

April 7, 2021

The Honorable Jamie Long
Chair, Energy and Climate Finance and Policy Division
Minnesota House of Representatives
Saint Paul, MN 55155

RE: Omnibus Energy Bill (HF 2110, DE-4 Amendment)

Dear Chair Long:

The Alliance for Automotive Innovation¹ (Auto Innovators) is writing to express our positions on the various proposals contained in the omnibus bill. While there are aspects of the proposal that will advance the decarbonization of the transportation sector and support electric vehicle (EV) adoption, there are also provisions which will hinder those efforts.

Our Position: Electric Vehicle Incentives Need to Be More Robust

In 2019, EVs accounted for only 1.27% of new vehicle sales in Minnesota. The national average is around 2%. The data is clear; state-based incentives can be persuasive for residents considering purchasing an electric vehicle, and as past experiences show, can be detrimental when incentives go away. For example, in New York electric car sales surged 74 percent when the state implemented an electric car rebate. And in Georgia, sales dropped 90% when the incentive was phased out.

The bill's EV rebate program (Line 135.4) is certainly welcome but does not go far enough. EV rebates are critical to an effective and timely transition to electric mobility and are an important element in growing customer interest in EVs. While Minnesota is pursuing the adoption of a Clean Car Standard as part of its electric vehicle strategy, this policy does not work alone and risks setting Minnesota up for failure if necessary and substantial state investments in electrification are not made. Further, the Clean Car Standard does nothing to make EVs more affordable, encourage consumer demand, or support Minnesota's car dealerships during the transition.

Under the Minnesota Pollution Control Agency's proposed Clean Car standards, sales of EVs must increase 450% from current levels (assuming the ZEV rule is implemented in MY 2025).

¹ Formed in 2020, the Alliance for Automotive Innovation is the singular, authoritative and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S. Members include motor vehicle manufacturers, original equipment suppliers, technology and other automotive-related companies and trade associations. The Alliance for Automotive Innovation is headquartered in Washington, DC, with offices in Detroit, MI and Sacramento, CA. For more information, visit our website <http://www.autosinnovate.org>.

In 2019, about 3,100 EVs were sold in Minnesota, and in 2020, about 3,200 EVs were sold – a small but notable increase of about 4% during a year when overall vehicle sales were impacted by the COVID-19 pandemic. Yet, a 4% increase does not come close to closing the gap with the 450% increase to about 17,000 EVs that will be required to be sold in MY 2025. Moreover, sales must increase 100% every year between now and MY 2025 in order to reach the levels of EVs required by the mandate.

While we support and encourage states to implement consumer purchase incentives for EVs, the proposed rebate program in this bill is too limited and too restrictive to be successful. The bill only provides funding for 2 years in Xcel service areas and only one year of funding outside Xcel service areas. This funding is set to expire just as the Clean Car standards take effect and EV sales requirements in Minnesota jump dramatically. A successful EV rebate program should include funding for at least 5 years to ensure the creation of a self-sustaining market.

As structured in the bill, not all EVs will be eligible for consumer rebates. The bill limits eligible vehicles to those with an MSRP of \$50,000 or less. Not allowing all EVs to be eligible for rebates signals that Minnesota is not serious about meeting the sales requirements under the Clean Cars standard when the state should be “all in” when promoting consumer adoption of EVs.

A large percentage of EVs are leased, an increasingly preferred method for consumers to access new technology. Many of those vehicles would become ensnared in an MSRP cap, while the true cost to the purchaser through the term of the contract (e.g., total of all payments) would roughly be equivalent to 50% of the MSRP. Further, this arbitrary cap would eliminate many of the expected new EVs in the coming years, including pickups and other more capable vehicles, to the extent they exceed the MSRP cap. To meet the state’s longer-term climate and electrification goals, all EVs, regardless of MSRP, must succeed. Discouraging the purchase of EVs, based on MSRP and particularly at this early stage of market adoption, is not consistent with these goals.

Another concern with the proposed rebate program is that it is not technology neutral when it comes to which EVs to incentivize. Plug-in hybrid vehicles (PHEVs) are not eligible for the rebate despite the fact that sales of PHEVs count towards Minnesota’s EV sales requirements under the Clean Cars program. Incentives available to battery electric vehicles (BEVs) and fuel cell electric vehicles (FCEVs) must also be available for consumers interested in PHEVs, which are necessary to building a robust market of electric vehicles and providing consumers with the maximum electric options with longer range. More EV models eligible under the rebate program mean more consumer choice across all price points, with varied technologies that support the broadest array of customer needs and use cases.

Our Position: Private and State Fleet Purchasing of EVs Should Be Encouraged

It should also be noted that the proposed EV rebate excludes fleet and multiple vehicle sales. Purchases of fleet vehicles should also be encouraged. Minnesota’s stated goal is to put more EVs on the road, but the above restrictions and limitations of the proposed EV rebate will only serve as a barrier to that goal.

The bill requires state agencies, when purchasing fleet vehicles, to prioritize purchase of electric vehicles (see Line 128.18). Auto Innovator supports states incorporating EVs into their fleets

and recommends Minnesota set a more ambitious state fleet requirements to adopt EVs, which helps to increase consumer awareness by putting more vehicles on the road and provides more consumers, such as state employees, with EV driving experience.

Our Position: Rapid Deployment of EV Infrastructure is Needed in Minnesota

Minnesota currently has 428 Level 2 (L2) charging stations and 72 Direct Current Fast Charging (DCFC) stations, which is woefully inadequate when compared to that which is necessary to support the EV sales directed in the Clean Car standard. The MPCA has announced approximately \$2.8 million from VW Settlement funds to develop a network of DCFC stations in the state and has funded grants for 38 new DCFC stations. This usage of the VW Settlement funds is consistent with Minnesota's goals for widespread EV adoption. Yet, it is only a fraction of what the State needs to build robust charging infrastructure.

While the bill provides funding for EV charging infrastructure at state parks and county government centers, the proposed funding for charging infrastructure at these limited locations is inadequate and does not address the lack of charging infrastructure statewide. Additionally, the bill is silent when it comes to funding hydrogen refueling stations for FCEVs. While reducing costs and increasing consumer awareness, we must also strive for greater "convenience parity" that ensures access to abundant electric charging and hydrogen fueling infrastructure. Publicly available charging infrastructure not only eases perceived concerns about "range anxiety," but also substantially increases consumer awareness of the technology.

One benefit of plug-in technologies is the ability to charge at home; this assumes that customers readily and easily have access to home charging. Workplace charging can also be a persuasive factor in consumers choosing to buy an EV, and the availability of public charging is critical to customers seeing EVs as a potential fit in their lives. A study conducted under the 'Drive Change. Drive Electric.' campaign found that "[a]vailability of charging stations is the number one concern of drivers: 83 percent say there are not currently enough charging locations for electric vehicles... ."

Our Position: Auto Innovators Supports the Clean Fuels Standard

Second, the bill calls for a clean fuels standard to be established by rulemaking (Line 122.1). Auto Innovators supports the adoption of a clean fuel standard in Minnesota. Properly structured, a clean fuel standard reduces the carbon intensity (CI) of gasoline and diesel fuel either directly or by funding low CI alternatives, such as plug-in and fuel cell electric vehicles and the required infrastructure to support the use of these vehicles. A clean fuel standard, also known as a low carbon fuel standard (LCFS), not only supports EV adoption but can also further reduce emissions from every vehicle on the road. Increasing customer demand for EVs is critical to the success of Minnesota's adoption of the ZEV mandate, and time and time again studies show that purchase incentives and available charging and refueling infrastructure are key to increasing customer demand. A clean fuel standard address both.

Our Position: Allow Public Utilities to Quickly Add EV Infrastructure

The bill creates the Minnesota Innovation Finance Authority (Line 55.8) which is tasked with investing in clean technology, including EV charging infrastructure (Line 56.17). While it makes sense for such a task force to include EV charging infrastructure in its purview, we think

it is critical that the creation of such an authority does not slow down the installation of utility investment in EV charging infrastructure. Installation of EV charging infrastructure in Minnesota is already inadequate and behind where it needs to be to support increased EV adoption and we fear that additional layers of bureaucracy may further hinder the installation of charging infrastructure.

The bill also requires utilities to file an electrification transportation plan (Line 131.4). While we are not opposed to such a requirement, we have two recommendations to improve implementation of the plans. First, the bill states that the commission must review a plan within 180 days of receiving it. The bill provides that utilities must submit a plan every three years by June 30, so the commission will be expecting it, therefore, we recommend that the 180 time be reduced to ensure quicker implementation of utility plans. Additionally, we want to highlight that approval of utility transportation electrification plans should not be used as a pretext to delay permitting utility investment in charging infrastructure. The commission should still approve utility EV charging programs not included in the transportation electrification plans. Given that the market is still developing, and lessons will be learned, there will be instances that utilities have to change their plans between the three-year transportation electrification plan window. We recommend that there a process to allow for modifications by utilities to their plans.

Our Position: Minnesota Must Adopt Complementary Energy, Transportation, and Tax Policies

Minnesota needs a suite of complementary public policies that increase consumer awareness and interest, develop a network of charging and hydrogen refueling infrastructure, and encourage consumers to buy electric vehicles. Minnesota policymakers should also work collaboratively to ensure success of vehicle electrification and not adopt policies that hinder development of the EV Market.

For example, by imposing Clean Cars standard by rule, the administration missed an opportunity to collaborate with the Legislature, the auto industry, and auto dealers as was recently done in Colorado and Virginia. Minnesota's proposal sets unrealistic goals without providing the manufacturers and dealers the flexibility that other states have included.

While the House Energy bill contains incentives, it also imposes restrictions which will limit the success of the program. The House Transportation Bill imposes a "luxury car tax" which will negatively impact demand for EVs because those vehicles are on average more expensive at the time of purchase than internal combustion vehicles. Finally, the Senate Transportation bill triples the vehicle registration fee for EVs and imposes a new fee of over \$100 on plug-in hybrid electrics, a further disincentive for purchase of EVs at the same time the industry is being forced to increase in sales out of proportion to demand. Taken together, these proposals simply make it more difficult for manufacturers and dealers to put more EVs on the road.

Our Commitment to Electric Vehicles and Lowering Emissions

Auto Innovators and our member companies are committed to the long-term goals of lower carbon transportation and vehicle electrification. Our companies are actively reducing greenhouse gas (GHG) and criteria emissions, improving fuel economy, and offering more electric-drive vehicles. Vehicles on the road today produce near-zero levels of tailpipe criteria

emissions, a 99% improvement since the 1970's, and fuel efficiency has improved, on average, by 30% since 2004.²

Our industry's investments in vehicle electrification are estimated to reach over \$250 billion globally by 2023. Due to this massive industry-wide investment, around 130 electric vehicle models are expected by 2025, with more options to meet a wider variety of customer needs.

Thank you for your consideration of the Auto Innovators' position. Please do not hesitate to contact me at jfisher@autosinnovate.org or 202-326-5562, should I be able to provide any additional information.

Sincerely,

A handwritten signature in black ink that reads "Josh Fisher". The signature is written in a cursive, slightly slanted style.

Josh Fisher
Director, State Affairs

² U.S. EPA. "Automotive Trends Report: Highlights of the Automotive Trends Report." <https://www.epa.gov/automotive-trends/highlights-automotive-trends-report>.