First Public Work Group to Discuss the Clean Vehicle Rebate Project for Fiscal Year 2022-23

May 11, 2022

Updated on May 23, 2022
Agenda

• Introduction and Background
• Updated Clean Vehicle Rebate Project (CVRP) Projections
• Key Takeaways
• Discussion
• Next Steps
CVRP Background

- CVRP promotes clean vehicle adoption in California by offering rebates from $1,000 to $7,000 for the purchase or lease of new, eligible zero-emission vehicles (ZEV)
- Recent Funding Allocation: $525M total through fiscal year 2023-24
  - $515M for CVRP and $10M for e-bikes
CVRP Background (cont.)

• Plan of phased-in changes approved by Board in November 2021
• First phase of changes implemented in February 2022
• Second phase of changes tentatively slated for implementation in February 2023
  • Pending continued analysis of ZEV market and updates to CVRP funding projections
California ZEV Market Update – Q1 2022

- Cumulative Light-Duty ZEV Sales: 1,135,387
- 81,292 ZEVs sold in Q1 2022 – strongest quarter to-date
  - Tesla accounted for 67% of ZEVs sold in Q1 2022
- New ZEV sales experienced a larger percentage of growth (~73%) than new internal combustion vehicle sales (~3%) in 2021
- Light-Duty ZEV Market Share: 16.32%

Updated CVRP Projections

Francis Alvarez & Jonathan Changus, Center for Sustainable Energy
Progress Toward Cumulative ZEV Sales Goal

- Historical
- Middle Trajectory

1 M by 2023
1.5 M by 2025
5 M by 2030

Contains content from IHS Markit © 2021
CVRP Projection Methodology

- Method described in previous work group presentation
  - Preliminary 2021-2023 CVRP Projections: Update 5
- CVRP Rebate Data: March 2010-February 2022
- California ZEV registration data: March 2010-October 2021

New Analyses:
- Disaggregated Tesla and non-Tesla battery electric vehicle (BEV) rebates into respective forecasts
- Initial collection of February 24, 2022 post-program change data

*Contains content from HIS Markit © 2021*
Projected Impacts of CVRP Changes

Included Factors:

• Current Lower Income Caps
  o ~23% reduction in apps
• $45,000 MSRP Cap on "Cars"
  o ~1% or less reduction in apps
• Tesla MSRP Ineligibility
  o ~70% reduction of BEV apps
  o ~59% reduction overall

Factors Not Included:

• Future model releases
• Many new manufacturers entering ZEV space
• Future supply chain improvement
• 2023 Program Changes
  o PHEV ineligibility
  o Additional income cap reduction
  o $250 decrease in rebate amount

*Forecasts summaries are provided on historical data from Feb. 2021-Oct. 2021. The resulting percentages may differ when forecasted.
Updated CVRP Demand Forecast

• Funds flowing to Tesla will become free for other manufacturers. Initially, the 63-68% of funds going to Tesla vehicles will become available over time, likely reducing program use initially and then normalizing again as other products fill the gap.
  o Tesla’s MSRP ineligibility is predicted to gradually reduce demand from March 2022 through August 2022.
  o The income cap reduction is expected to uniformly reduce demand from March 2022 and onward.

• From September 2022 and onward, demand is expected to increase as new models come to market and overall supply returns to pre-2020 levels.
Updated CVRP Demand Estimates

• Demand from March 2022 – June 2024
  o Standard & DAC-Fleet Increased: $14M - $93M
  o Lower-Income Increased Rebates: $21M - $78M
  o Partial Estimated Need: $36M - $171M

• Additional Demand Factors
  o Supply chain considerations absent from projections
  o Future model releases absent from projections
  o Estimates assume no changes in federal or state incentives or regulations, however, CARB’s Advanced Clean Cars 2 regulation is anticipated to boost ZEV production.

Slide updated on May 23, 2022.
Key Takeaways & Discussion
Raquel Leon, CARB
Key Takeaways

• While removal of Tesla vehicles from program eligibility impacts funding projections, there is minimal impact to the overall ZEV market.

• Allows CVRP to pivot focus to lower- and middle-income car buyers with sufficient funding to support upcoming ZEV model releases and overall market growth.
Program Change Considerations

• Not implementing second phase of changes in 2023
• Including a charge card with every rebate issued
• Increasing the rebate amount
• Expanding to statewide pre-qualification
• Additional Suggestions?
Comments and Questions

Use the raised hand function (#2 if calling in by phone) or submit your question or comment in the Q&A box on Zoom.

Please state your name and affiliation before asking a question or making a comment.
Next Steps & Closing
Next Steps

• CARB staff to analyze various program change scenarios
• Tentative Second Public Work Group on CVRP
• Draft proposal released in advance of the Second Public Workshop for the FY 2022-23 Funding Plan for Clean Transportation Incentives
• Final proposal included in the FY 2022-23 Funding Plan for Clean Transportation Incentives
  • November 2022 Board Hearing
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