

Date of Hearing: April 22, 2019

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1046 (Ting) – As Amended April 8, 2019

SUBJECT: Charge Ahead California Initiative

SUMMARY: Clarifies what the California Air Resources Board (ARB) must include in a statutorily-required annual forecast of estimated funding needs for the Clean Vehicle Rebate Project (CVRP). Specifically, **this bill:**

- 1) Clarifies that ARB's annual forecast of estimated funding needs for the CVRP must include all of the following elements:
 - a) The total state rebate investment necessary to facilitate reaching the goal of placing in service 5 million zero-emission vehicles (ZEVs) by 2030, including an estimate of the funding needed and the projected percentage of new vehicles purchased that would receive the rebate in each fiscal year;
 - b) Models of the impacts of various rebate scenarios' ability to maximize the effectiveness of the rebates provided based on relevant data;
 - c) Annual recommendations for changes to the CVRP structure and various rebate levels based on market demand to reach the 2030 goal, including the project's income eligibility requirements to target moderate and low-income customers;
 - d) Projected sales figures of electric vehicles;
 - e) Impacts of federal policy changes on adoption of electric vehicles;
 - f) Sales price differences between electric vehicles and nonelectric vehicles;
 - g) Assessment of marketing efforts of electric vehicles by automobile manufacturers; and
 - h) Survey results of consumer awareness and acceptance of electric vehicles and awareness of the benefits associated with ZEVs. The survey questions and methodology must be substantially similar for each report to allow for long-term trend analysis.
- 2) Requires ARB to update the forecast beginning November 1, 2020, and on or before November 1 of each year thereafter until January 1, 2030.
- 3) Reiterates existing law that requires ARB to adopt criteria and other requirements to ensure that rebate levels in the CVRP can be phased down in increments based on cumulative sales levels.
- 4) Adds to the goals of the Charge Ahead California Initiative placing 5 million ZEVs in service by January 1, 2030.

EXISTING LAW:

- 1) Establishes the Global Warming Solutions Act of 2006, [AB 32 (Núñez), Chapter 244, Statutes of 2006] that requires ARB to establish programs to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020 including the use of market-based mechanisms (cap-and-trade) to comply with these regulations.
- 2) Requires ARB to ensure that statewide GHG emissions are reduced to at least 40% below the 1990 level by 2030.
- 3) Establishes the Air Quality Improvement Program (AQIP), administered by ARB, to fund programs that support the production, distribution, and sale of alternative fuels and vehicle technologies, as well as air emissions reduction efforts. The two primary programs adopted by ARB pursuant to the AQIP are the CVRP and the Hybrid and Zero Emissions Truck and Bus Voucher Incentive Program (HVIP).
- 4) Establishes the Charge Ahead California Initiative to provide incentives that increase the availability of ZEVs and near-zero-emission vehicles (NZEVs), particularly in disadvantaged and low-and-moderate-income communities.

FISCAL EFFECT: Unknown.

COMMENTS: Over the years, California has established a number of policies, goals, and programs to improve air quality and reduce GHG emissions. Most notably, AB 32 established the goal of reducing GHG emissions to 1990 levels by the year 2020 and, more recently, SB 32 (Pavley), Chapter 248, Statutes of 2016, established the more aggressive goal of reducing emissions 40% below 1990 levels by 2030. One of the plethora of programs established to try and accomplish these goals is the AQIP, which funds programs that support the production, distribution, and sale of alternative fuels and vehicle technologies, as well as air emissions reduction efforts. The CVRP is part of the AQIP and provides rebates to consumers in order to promote the production and use of ZEVs and NZEVs.

In 2014, the Legislature passed and Governor Brown signed SB 1275 (de León), Chapter 530, which established the Charge Ahead California Initiative. Among other things, SB 1275 attempted to provide some balance in ARB's vehicle rebate programs by directing ARB to adopt revisions to the CVRP criteria to reduce vehicle rebates over time, based on the rate of sales. The logic was that phasing down rebates will allow the program to reflect market penetration and ensure that as the number of vehicles purchased increases, the number of rebates decreases. In time, the savings could then be used for other incentive programs that benefit low- and moderate-income individuals.

In order to effectively administer the new criteria and plan for the most efficient way to reduce rebates over time, SB 1275 required ARB to do a forecast of estimated funding needs. With this forecast, ARB should be able to modify the number and size of the CVRP rebates in the future to reflect factors like the impacts of federal policy changes and projected sales of ZEVs.

According to the author, "This bill requires ARB to conduct annual market forecasting for the state's progress toward ZEV deployment goals, and consider modifications to the CVRP to meet those goals. The basic flat rebate structure of the CVRP has not been revised for more than five

years, while the ZEV market has dramatically changed. This bill would attempt to focus the CVRP on pushing ZEV deployment in the state closer to a sustainable consumer market.”

Supporters of the bill argue that cost is the most limiting factor to the number of ZEVs purchased, and therefore “it is essential that we develop a better of understanding of what kind of financial incentives will be needed to reach the goal of 5 million ZEVs in California on the road by 2030.”

The Alliance of Automobile Manufacturers write, in opposition to the bill, “Historically, the Alliance has opposed legislation that restricts consumer choice and enshrines in statute mandatory goals with respect to ZEV vehicle delivery. The Alliance believes incentives are a better mechanism than mandates to positively influence customer choices. This is why we have actively pursued continued the funding of consumer purchase rebates and “stickers” that permit ZEV drivers to occupy HOV lanes.”

Committee comment. While the Legislature continues to give direction to ARB related to the programs it is statutorily authorized to administer, there appears to be a reluctance to do anything ARB doesn’t believe is necessary to accomplish its goals. Five years ago, the Legislature directed ARB to develop a plan, through a forecast of future market development, to phase out an existing incentive program. To date, ARB has not made any changes to that incentive program. In order to be crystal clear of the Legislature’s intent, this bill clearly specifies what the forecast should consider and what the goal of the forecast should be: namely that ARB phase down rebate levels in the CVRP in increments based on cumulative sales levels. It seems reasonable to expect ARB to comply with existing law; clarifications outlined in this bill hopefully assist ARB to understand the Legislature’s expectations.

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 1275 (de León), Chapter 530, Statutes of 2014, established the Charge Ahead California Initiative, to provide incentives to increase the availability of zero-emission vehicles and near-zero-emission vehicles, particularly to low-income and moderate-income consumers and disadvantaged communities.

AB 118 (Núñez), Chapter 750, Statutes of 2007, established the AQIP.

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

350 Bay Area Action

Opposition

Alliance of Automobile Manufacturers

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