Date of Hearing: June 26, 2023

ASSEMBLY COMMITTEE ON TRANSPORTATION
Laura Friedman, Chair
SB 425 (Newman) – As Amended June 13, 2023

SENATE VOTE: 38-1

SUBJECT: Clean Vehicle Rebate Project: fuel cell electric pickup trucks

SUMMARY: Requires the state Air Resources Board (CARB) to provide rebates, under Clean Vehicle Rebate Project (CVRP), for zero-emission pickup trucks that are $2,500 more than the rebates provided for other fuel cell electric and battery electric vehicles.

EXISTING LAW:

1) Establishes the Air Quality Improvement Program (AQIP), administered by CARB, with the primary purpose of funding, upon appropriation by the Legislature, air quality improvement projects relating to fuel and vehicle technologies that reduce criteria air pollutants, improve air quality. Also, funds research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies. The fees that fund AQIP sunset January 1, 2024. (Health and Safety Code (HSC) 44274)

2) Defines a "pickup truck" as a motor truck with a gross vehicle weight rating (GVWR) of less than 11,500 pounds, an unladen weight of less than 8,001 pounds, and which is equipped with an open box-type bed no more than nine feet long. "Pickup truck" excludes vehicles that are equipped with a bed-mounted storage compartment. (Vehicle Code (VEH) 471)

FISCAL EFFECT: According to the Senate Appropriations Committee:

Unknown, potentially significant ongoing cost pressure (Air Quality Improvement Fund, Greenhouse Gas Reduction Fund [GGRF], General Fund [GF]) on the CVRP due to the increase in program payments for zero-emission pickup trucks.

COMMENTS:

Financial incentives have increased the adoption of lower emission vehicles by providing confidence to manufacturers and reducing financial barriers for consumers. Vehicles that produce lower or zero emissions of criteria pollutants, toxic air contaminants, and greenhouse gases (GHGs) when stationary or operating are a key piece of achieving our state's climate and air quality goals. The state has routinely adjusted CVRP to account for advancing vehicle technologies, changes in the vehicle sales market, vehicle adoption rates, new regulations, and other factors.

CVRP. CARB originally established CVRP as a part of AQIP in 2010, funded by the smog abatement and vessel registration fees that are deposited in the Air Quality Improvement Fund. Funding for CVRP was increased by the addition of GGRFs provided through CARB's Low Carbon Transportation program. In recent years, the Legislature has appropriated additional GF to support CVRP. Since inception, the state has awarded over $1 billion through CVRP resulting

in the purchase of more than 500,000 vehicles. Battery electric vehicles made up 68% of rebates, plug-in hybrid electric vehicles 29%, and fuel-cell electric vehicles 2%.

Currently CVRP rebates vary by vehicle technology. Battery electric vehicles which run on electricity are eligible for a $2,000 rebate. Fuel cell electric vehicles which run on hydrogen are eligible for $4,500. Plug-in hybrid electric vehicles that have zero-emission vehicle (ZEV) range capability of more than 30 miles are eligible for a $1,000 rebate. CVRP also provides rebates of $750 for new zero-emission motorcycle purchases. (Higher rebates are available for low-income participants).

CVRP does not currently provide different rebate levels for cars versus trucks. There is only one commercially available battery electric pickup truck; the Ford F-150 Lightning. There are no fuel cell electric pickup trucks available for purchase today. The fuel cell electric pickup truck concept is at different stages of being explored by a few manufacturers, and commercial availability is several years away, at least. Under this bill, pickup trucks would receive an additional $2,500 rebate, resulting in a baseline $4,500 rebate for battery electric pickup trucks and baseline $7,000 rebate for fuel cell electric pickup trucks, based on current rebate levels.

CARB does not vary rebate levels based on the quantity of emissions reduced. Vehicle GHG emissions correspond to the amount of fuel burned. Therefore, pickup trucks that consume more gasoline generally have higher emissions than fuel-efficient cars. While ZEV pickup trucks are newer, zero-emission sport utility vehicles (SUVs) have been around for a while and have not received a higher CVRP rebate than compact cars. This could be due to the fact that CVRP does not require scrappage of a vehicle. So a vehicle purchased by a CVRP rebate is not necessarily a replacement for an internal combustion engine vehicle. Past bills have attempted to require CARB to base CVRP and other incentive programs on fuel consumption, but have failed passage.

CVRP is Winding Down. SB 1275 (de Leon), Chapter 530, Statutes of 2014 required CARB to adopt CVRP criteria that phase down rebate amounts as cumulative sales increase. SB 1275 also directed CARB to assess when the state can expect a self-sustaining ZEV market. In consultation with academia and stakeholders, CARB defined a self-sustainable ZEV market as a market where broad incentives are not required to increase ZEV adoption. In 2016, CARB determined that self-sustainability would occur when California new ZEV sales reach 16% to 20% of total new car sales.

In April 2023, ZEVs made up 21% of California new car sales. Reaching the self-sustaining target indicator, combined with new ZEV sales regulations, signal an end for CVRP. At the May 30th Implementation Work Group on CVRP, CARB announced that CVRP is projected to run out of funds by October or November of this year. With no new funding proposed for CVRP in this year's budget at the time this analysis was written, the program will end during the 2023-24 fiscal year.

Staff comments:

Unclear Need for Increased Rebate for Trucks. While electric vehicles are always a better option for the climate than an internal combustion engine equivalent, the American Council for an Energy-Efficient Economy ranks larger electric vehicles as worse than more compact gas cars due to the emissions embedded in their creation. It is unclear whether getting more ZEV trucks on the road, at the expense of other ZEVs, helps the state to meet its climate goals faster.

Pickup trucks accounted for 14% of light-duty vehicle sales in the United States in 2020, and the market share of pickups has grown in recent years. The author introduced this bill to update CVRP "to align with and encourage private sector development of zero-emission pickup trucks that consumers demand." It is unclear whether an additional incentive is needed for manufactures to produce, or consumers to buy, pickup trucks, since the demand is already apparent. In fact, Ford has more than 200,000 reservations for its Lightning pickup, and production has been unable to keep up with demand.

Heavier Vehicles are Unsafe. One of the most significant determining factors in whether a crash is fatal is the weight of the vehicle. Based on research showing that heavier vehicles cause more serious injuries to pedestrians, the California Transportation Commission (CTC) recommended in their 2022 annual report to the Legislature to consider forming a task force within CTC to study a fee based on weight for passenger vehicles. AB 251 (Ward) of this Session seeks to implement this recommendation. This bill, by offering increased incentives for pickup trucks, which are larger, heavier vehicles, could encourage their adoption to the detriment of pedestrian and bicyclist safety.

Minimal Impact if CVRP Ends Soon. The state began providing ZEV rebates during the nascent stages of the ZEV market. As mentioned earlier, based on CARB's assessment of ZEV sales as a percentage of car sales, the state has reached a self-sustaining ZEV market. This bill makes changes to CVRP at a time when it is winding down and has no future funding. Therefore the impact of this bill may be minimal, if it would have any impact at all.

According to the author, "With a quarter-million new pickup trucks registered in California in 2022 alone, pickup trucks are a prime example of a vehicle class in high demand, but desperately in need of zero-emission options. If California hopes to realistically meet its aggressive decarbonization goals, the state must update its existing market incentive – the CVRP – to align with and encourage private sector development of zero-emission pickup trucks consumers demand. The passage and implementation of [this bill] will enable California to move that much more quickly in ensuring that hardworking Californians can and will participate in this critical transition."

In support the California Electric Transportation Coalition writes, "Both battery electric vehicles and fuel cell electric vehicles have their roles to play in ZEV markets with different advantages that are appealing to different consumers. California should continue to send the message to consumers that they have a choice and no matter what they choose it will help to continue California's commitment to air quality, clean transportation, and meeting our zero-emission goals."

In opposition Plug In America writes, "[We] recommend prioritizing efficient electrification solutions that can help foster the electric vehicle industry in the long-term and make the transition to clean transportation more accessible. Larger vehicles like pickup trucks require larger batteries to power them and therefore are more resource intensive than smaller cars. Additionally, because of their weight, larger vehicles cause more wear and tear on roads and infrastructure."

Double referral: This bill is double referred to the Assembly Natural Resources Committee and will be heard by that Committee as it relates to issues under its jurisdiction.

Related and previous legislation: AB 251 (Ward) of this Session requires the CTC to convene a task force to study the potential costs and benefits of imposing a passenger vehicle weight fee. AB 251 is currently in the Senate Transportation Committee.

AB 241 (Reyes) and SB 84 (Gonzalez) of this Session reauthorize fees that fund AQIP, the Clean Transportation Program (CTP), and the Enhanced Fleet Modernization Program (EFMP), and make programmatic changes. AB 241 is on Assembly third reading. SB 84 is on the Senate inactive file.

AB 1267 (Ting) of this Session requires CARB to provide an additional incentive to individuals for the purchase of ZEVs based on the average annual gallons of gasoline that the applicant's vehicle consumed. This bill was held on the Assembly Appropriations Committee.

AB 2816 (Ting) of the 2021-22 Session would have required CARB to award incentives for passenger ZEVs based on the amount of gasoline or diesel the applicant's vehicle consumed. This bill was held on the Assembly Appropriations Committee suspense file.

AB 126 (Cooper) of the 2019-20 Session would have required CARB to (1) impose specified income cap limits for CVRP eligibility; (2) increase the rebate payment by $500 for a low-income applicant for all eligible vehicle types; and (3) only offer rebates for plug-in hybrids that have an electric range of at least 40 miles. This bill died in the Senate Transportation Committee.

AB 1046 (Ting) of the 2019-20 Session would have required CARB to develop a plan to provide for the funding of CVRP in order to meet a goal to deploy 5 million electric vehicles by December 2030. This bill died in the Senate Appropriations Committee.

AB 615 (Cooper), Chapter 631, Statutes of 2017 extended the applicability of CVRP income caps, established in SB 859, to January 1, 2019.

SB 859 (Budget Committee), Chapter 368, Statutes of 2016 between November 1, 2016, and July 1, 2017, requires CARB to offer CVRP rebates only to applicants who purchase an eligible vehicle and have a specified maximum gross annual income; increase rebate payments by $500 for low-income applicants, as defined; and prioritize rebate payments for low-income applicants.

SB 1275 (de Leon), Chapter 530, Statutes of 2014 required CARB to adopt revisions to the criteria and requirements for CVRP to ensure 1) rebate levels can be phased down in increments based on cumulative sales levels as determined by CARB, 2) eligibility is limited based on income, and 3) consideration of conversion to prequalification and point-of-sale rebates or other methods to increase participation rates.

REGISTERED SUPPORT / OPPOSITION:

Support

Air Products and Chemicals
Alliance for Automotive Innovation
Breathe California
California Electric Transportation Coalition
California Fuels and Convenience Alliance
California Hydrogen Business Council

California Hydrogen Coalition
California New Car Dealers Association
First Element Fuel
Orange County Automobile Dealers Association

Opposition

Plug in America
Sierra Club

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