

January 20, 2021

The Honorable Scott J. Newman  
Chair, Senate Transportation Finance and Policy Committee  
Minnesota Senate  
St. Paul, MN 55155

**RE: MPCA's proposed adoption of California Emission Standards**

Dear Senator Newman:

The Alliance for Automotive Innovation (“Auto Innovators”) is writing to highlight our concerns with the Minnesota Pollution Control Agency’s Clean Cars rulemaking. As automobile manufacturers representing nearly 99 percent of the new cars and trucks sold in the U.S., we continue making significant investments to bring more plug-in and fuel cell electric vehicles to the market – providing more driving range, affordability, and consumer choice. It is therefore critical for states and automakers to work together to spur zero emission vehicle (ZEV) adoption.

***Industry Efforts to Support ZEV Deployment***

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.<sup>1</sup>

Automakers have invested tens of billions of dollars over the last ten years in every facet of EV technology—from batteries to fuel cell stack design and production, electric motors to battery cell controllers, vehicle types and capabilities, etc. Our industry’s investments in vehicle electrification are estimated to reach over \$250 billion globally by 2023.<sup>2</sup> 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. As a result, all states – especially those with robust markets including electric vehicle incentives and growing infrastructure investments – will have more available ZEVs for sale.

***Concerns with PCA Proposal***

The Clean Cars proposal seeks to adopt California’s Low-Emission Vehicle (LEV) Program, which includes criteria and GHG emissions standards, and the Zero Emission Vehicle (ZEV) Program, which requires manufacturers to deliver for sale to their franchised dealers more ZEVs each year.

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<sup>1</sup> U.S. EPA. “Automotive Trends Report: Highlights of the Automotive Trends Report.” <https://www.epa.gov/automotive-trends/highlights-automotive-trends-report>.

<sup>2</sup> AlixPartners. “Betting Big in Electrification and Autonomous.” *Global Automotive Outlook 2018 – EMEA Release* (June 2018). [https://iwk-cp.com/wp-content/uploads/2018/07/Automotive-Global-Outlook-2018-European-version\\_IWK\\_FINAL.pdf](https://iwk-cp.com/wp-content/uploads/2018/07/Automotive-Global-Outlook-2018-European-version_IWK_FINAL.pdf).

These regulations are developed and overseen by the California Air Resources Board. By adopting the Clean Cars rule, Minnesota will be ceding its regulatory authority to California, whose GHG emission standards are not achievable without significant cost to automakers and customers and whose ZEV program has required \$3.5 billion of California investment to support. Adoption of the program here means Minnesota's future standards will be dictated by an appointed board whose focus is California—not Minnesota or the legislators that represent its citizens.

Supporters of the mandate believe that requiring ZEVs equates to a healthy (profitable) market, customer demand, and vehicle availability. This is not the case. The mandate does nothing to increase customer demand. It only requires automakers to increase ZEV volumes available for sale, which does not equate to sales. Sales rely on availability of a compelling product at a compelling price point. Absent state incentives and infrastructure, the ZEV mandate becomes a costly requirement for the regulated parties.

As automakers ramp up ZEV production, states have a significant role to play in implementing incentives, investing in charging and hydrogen infrastructure, and committing additional resources aimed at preparing the market and customers for zero-emission technologies, just as California has done. State incentives have been shown to increase customer demand, and states with robust ZEV sales have consumer incentives ranging from \$2000-\$5000 for the purchase of a new electric vehicle. Charging and hydrogen infrastructure are critical to supporting customers' decisions to buy electric vehicles, and tax incentives for home chargers, along with utility board engagements, are needed to buildout electric charging stations. In this way, a state can best support its climate goals and targets for increased transportation electrification.

While we oppose mandates, if Minnesota proceeds despite our concerns, we strongly encourage the PCA to adopt a proportional credit bank system in its rulemaking. No other state that has adopted ZEV has done so without a proportional credit bank system. This would provide consistency and a flexible path for automakers, particularly if state resources are not invested in support of these requirements. Without proportional credits, Minnesota will forever be out of sync with California and the ZEV states, imposing a far more stringent mandate than even California's.

Unfortunately, the PCA did not adopt our recommendation and chose an alternative path that leaves Minnesota out of sync, ignores the regulatory challenges it wishes to impose, and puts increasing burden on automakers to increase ZEV sales in advance of market demand. The PCA proposal also does not consider upcoming changes to California's regulations, which will seek to eliminate sales of gasoline vehicles by 2035 per Governor Newsom's direction. Proportional credits would minimize the harm to Minnesota's vehicle market when California changes its ZEV regulations.

Minnesota is starting late and is already behind in ZEV adoption and infrastructure. A ZEV program must be achievable, and it must make sense for the state, businesses that must comply, and Minnesotans. If the PCA moves forward without proportional credits, the Minnesota ZEV program will be none of these.

Growing ZEV sales requires a coordinated state approach and direct engagement with stakeholders; many of these actions will require the legislature's commitment to enact and fund these efforts.

Auto Innovators and our member companies remain committed to a cleaner and safer future for transportation. We stand ready to work with Minnesota to design smart and efficient policies to reduce transportation emissions and provide value to the state, its citizens and the businesses that must implement these actions.

Sincerely,

A handwritten signature in black ink, reading "Josh Fisher". The signature is written in a cursive, flowing style with a prominent initial "J" and a stylized "F".

Josh Fisher  
Director, State Affairs