

July 25, 2014

SUBMITTED VIA BRANDY.CHAMBERS@NH.GOV

Brandy Chambers
New Hampshire Office of Energy and Planning
57 Regional Dr. #3
Concord, NH 03301-8519

To Ms. Chambers:

Re: Draft New Hampshire State Energy Strategy

The Association of Global Automakers, Inc. (Global Automakers)¹ appreciates the opportunity to provide feedback to the New Hampshire Office of Energy & Planning on the draft *New Hampshire State Energy Strategy* (“Strategy”).

We understand from the draft Strategy that New Hampshire may consider adoption of the California Low Emission Vehicle (LEV) Program, which includes programs for criteria pollutants, greenhouse gases (GHG), and zero emission vehicles (ZEV). Global Automakers believes that adoption of these programs is not beneficial for New Hampshire, nor necessary, as described below. Rather, we believe that the State should focus its Strategy on creating a marketplace in New Hampshire that will stimulate demand for and use of advanced technology vehicles, including purchase incentives, infrastructure investments, and other efforts to encourage and support the marketplace for a more environmentally friendly and fuel efficient fleet.

Greenhouse Gases, Fuel Economy and Criteria Pollutant Standards; National Benefits Equivalent to California Program

Global Automakers supports a single, harmonized, and national program for GHG and tailpipe emissions and has been actively engaged in promoting harmonization between the U.S. Environmental Protection Agency (EPA), National Highway Traffic Safety Administration (NHTSA), and California Air Resources Board (ARB) on the GHG

¹ The Association of Global Automakers, Inc. represents international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. Our members’ market share of both U.S. sales and production is 40 percent and growing. We work with industry leaders, legislators, regulators, and other stakeholders in the United States to create public policy that improves motor vehicle safety, encourages technological innovation and protects our planet. Our goal is to foster an open and competitive automotive marketplace that encourages investment, job growth, and development of vehicles that can enhance Americans’ quality of life. For more information, please visit www.globalautomakers.org.

and Corporate Average Fuel Economy (CAFE) standards. The One National Program, which allows a manufacturer to produce a single set of vehicles that will comply with the EPA GHG, NHTSA CAFE and ARB GHG standards through the federal programs, will achieve significant GHG reductions from light-duty vehicles through 2025. It nearly doubles new vehicle fuel economy and, in the process, will reduce six billion tons of GHG over the lifetimes of the vehicles, saving more than \$1.7 trillion in fuel costs and reducing oil usage by more than two million barrels per day in 2025.² These benefits are significant, but they do not come without a cost. EPA, NHTSA and ARB collaborated to develop the One National Program for model years 2012-2025, thereby allowing these benefits to be realized across the nation while also maximizing the effectiveness of the program.

There is no significant environmental benefit associated with New Hampshire adopting California criteria pollutant emissions standards. Criteria pollutant emissions standards between California and the EPA have been closely coordinated and the EPA's newest program, known as Tier 3, will provide equal emissions benefits to the California program, known as LEV III. Both programs achieve a near zero NMOG+NO_x fleet average for new vehicles in model year 2025. The EPA's Tier 3 Program will also require significant reductions in the sulfur content of gasoline, a necessary component for achieving the Tier 3 emission standards. California's program on its own would not have provided the necessary cleaner fuel to New Hampshire without the federal program and would require administrative resources within New Hampshire to implement the program. Therefore, the federal program offers New Hampshire a more complete regulatory program with equivalent emission benefits to California's program.

Given the national benefits of both the GHG/CAFE and the Tier 3 programs, adopting the California LEV program would provide no additional environmental benefits in New Hampshire, but such adoption would require additional State resources that would be necessary to adopt, implement and administer California's programs in your State.

Zero Emission Vehicle Program; Infrastructure, Incentives and Consumer Acceptance are Necessary, Rather than a Mandate

Global Automakers understands that the draft Strategy recommends, in part, the adoption of the California LEV Program because the California Zero Emission Vehicle (ZEV) Program cannot be adopted unless the LEV Program is in place. We are committed to the success of the ZEV technology. Many of our members have been at the forefront of offering advanced technology vehicles, but Global Automakers does not support the ZEV program in its current form because it is a sales mandate. The ZEV Program forces automakers to sell specific technologies, including battery electric, plug-in hybrid electric and fuel cell electric vehicles, at specified volumes on an annual basis. Global Automakers does not support mandates and believes that ZEV technology can only succeed if the marketplace can support and accommodate such sales.

In an ideal situation, we believe that the incentives (financial and non-financial), infrastructure, outreach to consumers and other efforts needed to grow the market for advanced technology vehicles should be in place if a

² EPA, *Regulations & Standards: Light-Duty*, www.epa.gov/otag/climate/regs-light-duty.htm.

state wants to increase the volume of ZEVs, regardless of a mandate. The One National Program is now the driving force behind technology advancements in the national fleet. But developing a market for ZEVs demands significant commitments, and whether a state adopts the ZEV Program or not, any state that wants an increased volume of ZEVs in its state must commit the resources to develop the ZEV market. For instance, eight of the current ZEV States have developed a Regional Action Plan, which recognizes the responsibility these states have to “accelerate the development of that [ZEV] market.”³ The Action Plan is an important first step, but it will take time and resources to implement. It is not clear from the draft Strategy if New Hampshire is prepared to take on this commitment.

1. The One National Program undercuts any environmental rationale for a ZEV sales mandate.

When California adopted the ZEV program in 1990, its rationale was that without this technology-forcing mandate, automakers would not offer ZEVs. While we do not subscribe to this argument, it is clear that auto manufacturers have made significant investments in research and development (R&D) to produce and offer for sale marketable ZEV vehicles. Today, there are battery electric vehicles (BEVs), plug-in hybrid vehicles (PHEVs) and limited offerings of fuel cell electric vehicles (FCEVs). All of the major automakers have announced that more is to come and the number of available ZEV models continues to increase. In addition, the One National Program for GHG and fuel economy is already driving automakers and others to invest substantial additional R&D in ZEV and other advanced technologies of various types. The ZEV program, per se, does not provide additional environmental benefits, because the national GHG/fuel economy standards are based on each manufacturer’s fleet average of all vehicles produced in a model year nationwide. The benefits of any extra ZEV production are averaged out across the fleet.

2. Focusing on what’s needed to make your marketplace conducive to ZEVs should be your paramount concern. The State needs to create a marketplace hospitable to ZEVs.

While automakers continue to face technical challenges with ZEVs, principally bringing down costs, addressing refueling/recharging time constraints, and ensuring adequate driving range, today some of the most significant challenges are related to market readiness, such as weather, topography, consumer preferences, etc. Many states are devoting money, time and other resources to develop their markets.

For instance, California has invested hundreds of millions of dollars in purchase incentives for consumers and for infrastructure development to support BEVs, PHEVs and FCEVs. Additionally, California provides HOV access, subsidized parking and charging, and many other non-monetary incentives that are instrumental in supporting ZEV purchase and use in California. California’s efforts to date have been successful in creating the largest ZEV market in the U.S., although ZEVs still make-up only two and a half percent of the vehicles sold in California in 2013. California recognizes that there is still a long path to achieving the 2025 goal of 15.4% of new vehicle sales to be ZEVs and continues to commit the resources necessary to push for that goal.

³ NESCAUM, “8 State Alliance Releases Plan to Put 3.3 Million Zero-Emission Vehicles on the Road.” <http://www.nescaum.org/documents/multi-state-zev-action-plan-press-release-5-29-14.pdf/>.

There are also States, such as Washington, Georgia, Colorado, Florida, and Hawaii that, without a ZEV mandate, have been successful in encouraging ZEV sales by offering vehicle incentives and otherwise improving ZEV market readiness in their States.⁴ Clearly the ZEV Program is not a requisite for building interest in the technology; a ZEV mandate is not necessary if the right market conditions exist.

Additionally, there are other significant market challenges with the ZEV Program, which as designed, the Program itself does not address. Principal among these are barriers, such as weather, topography, consumer preferences, etc., that may impact the ability of the ZEV Program to succeed. Given New Hampshire's largely rural nature and long, cold winters, the vehicle market tends to favor light trucks and SUVs, mostly all-wheel drive, which are not available as ZEVs. New Hampshire's sales data shows that the new vehicle market consisted of only 0.12% BEVs and 0.26% PHEVs in 2013.⁵ New Hampshire's sales are on par with the ZEV sales in contiguous Northeast States that have adopted the ZEV Program, further supporting the position that market development and demand is more influential on ZEV sales than a mandate.

Under the ZEV Program, mandated volumes of BEV sales will start in the Northeast ZEV States with model year 2018.⁶ These states have been working with California over the past year on a Regional Action Plan⁷ in recognition that much work is needed to support the ZEV Program in those States. Global Automakers has been engaged in this process with these States and California, and we are pleased to see the commitment to prepare the markets. We remain concerned, however, that Northeast States' sales continue to lag in comparison to California sales, and the additional barriers may prove more challenging to overcome than expected.

If the market is ready, and there is sufficient demand for ZEVs, ZEVs will be sold in New Hampshire regardless of the mandate, but New Hampshire must first determine its willingness to devote the resources to market development. New Hampshire's investment in the market must be substantial if it is truly interested in increasing ZEV volumes, and that investment must be even greater if the decision is made to proceed with the ZEV Program.⁸

⁴ New Hampshire also does not currently offer any incentives, as noted in the draft Strategy, page 77.

⁵ Compiled from 2013 Polk data.

⁶ If New Hampshire were to proceed with the ZEV mandate, it is important to note that Section 177 of the Clean Air Act requires a minimum of two years lead time before the California LEV Program can be implemented in another state. Assuming New Hampshire must go through the legislative process in 2015, followed by rulemaking process in 2016-2017, and then add an additional two years lead, the earliest New Hampshire could adopt the California LEV and ZEV Programs is model year 2020. Since the ZEV mandates requirements increase each year, model year 2020 standards would be even more challenging for automakers to comply with, particularly if the New Hampshire market is not ready.

⁷ NESCAUM, *Regional Action Plan*. May 29, 2014, <http://www.nescaum.org/topics/zero-emission-vehicles>.

⁸ If the decision were made to adopt the ZEV Program, then New Hampshire must be willing to sign onto the Action Plan and take on the responsibility to support the ZEV volumes required under the Program. Furthermore, the Action Plan is only a beginning step in developing the market, and on its own, does not guarantee the mandate can be met. Additional resources and actions beyond the Action Plan will be necessary.

Global Automakers recommends that New Hampshire refocus its draft Strategy on a plan for the development of a robust ZEV market, including determining the necessary incentives, infrastructure, codes and standards, state resources, etc., to encourage and support market readiness for ZEVs. For instance, the draft Strategy mentions mandated procurements for state fleet vehicles. Global Automakers strongly supports this idea, because it provides certainty of market, infrastructure and user. Global Automakers would be pleased to work with New Hampshire in developing a State-specific market-based strategy to encourage and grow ZEVs in the State.

Conclusion

In summary, Global Automakers has supported the national environmental and energy benefits of the GHG/CAFE and criteria pollutant standards, which will benefit New Hampshire. We also continue to support the success of ZEV technology and believe that for ZEVs to be a success, a robust market development strategy must be in place. Therefore, Global Automakers strongly recommends that New Hampshire remove any reference to the California LEV or ZEV Programs in its Strategy and instead include a detailed plan to develop and encourage the market for ZEVs, including incentives, infrastructure, and addressing market barriers, as part of the final Strategy.

Thank you for your consideration of our comments. If you have any additional questions regarding our comments, I can be reached at (202) 650-5559 or jrege@globalautomakers.org.

Sincerely,



Julia M. Rege
Senior Manager, Environment & Energy