

November 29, 2018

Re: Support Extension/Reform for Electric Vehicle Tax Credits (Sections 30B-D)

Dear Senator:

We urge you to reform or extend the electric vehicle tax credit in order to 1) enhance consumer choice, 2) bolster the U.S. economy, and 3) support American competitiveness in the global market.

Consumers should be able to use the tax credit for the (electric vehicle) EV that best suits their needs and should have access to the charging infrastructure they need for those EVs to work for them. The Section 30D tax credit provides up to \$7,500 directly to consumers who purchase an EV, and the number of vehicle owners who can benefit from this tax credit is capped at 200,000 per automaker. This tax credit has been very useful in sparking a new market in the United States by lowering the barriers to entry for EVs. But now, some automakers that have been leaders in bringing electric vehicles to market are running out of credits before a sustainable market has been established, in part because other automakers failed to make the early investments in EV research and development needed for commercialization.

Continuing EV tax credits will improve the affordability of a broad array of cost-competitive electric options, helping the market expand over the next 5 years. Consumers still lack meaningful EV choices across many vehicle types--including in SUVs and crossovers, which more and more people are switching to each day. These larger vehicles require larger battery packs, which will continue to impose a price premium for the near future. Fuel cell technology is also critical for these larger vehicles, because it can scale more easily than batteries, highlighting the need to extend Section 30B tax credits for that technology as well.

Reforming the EV tax credit will also benefit the American economy and American workers as U.S. automakers compete in global markets. The EV tax credit helps drive innovation in the American automotive market by encouraging investment in technology, design and manufacturing of EVs, which offer lower fuel and maintenance costs for consumers while expanding their choices. Global markets are moving forward toward an electric future and countries like China are investing heavily in electric vehicles. Failing to extend or reform the EV tax credit would hurt America's competitiveness just when automakers are starting to again shutter plants.

Finally, reforming the EV tax credit is also critical to continue the momentum created by past investments, ensuring that their full benefits will be realized. Thanks to public and private

investments, battery costs have fallen by an average of around 20% per year since 2010,¹ and EV total costs of ownership² are now approaching those of internal combustion engine vehicles in some vehicle categories, but several barriers to a globally competitive U.S. EV industry and consumer market remain for the near future. Consumers need to feel comfortable with the availability of charging options in order to reap all the benefits of EVs. While vehicle charging infrastructure is robust in some areas of the country and charging stations are expanding rapidly, others have little or none. Lowering the purchase price of EVs helps solve the chicken and egg problem by increasing access to the vehicles and complements the rollout of more comprehensive infrastructure, which should further be supported by extending the Section 30C tax credit for EV charging stations so that more consumers have ready access to EV charging.

Thank you for taking action to continue the momentum for this important program that benefits American consumers, workers, and the economy.

Sincerely,

Shannon Baker-Branstetter
Senior Policy Counsel, Consumer Reports Advocacy

Michelle Robinson
Director of Clean Vehicles, Union of Concerned Scientists

Jack Gillis
Executive Director, Consumer Federation of America

¹ See Bloomberg New Energy Finance Research (2017) <https://www.bloomberg.com/news/articles/2017-12-05/latest-bull-case-for-electric-cars-the-cheapest-batteries-ever> and

<https://data.bloomberglp.com/bnef/sites/14/2017/07/BNEF-Lithium-ion-battery-costs-and-market.pdf>; and Tesla Comments on SAFE rulemaking at

<https://www.regulations.gov/document?D=EPA-HQ-OAR-2018-0283-4186>.

² See Raustad (2017), “Electric Vehicle Life Cycle Cost Analysis”, Report to the US Department of Transportation. <http://fsec.ucf.edu/en/publications/pdf/fsec-cr-2053-17.pdf> and Palmer et al. (2018), “Total cost of ownership and market share for hybrid and electric vehicles in the UK, US and Japan”, Applied Energy, 209(1) <https://www.sciencedirect.com/science/article/pii/S030626191731526X?via%3Dihub>.