# STATEMENT

**OF**

***THE ALLIANCE OF AUTOMOBILE MANUFACTURERS***

**BEFORE THE:**

**UNITED STATES SENATE**

**COMMITTEE ON**
**ENERGY AND NATURAL RESOURCES**

**JUNE 22, 2010**

**PRESENTED BY:**

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Director of Research

Chairman Bingaman, Ranking Member Murkowski, and Members of the Committee, good morning, my name is Kathryn Clay and I am the Director of Research for the Alliance of Automobile Manufacturers. The Alliance is a trade association made up of eleven car and light truck manufacturers including BMW Group, Chrysler LLC, Ford Motor Company, General Motors, Jaguar/Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, and Volkswagen Group. On behalf of the member companies of the Alliance, I would like to thank you for giving me the opportunity to speak with you about the industry views of S. 3495, the Promoting Electric Vehicles Act of 2010 sponsored by Senators Dorgan and Merkley. We commend the sponsors for their leadership on the issue of electric drive vehicle deployment. The Alliance looks forward to working with the Bill's sponsors, and the members of this Committee, to address important concerns we have with the legislation in its current form.

Automakers share the goals of reducing greenhouse gas emissions (GHG) and enhancing energy security. We continue to support a national approach for an economy-wide GHG emissions reduction program that will result in GHG emissions reductions from all sectors at the lowest cost with the least amount of negative economic impact.

At the same time, we recognize our responsibility as automakers to reduce emissions from our sector, and to reduce our dependence on foreign oil. We have demonstrated our commitment to this principle through our support of the One National Program to impose GHG emissions standards and increase fuel economy standards for light-duty vehicles for the years 2012 through 2016. This landmark agreement accelerates by four years the pace set in the Energy Independence and Security Act of 2007, which required a 40 percent increase in fuel economy standards by 2020. As a result, we will reduce our nation's oil consumption by 1.8 billion barrels and lower GHG emissions by approximately 950 million metric tons. Moreover, automaker CEOs recently stood with the President in support of a process for new standards from 2017 through 2025.

Meeting the diverse and challenging requirements of the transportation sector will only be possible through a portfolio of advanced powertrain technologies. Continued improvements to the efficiency of the internal combustion engine will play a significant role. But in the coming

decades, the vehicle fleet will be much more technologically diverse, with growing proportions of flex fuel, clean diesel and electric drive vehicles on our nation's roadways.

However, achieving the ambitious target of an economy-wide 83 percent reduction of GHG emissions by 2050 will require electric drive vehicles to play a critical role, with hybrid, battery electric, plug-in hybrid and fuel cell vehicles offering unique benefits in different vehicle segments. For this reason, we believe the legislation should allow manufacturers, fuel providers, and communities the flexibility to invest in multiple electric drive pathways, including fuel cell electric vehicle and related hydrogen infrastructure. In addition, we must recognize that future successes of electric drive vehicles will be enhanced by growth in today's hybrid electric vehicles, by establishing technical expertise and manufacturing capacity for batteries, motor and other key electronic components, and driving down their costs through production scale.

In order for electric drive vehicles to contribute meaningfully to our transportation future, long term and consistent federal policies are needed to transition from a low volume niche market to sustainable high volumes. Achieving widespread acceptance of these technologies requires focused efforts to align regulatory efforts; develop a supporting infrastructure; provide research and development; and provide incentives for consumer adoption and remove other market barriers. Unfortunately, S. 3495 falls short of establishing the necessary elements for a comprehensive and sustainable approach. The Alliance submitted numerous comments to improve on the Bill that were not adopted. As a result, the Alliance is not able to support the Bill as written.

As an industry, we have significant concerns about an approach that would limit investments to a handful of communities, particularly at such an early stage of electric vehicle deployment. This creates a small number of communities that would "win" and receive significant federal dollars while the rest of country loses out. Attempts to prejudge the market bring tremendous risks, and the problem is compounded by making just a few large bets. We need a long term "building block" approach that will lead to a sustainable future for electrification – not a program that pits one community against another or one state against another in a limited competition for federal funding.

Opening up the grant program to a larger number of communities, with wide regional representation, would avoid limiting automakers' potential customer base for these vehicles and maximize the chances of success for our public investments overall – even if this means that individual communities would receive lower levels of total funding.

Automakers need consistent regulatory policies to move us toward our collective goal to expand penetration of electric vehicles on U.S. roads. One issue especially critical to this discussion is how upstream emissions will be treated in future policies and rulemakings. Until the U.S. enacts a comprehensive climate program that significantly alters how we produce electricity, electric vehicles will be only marginally better from a total greenhouse gas perspective than conventional internal combustion engines, and less beneficial than hybrids given the mix of fuels used to generate our current (and near term) supply of electricity.

As a result, basing policy on including upstream emissions creates a huge disincentive for producing electric vehicles versus other less costly (and less game-changing) technologies. This approach would also be unfair in that it would treat plug-in vehicles differently than other end-uses of electricity, making vehicle manufacturers uniquely responsible for upstream emissions – emissions over which automakers have no control. This precedential policy would create an unlevel playing field among the regulated community and create additional barriers that will be counter-productive to market penetration of electric vehicles; a direct deterrent to the very goals that the legislation is trying to avoid and overcome.

We believe that any strengthening of consumer incentives should be integrated into the existing program which currently provides up to $7,500 per vehicle and is based key on performance parameters related to battery size captured in existing law. This federal incentive promotes all types of plug-in electric vehicles equitably across all potential consumer segments. A single federal incentive program will avoid confusion and promote greater certainty with customers irrespective of where they live. Examples of strengthening the existing incentive include making it available to consumers at the point of sale, along with increasing the amount and number of vehicles to which it applies.

Another measure lacking in the bill is ongoing funding for U.S. facilities for the production of critical electric drive components such as electric motors, electric drive transmissions, and advance battery components. Almost all of these critical components continue to be manufactured overseas and imported into the U.S. trading our dependency from foreign petroleum to critical electric drive components. We need legislation that focuses on long term investment in the U.S. to adequately compete with developing countries for the production of these components.

The Bill would also ban landfill disposal of advanced technology batteries, which is not justified at this time. Provisions for the safe recycling and eventual disposal of advanced technology batteries need to be developed based on the best science. We propose that, in place of a ban, the recycling study required by the bill should be expanded to address recommendations for appropriate disposal of these batteries.

A key way to move forward on infrastructure planning and consumer outreach is to build on the success of the existing Department of Energy programs. This work to expand electric vehicle infrastructure, particularly through the transportation electrification efforts started through Recovery Act funding and the electric drive vehicle activities under the Clean Cities program, should receive significant funding increases to support an expanded, sustained effort to enhance our national readiness for electric drive vehicles.

For any technology to be successful it must be consumer driven, and a national program that helps the consumer with the most pressing need, residential charging, offers the best opportunity for sustainable growth and deployment of electric drive vehicles. Business models must be developed that will allow the private sector to deploy charging infrastructure in the full range of residential situations including high rise buildings, garden apartments, and town houses. A range of innovative solutions to address the challenges facing both residential and workplace charging should be funded and we believe the most efficient solution is to provide the Department of Energy's existing programs with significant funding increases to support a comprehensive, national program.

S. 3495 would establish an Interagency Electric Drive Working Group to align federal programs with our national goals for electric drive vehicles. The Alliance supports this position, and believes that a strengthened interagency process would provide greater coordination of federal expenditures related to electric drive technologies and of regulatory efforts across the federal government. We further recommend that the Administration designate a lead official with the responsibility, and budget authority, needed to direct the activities of the working group. The Bill would also establish an Electric Fuel Task Force, which the Alliance believes would enable the private sector to engage collaboratively with the administration to address the challenges to large scale deployment of plug-in electric drive vehicles.

Automakers are committed to advancing electric mobility. Our member companies have already announced plans to launch plug-in hybrid, extended range hybrid, battery electric, and fuel-cell vehicles in the coming model years, and are hard at work developing the next generation of electric-drive vehicles that will follow. We look forward to working with the Committee, Senator Dorgan, and Senator Merkley to address the infrastructure and consumer acceptance issues that will be so important to the ultimate success of these vehicles, and their contribution to our national goals.

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