Dave Patterson
13-9-4

Intermediate Volume Manufacturers and ZEV regulation

- This group of IVMs has worked together to address issues unique to smaller OEMs.

- We jointly offer these comments on the issues and some potential ideas to craft regulations that will enable smaller OEMs to better participate in reaching ARB's goals for ZEVs.

ZEV Mandate for IVMs: Historical View

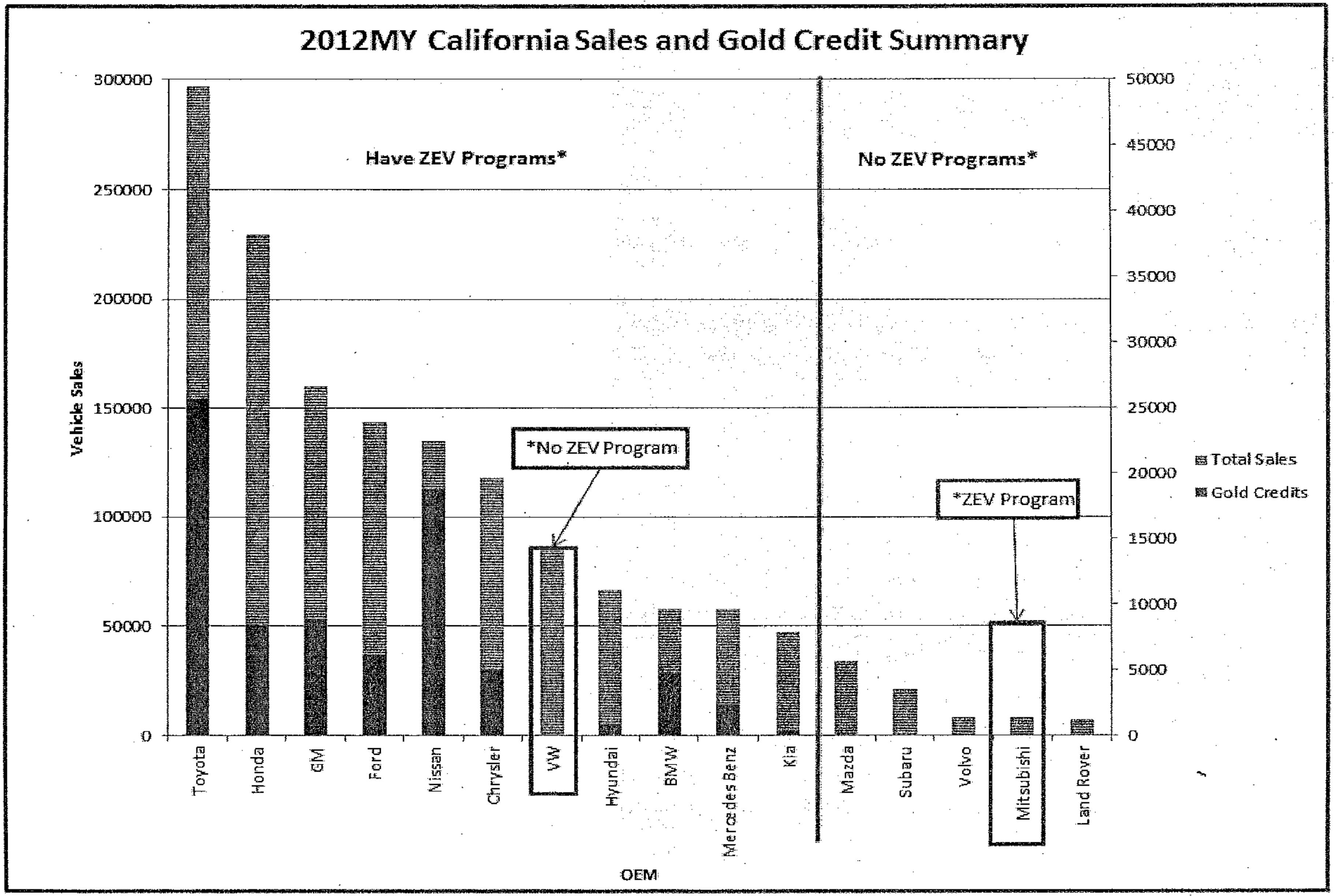
- 2001 ZEV Amendments focused IVMs to comply using "Partial Zero Emission Vehicles (PZEVs)".

- For the period of 2004 – 2011MYs, the five IVMs combined produced the following results:

Total Sales	676,989 vehicles
Total PZEVS	256,469 vehicles
Total Emissions Reduction	1100 tons NMOG

- Recently, the 100,000th BEV in the entire US was sold. Since 2003 in California alone, these five IVMs have produced 2.5 times more PZEVs and associated emissions reductions.

ZEV Credits – The "Haves and Have Nots"



Need for an Orderly Progression– IVMs 2018+

Goal – Eliminate IVM program in 2026MY by enabling IVMs to voluntarily develop advanced technologies and build credits to successfully merge with LVM program.

- An orderly progression is needed to allow smaller OEMs to develop and commercialize needed technologies.
- Provide generous credit multipliers and travel provisions to allow IVMs to build similar credit banks as LVMs

Intermediate Volume Manufacturer Request

No practical concession for IVMs

- Stringency identical for IVMs and LVMs.
- Unachievable 40%+ plug-in hybrid sales mix in 2025MY.
- IVM companies request that the Board direct the ARB staff to review the credit requirements and provisions for IVMs and come back to the Board in 2014 with a proposal.

Intermediate Volume Manufacturer Request

Lack of managed IVM to LVM category transition at 2018MY

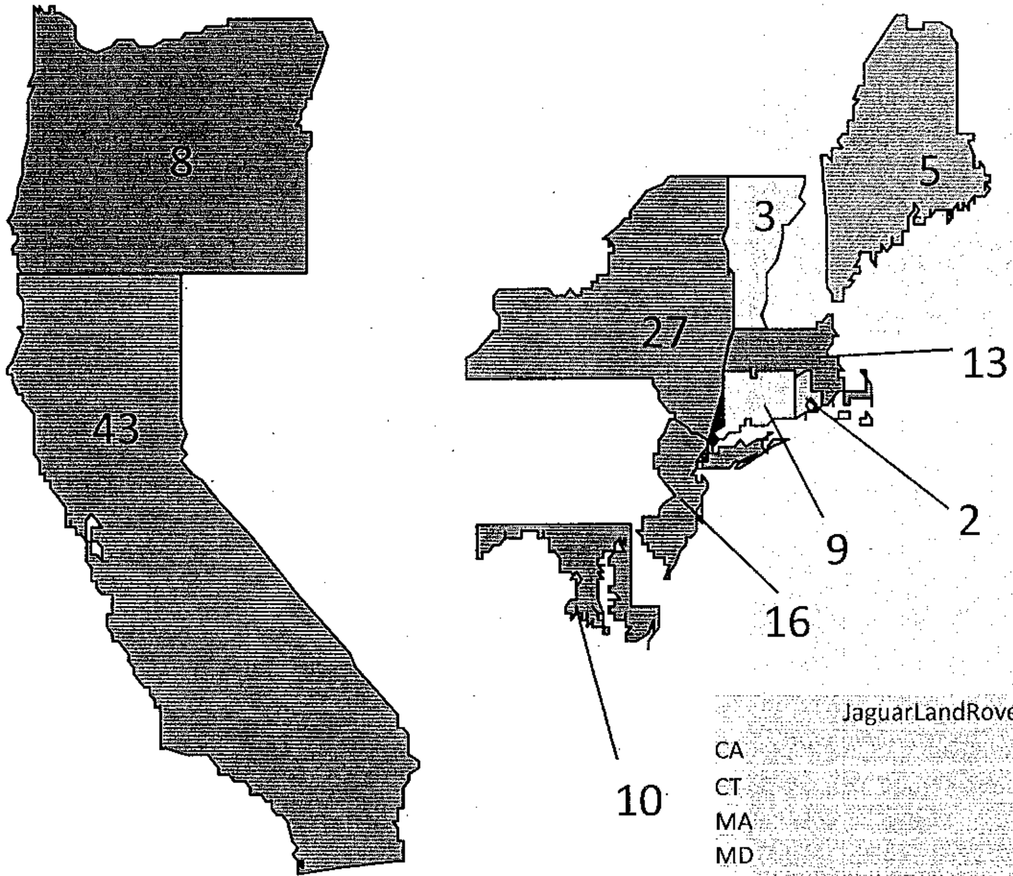
- IVM definition changes at 2018MY. CA sales volume changes from 60,000 to 20,000.

- Some companies will become reclassified as Large Volume Manufacturers (LVM) in 2018MY, far ahead of capability and R&D capacity.

- A transition path is needed. IVMs request that the Board direct the ARB staff to investigate this issue and bring a proposal to the Board in 2014.

IVM Dealer Numbers -- CA+177 States (ZEV)

Dealers by State – Average of all 5 IVMs



	JaguarLandRover	Mazda	Mitsubishi	Subaru	Volvo	Average
CA	49	57	27	51	32	43
CT	6	10	5	15	10	9
MA	8	16	10	19	13	13
MD	8	15	9	14	6	10
ME	2	7	4	7	3	5
NJ	11	17	10	27	13	16
NY	19	31	19	50	18	27
OR	2	12	5	15	6	8
RI	2	2	0	3	3	2
VT	0	2	2	7	2	3

Intermediate Volume Manufacturer Request

Smaller dealer networks in Section 177 states make it difficult to meet ZEV requirements without credit pooling

- BEV credit travel provision ends in 2017MY.
- IVM companies have fewer dealerships in Section 177 states which increases the difficulty of meeting the requirements on a state by state basis.
- IVMs have had initial discussions with 177 states on this issue and will continue to work with them after this board meeting.
- The IVM companies request that the Board direct the ARB staff to review this issue and bring a proposal to the Board in 2014.

Credit Recovery Period for ZEV deficits

- Regulations for the Advanced Clean Cars Program requires any deficit for ZEV credits to be made up within **ONE** year.
- However, in the same Advanced Clean Cars Program, ARB allows **FIVE** years for a manufacturer to cover a shortfall in GHG credits.
- EPA's Federal GHG program, which is the basis for the "one national standard", allows **THREE** years to recover a deficit.
- One year for ZEV credit deficit recovery is too stringent. We request that the Board direct the staff to review this issue to better align with other programs and bring a proposal to the Board in 2014.

Intermediate Volume Manufacturer Request

Summary

- 2018-25MY ZEV regulation poses unique challenges for IVM companies.

- We request the Board to direct ARB staff to:
  - Formally study proposals to address the issues noted here and work closely with the IVMs to develop a proposal for Board consideration in 2014.
    - Orderly process to develop and commercialize advanced technologies and build ZEV credits.
    - Transition period for IVMs whose sales exceed 20,000 per year in CA in 2018.
    - Overly stringent one year ZEV deficit credit recovery period.
    - Inability to comply with 177 state requirements on a state by state basis.

- We appreciate the willingness of everyone to consider our ideas and work with us to refine regulations that will help achieve ARB goals.