno), now pending in the California Legislature. We are encouraged that the revised proposal will work to maintain the ZEV stringency levels adopted by the Board in 2012.

Prior to and during the Board hearing in October, our organizations voiced serious concerns and opposition to specific provisions to amend and weaken the ZEV program in relation to the Intermediate Volume Manufacturers (IVMs) category of automaker as well as major amendments to crediting being proposed by some Large Volume Manufacturers. Our position then, as now, remains that any major amendments should be considered as part of a rigorous and robust evaluation conducted within the scheduled mid-term review process, not taken as a piecemeal approach to the program. We appreciate that the proposed 15-day Change package reflects that opinion and offer additional comments below specific to the proposed changes/revisions to the October 2014 staff proposal.

Within the context of the 15-day Change package, we focus our comments on the five policy proposals first addressed in our October 14, 2014 letter to the Board:

1. **Definition of IVMs.** We continue to support this proposal.
2. **Pooling agreement with 177 States.** We continue to support this proposal to provide flexibility to IVMs.

3. **No reduction in credit requirements for IVMs.** We strongly support this revision as the initial proposal to reduce the compliance obligation came outside of the scheduled midterm review process established to address the need, if any, for such amendments and to more holistically evaluate the program's status. In addition, by deferring any reconsideration of the ZEV credit compliance obligations established in 2012, CARB will afford itself additional years' during which it can collect data to inform its understanding of what reasonable and likely compliance pathways could be available to the IVMs. As we highlighted in our previous letters ([2014 Amendments to the Zero Emission Vehicle \(ZEV\) Regulation, ZEV Amendments – California Clean Cars Coalition](#)), evidence from IVM sales globally indicate that the IVMs have considerable flexibility in complying with the ZEV program through the use of more capable TZEVs and full ZEVs. We also raised strong concerns that the initial proposal created a new problem whereby IVMs would have to undergo an unrealistic, rapid transition in 2026 to pure ZEVs. Maintaining the stringency at existing levels is more consistent with encouraging IVMs to launch initial offerings of ZEVs – at the latest - by model-years (“MY”) 2022 to 2025 and transitioning to full LVM status by 2026.

Staff's current proposal still maintains adequate flexibility that allows IVMs to use a greater fraction of TZEVs while they simultaneously test the market acceptance of their ZEV offerings before they have to fully commit to the pure ZEV strategy that will be needed by MY2026 for achieving full compliance. This also offers successful manufacturers the potential to build market momentum for their pure-ZEV offerings before they need to commit to a pure-ZEV strategy. In addition, the flexibility of the ZEV program allows banked credits to be utilized if any automaker falls short. As ARB has shown, there are enough credits available to allow the entire industry – let alone the IVMs – to comply from now through MY2020.

4. **Credit provisions.** We appreciate that staff's 15-Day Change proposal tightens the language for application of the longer credit make-up period by now limiting this new flexibility to the five IVMs, and precluding those automakers that are currently transitional IVMs or Large Volume Manufacturers. By limiting this additional flexibility to those IVMs, the 15-Day Changes remain focused on the direction given to staff by the Board, to evaluate options for providing more flexibility to the IVMs, not the larger manufacturers. We encourage the Board to ensure that the process for IVMs to request longer credit make-up periods is an open and transparent process, with a public memo from the Executive Officer explaining acceptance or rejection of the IVM credit compliance plan.
5. **Continued evaluation and study.** Over the next year, we encourage ARB to continue assessing the ZEV program against our state's 2030 climate and petroleum reduction goals. This includes understanding the TZEV and ZEV volumes necessary to reach those goals; updating of the likely compliance scenarios for the industry and each automaker; evaluating the impacts of the large compliance variability, which currently ranges from 5.5% to 25% of sales by 2025 depending on whether a LVM produces only fuel cells or a mix of shorter range TZEVs and BEVs. To reach mid and long-term climate and air quality goals, we will need to increase certainty around the ZEV program, maximize the number of electric-drive vehicles on the road, and ensure we achieve the program's environmental benefits.

Thank you for considering our comments. We believe that the initial set of amendments proposed with the release of the September 2, 2014 ISOR would have significantly weakened the ZEV program and appreciate that the revisions contained within the April 20, 2015 proposal more closely

respond to the Board's direction around the IVMs. We will continue to work with you and encourage you to continue to move forward with a strong program that will make California's ZEV, climate and clean air goals a reality.

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