Item #12
June 12, 2013
Energy Commission Business Meeting

Modification to the 2012-2013 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program

Assembly Bill 118 (Nuñez, Statutes of 2007, Chapter 750) establishes the ARFVT Program administered by the Energy Commission, and the Air Quality Improvement Program (AQIP) administered by the Air Resources Board (ARB). The ARFVT Program has provided nearly $390 million in grants and agreements and leveraged more than $450 million of outside investments that support the development and deployment of a broad portfolio of alternative fuels and vehicle technologies.

As a major component of the AQIP, the Clean Vehicle Rebate Project (CVRP) provides an incentive for the purchase or lease of plug-in hybrid electric vehicles, battery electric vehicles, and fuel cell electric vehicles. Most of these incentives are for either $1,500 (for plug-in hybrid electric vehicles) or $2,500 (for most battery electric and fuel cell electric vehicles). As of May 6, 2013, the CVRP has provided more than 23,500 vehicle incentives totaling over $52 million.

Demand for CVRP incentives has been escalating as new model, pricing and financing options are offered by automakers, increasing roughly 50 percent this calendar year, as shown in Table 2. In March 2013 alone, total demand for CVRP funding was approximately $4.9 million. By contrast, funding for all AQIP projects (including CVRP) has averaged approximately $28 million per year. As a result, demand for CVRP incentives is outstripping the availability of CVRP funding.

Table 2: Monthly CVRP Incentives (2013) [1]

	January	February	March	April
Plug-in Hybrid Electric Vehicles	750	751	948	986
Battery Electric and Fuel Cell Vehicles	714	663	1,309	1,164
Other Vehicles	9	9	11	20
Total	1,473	1,423	2,268	2,170

Source: California Center for Sustainable Energy.

Based on analysis by ARB staff, the CVRP needs $8 million above previous allocation levels in order to meet its demand through the end of Fiscal Year 2012-2013. This additional funding will provide incentives for approximately 4,000 additional vehicles. Additional AQIP funding will become available for the CVRP after the start of the new fiscal year, which should provide sufficient incentives for several months to follow.

Support for the early deployment of next-generation clean vehicles has been prominent in several state policy documents, including the Governor's Zero Emission Vehicle Action Plan, ARB's Vision

[1] More in-depth statistics are available from the California Center for Sustainable Energy, which administers the CVRP. See below: http://energycenter.org/index.php/incentive-programs/clean-vehicle-rebate-project/cvrp-project-statistics.

for Clean Air document, and ARB's annual Funding Plan documents. To support the sustainability of CVRP incentives, the *2012-2013 Investment Plan Update* included an initial allocation of $5 million to support deployment incentives for light-duty plug-in electric vehicles. (Due to a reduced ARFVT Program appropriation, this allocation was subsequently reduced by 10 percent to $4.5 million.)

Existing statute allows the Energy Commission to modify previously adopted investment plans, provided certain notification requirements are met. The proposed modification shifts $8 million to support light-duty plug-in electric vehicle deployment by reducing funding for five other categories. The specific modifications are summarized in Table 1.

Table 1: 2012-2013 Funding Summary Table with Modified Allocations

	Project/Activity	**Allocation***	**Modified Allocation**
Alternative Fuel Production	Biofuel Production and Supply	$18 Million	$18 Million
Alternative Fuel Infrastructure	Electric Charging Infrastructure	$6.75 Million	$6.75 Million
	Hydrogen Fueling Infrastructure	$9.9 Million	$9.9 Million
	E85 Fueling Infrastructure	$1.35 Million	$1.35 Million
	Natural Gas Fueling Infrastructure	$1.35 Million	$1.35 Million
Alternative Fuel and Advanced Technology Vehicles	Natural Gas Vehicle Incentives	$10.8 Million	$10.8 Million
	Propane Vehicle Incentives	$1.8 Million	$0.8 Million
	Light-Duty PEV Incentives	$4.5 Million	$12.5 Million
	Medium- and Heavy-Duty Advanced Vehicle Technology Demonstration	$5.4 Million	$5.4 Million
Emerging Opportunities	Innovative Technologies, Advanced Fuels and Federal Cost-Sharing	$4.5 Million	$2.5 Million
Manufacturing	Manufacturing Facilities, Equipment & Working Capital	$18 Million	$14.66 Million[†]
Workforce Training and Development	Workforce Training and Development Agreements	$2.25 Million	$1.19 Million[†]
Market and Program Development	Regional Alternative Fuel Readiness and Planning	$2.7 Million	$2.1 Million
	Centers for Alternative Fuels and Advanced Vehicle Technology	$2.7 Million	$2.7 Million
	Total	**$90 Million**	**$90 Million**

Source: California Energy Commission.

* All of these allocations were previously reduced by 10 percent from a total of $100 million, to reflect a reduction in available funding. This was formalized at the Business Meeting on October 10, 2012.

[†] Actual amounts are $14,661,876 and $1,188,124 respectively. See explanation on Page 3.

In order to increase this investment plan category, a corresponding amount must be reduced from other allocations. These changes reduce funding for several distinct allocations within the *2012-2013 Investment Plan Update.* This approach reflects the portfolio approach to alternative fuels and vehicle technologies in the broader ARFVT Program.

The specific reductions include:

1. *Propane Vehicle Incentives*
   This category is reduced from $1,800,000 to $800,000. This change is based in part on ongoing evaluations of the modest air quality improvements and greenhouse gas emissions of propane vehicles compared to conventional gasoline and diesel vehicles. Some stakeholders have also indicated that the Energy Commission's incentive process may inhibit propane vehicle sales in some instances. In the more recent *2013-2014 Investment Plan Update*, funding for propane vehicle incentives was discontinued for similar reasons.

2. *Innovative Technologies, Advanced Fuels and Federal Cost-Sharing*
   This category is reduced from $4,500,000 to $2,500,000. One of the concepts for this category had been to develop a streamlined small grant program. However, given resource requirements for this approach, plus uncertainty regarding likely proposals, we are not planning to pursue this concept. While new projects continue to be identified for this category, the *2013-2014 Investment Plan Update* includes an additional $4 million that can be used to support new concepts.

3. *Manufacturing Facilities, Equipment and Working Capit*al
   This category is reduced from $18,000,000 to $14,661,876. In 2012, the Energy Commission issued awards totaling $28 million following a solicitation that included funds from Fiscal Years 2011-2012 and 2012-2013. One of the successful proposals was proposed for a $3,338,124 award; however, the project was withdrawn by the applicant and these funds are available for reallocation to another category.

4. *Workforce Training and Development Agreements*
   This category is reduced from $2,250,000 to $1,188,124. Based on discussions with partner agencies (including the Employment Training Panel), the Energy Commission does not anticipate the need for all of the existing $2,250,000. The *2013-2014 Investment Plan Update* provides additional funding for this category that can, if needed, ensure the sustainability of existing training efforts while expanding into new opportunities.

5. *Regional Alternative Fuel Readiness and Planning*
   This category is reduced from $2,700,000 to $2,100,000. This funding was intended to address the regional readiness and planning needs of alternative fuel vehicles other than plug-in electric vehicles. Based on ongoing feedback from stakeholders and prospective applicants, the original allocation may be more than initially needed. Regional readiness for plug-in electric vehicles remains a high priority area, and additional funds are still needed to shift from the development of plug-in electric vehicle regional plans to the implementation of those plans. Therefore, the *2013-2014 Investment Plan Update* includes $3.5 million focused specifically on this activity.

In order to modify the funding allocations within an adopted investment plan, the modifications must be adopted at an Energy Commission Business Meeting. If approved at the June 12, 2013 Business Meeting, these modifications will be incorporated as part of the *2012-2013 Investment Plan Update*. Per statute, the Legislature will be notified of the changes within 30 days.