ZETA | ZERO EMISSION TRANSPORTATION ASSOCIATION

July 27, 2021

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
Washington, D.C. 20510

RE: ZETA's Recommendations for Electric Transportation Investments

Dear Majority Leader Schumer, Speaker Pelosi, Minority Leader McConnell, and Minority Leader McCarthy:

The Zero Emission Transportation Association (ZETA) is an industry-backed coalition of 60 member companies advocating for 100% electric vehicle (EV) sales by 2030. Transportation is the largest carbon-emitting sector in the United States and is responsible for 29% of our total carbon emissions.[1] The rapidly growing domestic EV market provides us with the unique opportunity to restore American leadership in automotive manufacturing, create good-paying jobs, reduce emissions, and address climate change while improving public health.

ZETA is dedicated to the goal of ensuring that American workers and consumers benefit as the EV industry expands. To maximize public benefits as the EV market grows, the federal government must invest in consumer incentives, charging infrastructure, domestic manufacturing, critical material supply chain resilience, and fleet and transit electrification. Thus, as infrastructure negotiations proceed, ZETA offers the following policy guidance to accelerate the deployment and public benefits of EVs.

Light-Duty Electric Vehicle Consumer Incentives

The light-duty vehicle sector is primed for full electrification in the next decade. Many legacy automakers have committed to phasing out internal combustion engine vehicles, and ascendent EV manufacturers are preparing to deploy dozens of diverse vehicle options and purchase prices in the next two years. More than a decade ago, Congress provided important consumer incentives for passenger EVs by creating the 30D tax credit, but the credit arbitrarily phases out for manufacturers who sell more than 200,000 EVs. The only companies that have surpassed that cap are American automakers, meaning that the full credit remains available for foreign EV imports, but consumers who want to purchase domestically manufactured EVs are often not able to access the full credit. This creates a counterproductive policy

[1] Carbon Pollution from Transportation | US EPA, https://www.epa.gov/transportation-air-pollution-and-climate-change/carbon-pollution-transportation.

landscape that indirectly subsidizes foreign imports, hinders American auto manufacturers, and slows EV adoption nationwide.

Eliminating the current per-manufacturer cap is a prudent and efficient means to increase EV adoption, drive domestic manufacturing, and create an advanced vehicle sector primed to outcompete foreign markets. To increase access, EV consumer incentives should be made refundable to provide greater access to low- and middle-income taxpayers. ZETA's goals related to 30D reform can be met through the passage of the Senate Committee on Finance's *Clean Energy for America Act* (S.1298) as amended by Senator Stabenow (#3), which would remove the per manufacturer cap, make the credit refundable, and increase the incentive for certain domestically made EVs by $2,500 and for EVs manufactured with unionized labor by an additional $2,500. Expanding 30D will help deploy more EVs on the road today and ensure a greater number and variety of more affordable pre-owned EVs are available in the near future.

Meanwhile, it is also important to extend incentives to used EVs – the largest auto market for consumers. Limiting policies to only include new vehicles will leave out the 70% of Americans that are in the market for used cars, not new cars, but are eager to enjoy the benefits of transportation electrification.[2] Last Congress, Leader Schumer unveiled his proposal for the Clean Cars for America Act, a plan to take 63 million carbon-emitting vehicles off the road by providing discounts when trading in gas-powered cars for alternatives. This proposal also includes a provision that would provide an additional $2,000 to purchase new vehicles for consumers that fall under a certain income threshold or a 20% rebate to buy used vehicles built prior to the program's enactment.[3] ZETA strongly encourages this proposal to be included in an infrastructure package moving forward.

Medium- and Heavy-Duty Electric Vehicle Incentives

The U.S. needs bold incentives in the medium- and heavy-duty sectors to reduce pollution and improve public health overall. Medium- and heavy-duty vehicles (MHDVs) account for 23% of all transportation greenhouse gas (GHG) emissions and 57% of particulate matter pollution (PMP), even though they only represent 10% of vehicles on the road.[4] Moreover, their emissions disproportionately impact frontline communities, suffering from chronic illness like asthma and even premature death as a result.[5]

The *Clean Energy for America Act* includes an amendment by Senator Cantwell, Stabenow, and Cortez Masto (#7), which extends the 45W tax credit to cover electric recreational vehicles, boats, planes, industrial equipment, and commercial EVs, including MHDVs. ZETA supports incentivizing commercial vehicle procurement through legislative proposals such as this amendment and encourages its inclusion in future legislation this year. We also recommend enacting the *Medium- and Heavy-Duty Vehicles Infrastructure Act,* recently introduced by Senator Merkley and Representative Barragán, which would provide funding for adequate infrastructure and charging for MHDVs.

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[2] US New and Used Car Sales 2020, https://www.statista.com/statistics/183713/value-of-us-passenger-cas-sales-and-leases-since-1990/

[3] Clean Cars for America, https://www.democrats.senate.gov/imo/media/doc/Clean%20Cars%20for%20America%20-%201pg%20summary.pdf

[4] Ready for Work, https://www.ucsusa.org/sites/default/files/2019-12/ReadyforWorkFullReport.pdf

[5] PM2.5 Polluters, PM2.5 polluters disproportionately and systemically affect people of color in the United States, *Science Advances,* April 28, 2021. https://advances.sciencemag.org/content/7/18/eabf4491

Transit

Another important subsector of MHDVs to electrify is public transit and school bus fleets. Students are at an increased risk of respiratory illnesses due to pollution from diesel-powered school buses. Transitioning to all-electric school bus fleets would prevent the release of 5.3 million tons of GHG emissions each year and reduce students' exposure to air pollution and PMP.[6]

ZETA recommends enacting key legislative items to meet the goal of electrifying public transit. For example, we support the *Clean Commute for Kids Act* introduced by Senators Warnock and Padilla and Representatives Hayes and Cárdenas (S.1271/H.R.2721), which would jumpstart school bus electrification by authorizing $25 billion to replace existing diesel buses in the nation's school bus fleet with zero-emission vehicles. Similarly, ZETA supports the *Clean School Bus Act* (S.506/H.R.1344), introduced by Senator Cortez Masto and Representative Hayes, which directs the Department of Energy to establish the Clean School Bus Grant Program to replace existing diesel buses with electric buses. The inclusion of a provision similar in nature to the bicameral *Green Bus Tax Credit Act* (S.494/H.R.583), introduced by Senator Cortez Masto and Representative Panetta, which provides a 10% manufacturer's credit up to $100,000 for the sale of electric transit buses, would also be beneficial to public health and to electric MHDV manufacturers.

National Charging

Charging infrastructure is critical for public adoption and large-scale EV deployment. To meet the growing demand of EVs, ZETA supports the federal government making the initial investment of $15 billion in public charging infrastructure that President Biden called for in his American Jobs Plan. Additionally, ZETA strongly recommends reforming and extending the Section 30C Alternative Fuel Infrastructure Tax Credit. Specifically, ZETA supports the *Securing America's Clean Fuels Infrastructure Act* (S.975), bipartisan legislation introduced by Senators Carper, Burr, Stabenow, and Cortez Masto, that would replace the investment tax credit's $30,000 cap per location with a $200,000 cap per charger.

ZETA also recommends investing $30 billion in public charging infrastructure with an emphasis on serving frontline communities. For example, Senator Cortez Masto and Representative Clarke introduced the *Electric Vehicles for Underserved Communities Act* (S.507/H.R.1221), which would direct the Department of Energy to assess and report on the state of, barriers to, and opportunities for greater deployment of EV charging infrastructure in disadvantaged and underserved communities. It would also authorize a $60 million competitive grant program, titled the "EV Charging Equity Program," to increase deployment and accessibility of EV charging infrastructure in those communities.

The *Climate Leadership and Environmental Action for our Nation's (CLEAN) Future Act* (H.R.1512), introduced by Chairman Pallone provides a substantive framework for public charging deployment on a national scale. This legislation would authorize $2 billion in grants and rebates for the deployment of EV charging, nearly half of which is reserved for underserved communities. This legislation also includes $45 billion in grants for transportation electrification broadly, which may include community and fleet charging infrastructure, off-road vehicles, transit, and medium- and heavy-duty vehicles.

The *INVEST in America Act* (H.R.3684), recently passed by the House of Representatives by a bipartisan vote, is necessary legislation to accelerate the deployment of electric vehicle supply equipment (EVSE). This legislation includes the authorization of over $36 billion over five years for electric vehicles

[6] Heavy-Duty Vehicle Emissions Calculator (HDVEC), https://afleet.es.anl.gov/hdv-emissions-calculator/

particularly for the deployment of charging equipment, providing rebates to eligible entities to install EV supply equipment, and large-scale projects to electrify the transportation sector. This amends the Clean Corridors Program to place EV charging infrastructure along major highways and freight networks to reduce "range anxiety."

Domestic Manufacturing

ZETA supports the bipartisan consensus in favor of developing domestic clean energy supply chains. Accordingly, we recommend creating a 30% investment tax credit (ITC) for capital costs related to the domestic production of EV charging equipment and subcomponents, a 30% ITC for advanced battery manufacturing, and an EV manufacturing credit facility to help domestic automakers de-risk their projects and achieve sufficient scale.

ZETA also supports expanding the Advanced Technology Vehicle Manufacturing (ATVM) program to cover MHDVs and off-road vehicle electrification and to support domestic expansion of the end-to-end advanced battery supply chain. We urge Congress to include strong legislation that encourages and expands domestic manufacturing, such as the *Advanced Technology Vehicles Manufacturing Act* (H.R.2308) introduced by Representative Dingell. This bill would expand qualifying ATVM applications and reauthorize the loan program from Fiscal Year 2022-2031. In the near future, Senator Stabenow will be introducing a bill that would create a new 48D manufacturing incentive for domestic capital investment for battery manufacturing as well as a production incentive to produce cells for battery end-use. ZETA recommends that Congress use this legislation as a framework for domestic battery production.

Additionally, we applaud Senators Manchin and Stabenow for introducing the *American Jobs in Energy Manufacturing Act* (S.622), which reauthorizes the 48C tax credit to incentivize domestic manufacturing of advanced energy technologies and expands the ATVM. Similarly, Representative Boyle introduced the *Innovative Energy Manufacturing Act* (H.R.507), which provides for additional annual allocations, in 2022 through 2026, of the qualifying advanced energy project tax credit (48C) for clean energy projects.

Critical Minerals

Another crucial part of the electric vehicle supply chain is critical mineral development. A robust domestic supply of critical minerals will drive domestic battery production and secure our independence from foreign competitors.

The *Energy Infrastructure Act* (S.2377), which was recently approved by the Senate Energy and Natural Resources Committee as amended, includes several proposals that will help the U.S. regain control of its battery minerals supply chain. For example, Section 2008 of the bill creates the EV battery recycling and second-life applications program, which establishes a R&D program to support the development of secondary-use applications and recycling of EV batteries. Section 2009 of the bill, creates the Department of Energy's Battery Material Processing Grant Program, which is an initiative to map the nation's domestic mineral resources, will encourage cutting-edge recycling companies to scale up their production, create jobs, and expand domestic manufacturing capabilities for zero-emission transportation technologies. The *Energy Infrastructure Act* also includes language that would streamline the permitting process on federal land for critical minerals essential to the domestic production of EVs. Section 2006 of S.2377 directs the Bureau of Land Management and the United States Forest Service to complete federal

permitting and review processes with maximum efficiency through creating and adhering to strict timelines, engaging in interagency collaboration, and establishing permitting performance goals.

Fleet Electrification

The lifetime operating costs of charging and maintaining EVs are as low as one-third of the comparable costs associated with internal combustion engine vehicles. The federal fleet includes more than 600,000 vehicles, of which the United States Postal Service (USPS) delivery vehicle fleet comprises 30%.[7] The savings potential for USPS delivery vehicles is even greater than that for other federal fleet vehicles because of their frequent stops, idling, fixed routes, short driving range, and convenient parking hubs. ZETA supports President Biden's Executive Order 14008, which calls for federal fleet electrification. Such actions will drive the EV sector forward and prime the secondary market, especially when paired with a federal EV rental program for personnel travel. ZETA will continue advocating for federal fleet electrification, and we support the *Postal Vehicle Modernization Act* (H.R.1636) introduced by Representative Huffman, which ties USPS appropriations to achieving a 75% electric fleet.

Potential Barriers

As Congress continues to consider ways to accelerate the transition to EVs, it should be mindful to avoid inadvertently requiring measures that could slow EV deployment. For example, Congress should avoid conditioning federal assistance with domestic content requirements and restrictive personnel training requirements with which the EV sector may be unable to comply in the next few years. We should instead ensure a sufficient labor pool of qualified personnel and democratize access to these good-paying jobs.

Conclusion

ZETA hopes this policy roadmap serves as a helpful guide, and we look forward to working with you and your staff to accelerate the transition to EVs. We encourage you and your colleagues to work together to pass comprehensive, bipartisan legislation that enables 100% EV sales by 2030 and restores the United States as a leader in automotive manufacturing.

Sincerely,

Joseph Britton
Executive Director
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Washington, DC 20003

Cc: Chairman Manchin, Ranking Member Barrasso, Chair Cantwell, Ranking Member Wicker, Chairman Carper, Ranking Member Capito, Chairman Wyden, Ranking Member Crapo, Chairman Sanders, Ranking Member Graham, Chairman Pallone, Ranking Member McMorris, Chairman DeFazio, Ranking Member Graves, Chairman Neal, Ranking Member Brady

[7] Federal Fleet Open Data Visualization | USPS, https://d2d.gsa.gov/views/FY20FederalFleetReport/AgencyDashboard/d2d-portal-user/04ca7095-edf6-452d-aa92-fd0c3fa9575e