

Subject: Chapter 173-424 WAC Clean Fuels Program (CFP) Draft Rule Language

25 April, 2022

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Audi of America and the eight Audi dealerships located across the state of Washington are committed to helping lead the transformation to vehicle electrification.

Audi of America

Audi was one of the very first global automakers to explicitly and publicly support the goals and outcomes embodied in the Paris Climate Agreement. We offer five distinct all-electric vehicles in the U.S. market. Vehicle electrification serves as a means not only to address the global climate change imperative, but also equally important, local air quality challenges facing many communities.

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Washington State's Clean Fuels Program (CFP) rules, via the **base credit** generation provision initially proposed by the agency in "Option 3" for residential EV charging, provides a strong and unique signal to automakers to prioritize the deployment of their battery electric vehicles in the state. Retaining some version of Option 3 in the final rule is critical to preserve this market signal to OEMs so that our incentives remaining tightly coupled with the state's program objectives – in fact, such a program feature is inherent to a well-constructed market-based regulatory program.

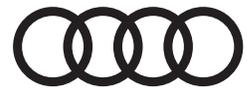
Although the Incremental Credit mechanism, as proposed, may provide some positive incentive to EV automakers, the market signal is considerably less clear, not as strong, and likely shorter-lived.

Additional information outlining the rationale behind our feedback is provided on the following pages. Audi of America also supports the comments submitted by Rivian, dated 25 April, 2022.

Sincerely,

A handwritten signature in blue ink, appearing to read 'W. Spencer Reeder', is located below the 'Sincerely,' text.

W. Spencer Reeder
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Why is the ZEV mandate not enough?

We understand this is a recurring theme in many stakeholder comments.

In addition to the longstanding fundamental principle regarding the use of *complementary policies* in the climate and environmental regulatory space, there is an avoidable vulnerability to relying solely on the ZEV mandate. We would ask the agency whether they've carefully considered the two principal mechanisms for achieving ZEV compliance? There is one that does not lead to an optimal outcome for the state and would result in an overall reduction in available vehicle supply. This is particularly of concern given the extreme ongoing vehicle supply constraints and competitive pressures on available supply, especially for battery electric vehicles.

A clear and explicit CFP pathway for EV automakers to *predictably and reliably* generate base credits for residential EV charging tightly aligns the market incentives created by the CFP with the environmental policy objectives of the state.

What is responsible for generating the CO₂ emission reductions and air quality improvements across the state associated with electric vehicle usage?

As noted in previously submitted comments with technical citations, efficiency gains **intrinsic to the battery electric vehicle drivetrain and battery system** combine to create the vast majority of the emission reductions associated with the switch from an internal combustion engine vehicle to a battery electric vehicle (BEV). In other words, in the case where the supplied electricity had a similar upstream carbon intensity to liquid gasoline, the BEV would still realize substantial CO₂ reductions by virtue of the engineered characteristics of the vehicle.

It is only through significant and broad substitution of BEV vehicles for ICE vehicles that that state's emissions goals will be achieved. This transition can be amplified and accelerated by a proportionate base credit generation pathway for EV automakers, alongside the other key market participants in the CFP program.

CFP Base Credits to automakers incentivize more eVMT

Also as noted in previous joint comments, CFP base credits are only generated by electric vehicles that are actually utilized. The more they are utilized, the more eVMT, the more fossil VMT is displaced, and the greater the CO₂ reduction and air quality improvement potential. EV automakers are unquestionably best positioned to build awareness, demand, and educate our customers on the benefits of electric vehicles. Such a virtuous circle of incentives and outcomes is rarely encountered in regulatory



programs and the agency would miss a great opportunity to leverage these positive feedbacks if a base credit generation pathway for OEMs is not included in the final rule. The ZEV mandate alone fails to send this kind of unambiguous signal and leaves unrealized the potential of this positive feedback loop.

The value to the state of vehicle-based charging data

It is unclear to Audi why the agency would forgo the unquestionable benefits to program integrity, accuracy, and auditability that OEM charging data would provide the state as a commensurate and attendant feature of the aforementioned Option 3. This additional benefit to the state only strengthens the case for OEM base credit generation from residential EV charging.

Each core market participant should be included in a dedicated base credit generation pathway

We encourage the agency to appropriately craft a final program framework so that the core market participants generate base credits from EV residential charging so that the full suite of program objectives can be attained. The full potential of the CFP can only be realized and harnessed, as discussed above, through this inclusive approach.