Clean Cars Nevada – Response to Comments Received as of July 28,2021

The NDEP has received a number of comments on the Clean Cars Nevada proposal. Many of the comments bring up similar issues. To better facilitate an open and inclusive discussion on the Clean Cars Nevada proposal, NDEP has elected to summarize the comments and concerns received, group them into themes, and respond collectively to those comments.

Theme: Environmental Justice Considerations

Comment or Concern: Low income and communities of color deserve financial assistance to acquire new and used zero emission vehicles, as well as access to zero emission charging infrastructure in their communities.

Response: While outside the scope of this specific Clean Air Action Section 177 vehicle emissions rulemaking, the broader issue of equity and the fair distribution of the environmental benefits expected from the LEV/ZEV program is a concern to NDEP and the state, as expressed in the December 2020 State Climate Strategy (see at https://climateaction.nv.gov/policies/reducing-ghgs/) and recently enacted policies. All Nevadans deserve to breathe clean air and share in the benefits of the introduction of newer, cleaner technologies. Policies that provide incentives for locating charging infrastructure in low income and communities of color, or require consideration of the charging needs in those communities when making decisions on infrastructure location, should receive fair hearing. Financial assistance and incentive programs for replacement of older vehicles with ZEVs, such as "cash for clunkers" programs, were identified in the State Climate Strategy as ways to introduce clean vehicles into communities. AB 448 passed during the 2021 Legislative Session provides significant support for construction of electric vehicle infrastructure, including investments or incentives to increase access to the use of electricity as a transportation fuel in historically underserved communities. AB 349 passed during the 2021 Legislative Session provides the opportunity for a portion of the fees from the motor vehicle emission testing program to be directed, "*... to support the programs of local air pollution control agencies to reduce emissions from a motor vehicle for the benefit of historically underserved communities."* On June 15, 2021, the Nevada Public Utilities Commission approved a Lower Income Incentives Pilot Program submitted by NV Energy (Order - Docket No. 21-02004 pg. 46, view at http://pucweb1.state.nv.us/PDF/AxImages/DOCKETS_2020_THRU_PRESENT/2021-2/10699.pdf). NV Energy is required to work with stakeholders to refile the program with the PUC by January 2022 and will encourage lower-income consumers to purchase an EV by providing a rebate of $2,500 per customer towards the purchase of a new or used plug-in hybrid EV or battery EV with a battery capacity of 10 kWh or more, for the first 100 lower-income customers on a first come, first served basis. Additionally, NV Energy proposes to waive the $35 application fee for the program's applicants.

Comment or Concern: Environmental justice communities should be prioritized for deployment of zero emission municipal fleet vehicles. Additionally, authorities should help support awareness of the benefits of zero emission vehicles in these communities through education and infrastructure investment;

and a similar concern,

Comment or Concern: The LEV/ZEV program should provide feasible and cost-effective solutions to ensure equal GHG and air pollutant emission reductions are achieved in all communities.

Response: While outside the scope of this specific Clean Air Action Section 177 vehicle emission rulemaking, deployment of zero emission government fleet vehicles, education and infrastructure investment are anticipated be part of recently enacted policies with the state and are components of SB 448. This LEV/ZEV program will provide statewide as well as community benefits in terms of emission reductions. The Nevada State Climate Strategy (https://climateaction.nv.gov) encouraged innovative ways to ensure equitable realization of emissions benefits across all communities in Nevada, and some of these policy options were recently advanced in state legislation mentioned previously. Low and zero emission vehicle standards, clean truck standards, low carbon fuels, and a "cash for clunkers" vehicle replacement rebate for low income vehicle owners are all potential strategies to reduce transportation emissions that impact our communities. These options were all evaluated in the State Climate Strategy.

Theme: Economic Concerns related to the Proposal

Comment or Concern: An economic assessment of the proposal should be performed to consider the economic growth and consumer impacts of the proposal.

Response: NDEP performed a review of the most recent studies investigating the economic impact of ZEV ownership and the potential impact on small businesses. The review can be accessed at https://ndep.nv.gov/air/clean-cars-nevada. In addition, a Small Business Impact Statement is required as part of rulemaking and will be available to the public at the July 28, 2021 regulatory workshop. Overall, the economic impact of ZEV ownership is estimated to be positive: purchase price parity for ZEV passenger cars and light-duty vehicles is projected within 5 to 7 years; maintenance and repair costs for ZEV are lower compared to internal combustion engine vehicles and, given the relatively higher average gasoline prices in Nevada, fuel cost savings for ZEVs are significant compared to internal combustion engine vehicles. Impact on small businesses is driven by the uncertainty over consumer acceptance of ZEVs and the future of this marker in Nevada. There are expected losses in revenues due to lower maintenance required for ZEVs and decline in fossil fuel sales and associated business. Additional costs to auto dealers may be associated with the training, charging infrastructures, and diagnostic equipment required for the ZEVs sale market.

Comment or Concern: Economy-wide policies to reduce GHG emissions may be more effective than sector-specific measures such as this proposal.

Response: All GHG reduction policies will be considered as part of the Nevada Climate Strategy (https://climateaction.nv.gov). The proposed LEV/ZEV program represents the single, most effective policy to begin reducing GHG emissions from cars and light duty trucks, which represent the most significant percentage of GHG emissions within the transportation sector in NV. The program is considered complementary to other measures, some of which may be economy wide, that Nevada may have to rely upon to achieve its climate action goals.

Comment or Concern: The air quality improvement benefits of the program should be assessed, including any benefits derived in the LEV/ZEV program in California.

Response: NDEP assessed the expected GHG and NOx emission reduction in Nevada of the LEV/ZEV program and presented it as part of the stakeholder process (https://ndep.nv.gov/air/clean-cars-nevada). The California Air Resources Board has published several of their ongoing assessments of program-derived GHG emissions reductions, including material found in, *"California's Advanced Clean Cars Midterm Review - Summary Report for the Technical Analysis of the Light Duty Vehicle Standards."*[1]

Comment or Concern: The affordability, consumer acceptance, availability of makes and models, access to charging infrastructure, and end-of-use and lifecycle concern of ZEVs will have a considerable impact on ZEV adoption rates and program success.

Response: All of these factors will certainly influence the success of facilitating the transition to zero emission vehicles and the effectiveness of the program in helping the state achieve its climate action goals. As per NDEP's assessment of the cost of ZEVs, cost parity between ZEV and ICE vehicles may be reached in the next 5 to 7 years for passenger cars and SUVs (depending on the ZEV model), but it may take longer for pickups. The adoption of the ZEV program has been demonstrated to increase the availability of ZEV makes and models, and NDEP is expecting a similar trend for Nevada, once Clean Cars Nevada is approved. More detail about the factors that could impact LEV/ZEV adoption in the state are outlined in the State Climate Strategy.

[1] https://ww2.arb.ca.gov/resources/documents/2017-midterm-review-report

Theme: ZEV Crediting System

Comment or Concern: Concerns over ZEV credit banking were expressed, including: structuring the ZEV credit system in a manner that encourages manufacturers to deliver a large number and diverse array of ZEV models to the state, and maximizes GHG reductions and achievement of state climate goals.

Response: NDEP's primary motivation for proposing the ZEV program is the reduction of transportation-sector GHG emissions in accordance with Governor Sisolak's climate strategy, while providing the benefits of local air quality improvements.
NDEP's Clean Cars proposal encourages the early and voluntary adoption of the ZEV program by manufacturers by allowing early credits for model years 2022, 2023, and 2024. In addition, the proposal provides for the distribution of initial credits that will help manufacturers to comply with the steep increase in ZEV sales requirements that is expected starting model year (MY) 2026.

Comment or Concern: Early action credits should be the preferred course of action and the use of proportional credits should be avoided.

and

Comment or Concern: Any ZEV crediting system adopted should be transparent and include a clear and understandable analysis of projected actual ZEV deployment over time.

Response: In implementing the ZEV program, NDEP seeks to balance the GHG emission and other pollutant reduction benefits expected by manufacturer early action on ZEV sales. However, in consideration of the uncertain consumer preference for ZEVs, the need to allow some manufacturer flexibility to achieve compliance, and the expected steep increase in MY2025 and MY2026 of the program, NDEP's proposal will allow the use of proportional credits starting MY2026, consistent with the program adopted as part of the upcoming Advanced Clean Cars 2 rulemaking effort in CA and subject to further review and approval in accordance with Nevada Administrative Procedure Act (NRS 233B). NDEP is anticipating providing an annual update on actual and projected ZEV deployment starting with calendar year 2022.

Comment or Concern: The delay in implementing the ZEV program until 2024 (for 2025 model year vehicles) is too long; it should be implemented sooner.

Response: The Clean Air Act requires states adopting the California LEV/ZEV programs under the Section 177 provisions to provide a mandated delay of two years from when the regulations are fully approved until commencement of the first model year being regulated. NDEP's anticipated timeline has the approved regulations in place by January 2022. Two years following that in January 2024 will be the commencement of the 2025 model year for the automotive industry, with 2025 models arriving in dealer showrooms beginning in 2024.

Theme: Comments Related to Additional GHG Reduction Efforts and the State Climate Strategy

Comment or Concern: The California Advanced Clean Trucks Program should also be considered for adoption.

Response: NDEP has and will continue to give serious consideration to all policies that will assist the State in making meaningful reductions in statewide transportation-sector GHG emissions. These considerations and any policy decisions rendered will be made in accordance with Nevada's Climate Strategy (https://climateaction.nv.gov). The California Advanced Clean Trucks program, including evaluation for Nevada to join the Medium Heavy Duty Memorandum of Understanding with other states was considered in the December 2020 State Climate Strategy (https://climateaction.nv.gov/policies/clean-trucks/).

Comment or Concern: Nevada should provide a reduction in annual registration fees for ZEVs and should also allow ZEVs the use of HOV lanes without the required number of passengers.

Response: Incentives to encourage or reward ZEV ownership, such reduced registration fees, HOV lane usage, or parking preferences, deserve consideration. As noted in the State Climate Strategy (https://climateaction.nv.gov), every state included some type of incentive package when initially launching a LEV/ZEV Program. The authority to provide incentives for the ownership and operation of ZEVs rests with the Nevada Legislature and various state and municipal authorities.

Comment or Concern: Nevada should consider the high electrical power usage that will occur with a growing fleet of ZEVs and plan accordingly, especially with consideration of Time of Use metering.

Response: Although outside the scope of this specific Clean Air Act Section 177 vehicle emissions rulemaking, several steps are being taken across the state by key entities, including the Nevada Public Utilities Commission, the electric utility providers, and the Nevada Legislature to address projected demands on the electrical grid and generation infrastructure posed by increasing ZEV (electric vehicle) ownership. Strategic planning steps have been taken and continue to be contemplated to ensure that adequate preparations are in place for the coming electric grid demands due to electric vehicle charging, including SB 448 mentioned previously. NV Energy, the state's largest electric utility, already has Time of Use electricity rates in place that encourage electric vehicle charging during portions of the day where electric demand is otherwise low.

Comment or Concern: Nevada should coordinate other GHG reduction efforts, such as encouraging more utility-scale solar generation, and mandating requirements for newly constructed homes to include solar generation, home and work electric vehicle charging infrastructure, and home battery storage.

Response: The Nevada Climate Strategy (https://climateaction.nv.gov/) is an integrated, economy-wide roadmap for the State to develop policies and accelerate climate action necessary to achieve Nevada's GHG reduction goals. The climate mitigation policy analysis at the core of the strategy considers all technologies and economic sectors, including those mentioned in the comment. The State Climate Strategy also considers the complex, integrated approach needed across all sectors to achieve significant GHG emissions reductions.

Comment or Concern: Nevada should universally reduce traffic speed limits on surface streets and highways to help reduce GHG emissions.

Response: Additional policies to transportation sector emissions will be considered as part of the Nevada Climate Strategy (https://climateaction.nv.gov/).

Comments from the June 17th Stakeholder Workshop

Comments from the Western States Petroleum Association: NDEP should revise its emissions benefits analysis to include the life cycle impacts of battery vehicle production, including GHG emissions from battery mineral extraction, assembly, disposal and recycling as well as vehicle material production, assembly, disposal and recycling. NDEP should consider the scarcity of battery minerals such as Lithium, Cobalt, and Nickel predicted in recent international studies. Failure to consider this potential limitation on battery production could result in an unsustainable market mandate. Widespread electrification of transportation will dramatically increase demand for electricity and related generation, transmission, and distribution infrastructure. NDEP needs to understand the policy implications of Clean Cars Nevada on the State's electrical grid, and the challenge of deploying charging infrastructure in a broad and equitable manner. Without this analysis it will be uncertain if the electric vehicle sales targets are achievable.

Response: The lifecycle emissions impact of electric vehicle battery production, disposal, and recycling, as well as the materials that go into electric vehicle production, were beyond the scope of our emissions benefit estimates. However, we also did not consider lifecycle emissions for exploration, production, and distribution of fossil fuels and internal combustion engine vehicles. This more detailed analysis may be part of future emissions estimates, but the lifecycle emissions impacts of ZEVs and associated materials are expected to be less than conventional fossil fuel-powered vehicles based on recent work of others in this field (https://theicct.org/publications/global-LCA-passenger-cars-jul2021).

Scarcity of critical materials and supply chain disruptions are outside the scope of this specific Clean Air Act Section 177 vehicle emission rulemaking.

As mentioned previously, electric vehicle infrastructure demands are outside the scope of this specific Clean Air Act Section 177 vehicle emission rulemaking, but are considered as part of the State Climate Strategy and most recently as part of SB 448 in the 2021 Nevada legislative session.

Comment or Concern: The model years for which early action credits can be earned by the auto manufacturers should include 2022 in addition to the proposed years 2023 and 2024.

Response: NDEP has revised its proposed vehicle model years eligible for early action credits to include model year 2022. We are proposing that program eligible model year 2022 ZEV and PHEV vehicles delivered for sale to dealers in the state beginning January 1, 2022 receive early action credit.