

Date of Hearing: January 13, 2020

ASSEMBLY COMMITTEE ON TRANSPORTATION  
Jim Frazier, Chair  
AB 40 (Ting) – As Amended September 10, 2019

**SUBJECT:** Air Quality Improvement Program: Clean Vehicle Rebate Project

**SUMMARY:** Requires the California Air Resources Board (ARB) to only provide rebates through the Clean Vehicle Rebate Project (CVRP) to purchasers of vehicles manufactured by companies that have entered into an agreement with ARB to maintain and increase reductions in greenhouse gas (GHG) emissions. In addition, this bill states that it is the policy of the state to place at least 5 million zero-emission vehicles (ZEVs) into service by 2030 and 10 million ZEVs by 2035.

**EXISTING LAW:**

- 1) Establishes ARB as the air pollution control agency in California and requires ARB, among other things, to control emissions from a wide array of mobile sources and coordinate with local air districts to control emissions from stationary sources in order to implement the Federal Clean Air Act.
- 2) Requires ARB, pursuant to California Global Warming Solutions Act of 2006 [AB 32 (Núñez), Chapter 488, Statutes of 2006], to adopt a statewide GHG emissions limit equivalent to 1990 levels by 2020 and to use market-based mechanisms (cap-and-trade) to achieve compliance with these regulations.
- 3) Requires, pursuant to SB 32 (Pavley), Chapter 249, Statutes of 2016, that ARB ensure that statewide GHG emissions are reduced to at least 40% below 1990 levels by 2030.
- 4) Establishes the Greenhouse Gas Reduction Fund (GGRF) in the State Treasury, requires all moneys, except for fines and penalties, collected pursuant to a market-based mechanism be deposited in the fund and requires the Department of Finance, in consultation with ARB and any other relevant state agency, to develop, as specified, an investment plan for the moneys deposited in the GGRF.
- 5) Establishes the Charge Ahead California Initiative pursuant to SB 1275 (de León), Chapter 530, Statutes of 2014, that, among other things, includes the goal of placing at least one million zero-emission vehicles (ZEV) and near-zero emission vehicles (NZEV) into service by January 1, 2023, and increasing access to these vehicles for disadvantaged, low-income, and moderate-income communities and consumers.
- 6) Establishes the Air Quality Improvement Program (AQIP), administered by ARB in consultation with local air districts, to fund programs that reduce criteria air pollutants, improve air quality, and provide research for alternative fuels and vehicles, vessels, and equipment technologies.
- 7) Establishes the CVRP, as part of the AQIP, to provide incentives, in the form of rebates toward the purchase of certain new, light-duty vehicles.

**FISCAL EFFECT:** Unknown

**COMMENTS:** ARB developed the CVRP to encourage and accelerate the purchase and use of ZEVs to help improve air quality, reduce GHG emissions, and achieve the Legislature's goal of placing 1 million ZEVs on California's roadways by 2023, and Governor Brown's goal of 5 million ZEVs on the road by 2030 (Executive Order B-48-18). The CVRP provides consumer rebates for the purchase of ZEVs of between \$900 and \$7,000 depending on the consumer's income and the vehicle's technology.

As of March 30, 2019, the state has provided CVRP rebates for nearly 320,000 vehicles at a cost of over \$720 million since the program's launch in 2010. The CVRP offers vehicle rebates on a first-come, first-served basis and has been typically oversubscribed each year. When the funding is exhausted, applicants are "waitlisted" and are issued rebates in the order they applied when monies are allocated in the next funding cycle. California's ZEV market has grown significantly over the years. The number of ZEV passenger vehicles sold in California expanded from approximately 25,000 in 2012 to over half a million today – more than any other state, and about half of all the ZEVs nationwide. There are over 40 ZEV/NZEV models on the California market and in 2017, ZEVs accounted for about 7% of all new sales in California.

*Vehicle Fuel Standards.* Beyond the CVRP, ARB had instituted numerous strategies to combat air quality and climate change impacts from the transportation sector. As an example, California's vehicle emissions rules predate the federal Clean Air Act (CAA) and the creation of U.S. Environmental Protection Agency (US EPA). Due to the state's severe air quality problems, related public health threat and large number of vehicles, the CAA preserved California's rights to continue to set and enforce its own vehicle emission standards that are stricter than federal standards. California must request a waiver from U.S. EPA when its standards differ. More than 100 waivers were issued over the past 50 years. The stricter-than-federal standards approved under those waivers have been adopted by other states, and were adopted by the federal government in 2016 under the Obama administration once the significant public health and environmental benefits were clearly demonstrated.

In July 2019, the Trump administration rolled back federal vehicle emission standards, effectively freezing them at the 2020 level through the 2026 model year, and withdrew the state's waiver to adopt stricter standards. California is challenging the federal government's move in court, but at this time ARB is not enforcing, on a mandatory basis, its light-duty GHG emissions and ZEV standards. ARB advises that all vehicle manufacturers continue to comply with California standards despite the recent federal action revoking the waiver for those regulations and purporting to preempt them. During the period the federal action is in effect, ARB will administer the affected portions of its program on a voluntary basis, including issuing certifications for the GHG emissions and ZEV programs.

In response to the federal action, a consortium of automakers and California have agreed on a voluntary framework to reduce emissions that can serve as an alternative path forward for clean vehicle standards nationwide. Automakers who agreed to the framework are Ford, Honda, BMW of North America and Volkswagen Group of America. The agreement is slightly less stringent than California's original regulations, as the terms of the framework will deliver the same GHG reductions in five years as the original Obama standards would have achieved in four.

This bill makes CVRP rebates available only to purchasers of vehicles manufactured by automakers that have agreed to ARB's voluntary framework, meaning purchasers of ZEVs from other carmakers would not be eligible for the state's rebate program.

According to the author, "California's right to set fuel efficiency standards is under attack by the federal government along with certain automakers. These standards reduce air pollutants and save consumers money at the pump, which is why 13 states and the District of Columbia follow California standards. Four automakers have already signed an agreement with the California Air Resources Board to continue to reduce vehicle emissions and this bill encourages more automakers to reduce emissions. California should not use taxpayer funds to subsidize automakers that attack our right to clean air."

*Committee concerns:* Many studies demonstrate that the CVRP program has encouraged more ZEV purchases than there otherwise would have been in California without the state rebate. In fact, a recent study shows that more than 50% of ZEV purchasers would not have purchased a ZEV without a rebate. If it is the state's goal to incentivize ZEV purchases, then the CVRP is an important part of the state's strategy. According to recent data from ARB, roughly 350,000 rebates have been issued to date. Of those, approximately 82% have been provided to purchasers of vehicles manufactured by automakers that would be excluded under this bill. It seems that the outcome of the policies in this bill might conflict: if the state wants to incentivize adoption of ZEVs, then we should be making rebates more accessible, not restricting access to them.

The author argues that this bill encourages automakers to sign on to the state's voluntary agreement. Presumably, automakers will feel the pinch of lower sales of ZEVs in California as potential buyers will forego their models to earn the state's rebates with the purchase of their competitors' eligible vehicles. GM sold nearly 3 million cars in 2018, but only 36,000 of them (just over 1% of total sales) were eligible for the CVRP. It seems unlikely that GM is going to feel much pressure to sign onto the state's agreement when it impacts such a marginal share of their business.

Further, studies show that one of the biggest impediments to purchasing a ZEV is range anxiety. No auto manufacturer that produces a ZEV with a range of 200+ miles has signed onto the state's agreement. It seems this bill punishes auto manufacturers that have been early adopters of ZEVs with long ranges, while rewarding companies that have not been actively tackling the range hurdle.

It is important to note that the voluntary agreement signed between ARB and the four automakers is less stringent than the standards all automakers faced prior to the recent federal action. While these car companies are committing to California to be cleaner than the federal government is requiring of them at this time, they are still agreeing to a standard that is less healthy than they were committed to a year ago. Prior to the federal action, ARB believed it was reasonable and achievable for all automakers to meet its aggressive timelines. It could be argued that this bill is rewarding auto companies that sign on to the voluntary agreement for accepting regulatory relief, and not fighting for the best the state could demand of the market.

Finally, the insertion into statute of the state's policy to place at least 5 million ZEVs into service by 2030 and 10 million ZEVs by 2035 seems arbitrary and premature. These targets do not appear to be based on any evidence or data that they are the correct or appropriate goals for the state and instead appear to be arbitrarily chosen based on Governor Brown's previous executive order. According to ARB, the state currently only has 10% of the infrastructure necessary to meet these

goals, and there is no clear plan to achieve the targets or the charging and transmission apparatus required to power these vehicles.

*Double Referral:* This bill will be referred to the Assembly Natural Resources Committee should it pass out of this committee.

*Related legislation:* AB 126 (Cooper) requires ARB to impose specified income cap limits for Clean Vehicle Rebate Project eligibility, increase the rebate payment by \$500 for a low-income applicant for all eligible vehicle types, and only offer rebates for plug-in hybrids that have an electric range of at least 40 miles. This bill is in Senate Transportation Committee.

*Previous legislation:* SB 32 (Pavley), Chapter 249, Statutes of 2016, required ARB to ensure that statewide GHG emissions are reduced at least 40% below 1990 levels by 2030.

SB 350 (de León), Chapter 547, Statutes of 2015, set GHG reduction targets to be achieved by 2030 through a variety of measures, including supporting electrification of the transportation system and established requirements of CPUC in adopting EV charging proposals from the IOUs.

SB 1275 (de León), Chapter 530, Statutes of 2014, established the Charge Ahead California Initiative, administered by ARB, in consultation with CEC, air pollution control and air quality management districts, and the public. Specifies that the goal of the initiative is to, among other things, place in service at least one million ZEVs by January 1, 2023, and to increase access for disadvantaged, low-income, and moderate-income communities and consumers.

SB 1204 (Lara), Chapter 524, Statutes of 2014, created the Clean Truck Program to fund development, demonstration, pre-commercial pilot, and early commercial deployment of zero- and near-zero emission truck, bus, and off-road vehicle and equipment technologies.

AB 8 (Perea), Chapter 401, Statutes of 2013, extended until January 1, 2024, the fees that support AQIP and AFRVTP.

AB 118 (Núñez), Chapter 750, Statutes of 2007, created the ARFVTP and AQIP to provide funding measures to specified entities to develop and deploy technologies and alternative and renewable fuels in the marketplace to help attain the state's climate change policies.

AB 32 (Núñez), Chapter 488, Statutes of 2006, required ARB to develop a plan of how to reduce emissions to 1990 levels by the year 2020.

#### **REGISTERED SUPPORT / OPPOSITION:**

##### **Support**

None on file

##### **Opposition**

None on file

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