

May 30, 2019

The Honorable Chuck Grassley
Chairman
U.S. Senate Committee on Finance
Washington, DC, 20510

The Honorable Richard Neal
Chairman
U.S. House Committee on Ways and Means
Washington, DC, 20515

The Honorable Ron Wyden
Ranking Member
U.S. Senate Committee on Finance
Washington, DC, 20510

The Honorable Kevin Brady
Ranking Member
U.S. House Committee on Ways and Means
Washington, DC, 20515

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

Dear Chairman Grassley, Ranking Member Wyden, Chairman Neal, and Ranking Member Brady:

Consumer Reports strongly urges you to add the Driving America Forward Act (S.1094/H.R.2256) to any tax extenders package for the 116th Congress. The Driving America Forward Act extends the consumer tax credit for plug-in electric vehicles (EVs) and hydrogen fuel cell vehicles (FCVs) for all automakers, which will help: 1) enhance consumer choice, 2) reduce air pollution from transportation, and 3) support American innovation and competitiveness in the global market.

Consumers should be able to use the tax credit for the EV or FCV that best suits their needs, but the vehicle sales caps on the former are being reached by multiple automakers and the latter expired in 2017. The EV tax credit has been very useful in sparking a new market in the United States by lowering the barriers to entry for EVs, leading to a sales growth of 81% in 2018.¹ But now, some automakers that have been market leaders are running out of credits before a sustainable market has been established.² By extending the EV tax credit for early-moving automakers that have already passed the cap, the Driving America Forward Act restores consumers' choice to apply their tax credit to all brands of electric vehicles.

Extending 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. EVs can help consumers save money on maintenance and fuel costs,³ but meaningful EV choices are still lacking across

¹ Consumer Reports Advocacy: "Electric Vehicle Sales Hit New Peak in 2018" at <https://advocacy.consumerreports.org/research/electric-vehicle-sales-hit-new-peak-in-2018-but-a-lot-of-rom-for-continued-growth/>.

² Federal EV Tax Credit Phaseout Tracker, updated February 2019 at <https://evadoption.com/ev-sales/federal-ev-tax-credit-phase-out-tracker-by-automaker/>.

³ Consumer Reports online, "Electric Cars 101: The Answers to All Your EV Questions" at <https://www.consumerreports.org/hybrids-evs/electric-cars-101-the-answers-to-all-your-ev-questions/>.

many vehicle types--including in SUVs and crossovers,⁴ which more and more people are choosing.⁵ These larger vehicles require larger battery packs, which will continue to impose a significant price premium for the near future. Fuel cell technology is also critical for these larger vehicles, because it can scale more easily than batteries, reinforcing the need to extend the expiration date of this important program.

Policies that expand access to clean transportation options also have measurable public health benefits. Vehicle tailpipe emissions create most of the soot and smog in our air, and are a large part of why 141 million Americans are currently living with unhealthy air, according to the most recent State of the Air report by the American Lung Association.⁶ Fostering a healthy market for electric and fuel cell vehicles means better protecting the health of all Americans, especially at-risk populations such as infants, the elderly, and people with chronic respiratory or cardiovascular diseases.

Extending these tax credits will also benefit the American economy and American workers as U.S. automakers compete in global markets. The EV and fuel cell tax credits help drive innovation in the American automotive market by encouraging investment in technology, design and manufacturing of FCV and EVs, which offer lower fuel and maintenance costs for consumers while expanding their choices. Thanks to public and private investments, battery costs have fallen by an average of around 20% per year since 2010,⁷ and EV total costs of ownership⁸ 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. Global markets are moving forward toward an electric future and countries like China are investing heavily in electric vehicles.⁹ Failing to extend or reform the tax

⁴ Inside EVs “Monthly Plug-In EV Sales Scorecard” at <https://insideevs.com/news/343998/monthly-plug-in-ev-sales-scorecard/>.

⁵ Energy Information Administration, “Crossover utility vehicles overtake cars as the most popular light-duty vehicle type” at <https://www.eia.gov/todayinenergy/detail.php?id=36674>.

⁶ Consumer Reports Advocacy: “America’s air is getting worse, says American Lung Association in new report,” (2019)

<https://advocacy.consumerreports.org/research/americas-air-is-getting-worse-says-american-lung-association-in-new-report/>

⁷ 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>.

⁸ 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>.

⁹ Inside EVs, “Global EV Sales In March 2019: Over 224,000 At 2.8% Market Share” at

<https://insideevs.com/news/347374/global-ev-sales-in-march-2019/>.

credits would hurt America's competitiveness just when automakers are starting to again shutter plants.¹⁰

The Driving America Forward Act could help even more consumers with minor reforms. One idea is to put a limit on the vehicle price that these rebates can be applied toward, which could either expand the number of lower cost EVs and FCVs that are purchased, or lower the cost of the program by ensuring funds are not used up through luxury vehicle purchases. Another idea is to increase the discount for larger batteries, so that automakers are incentivized to innovate ways to extend range and electrify more crossovers, SUVs and pickup trucks.

The Driving America Forward Act enhances consumer access and affordability of cleaner transportation options and invests in American innovation. 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
Manager, Cars & Energy Policy, Consumer Reports

cc: Senate leadership
House leadership
All members of the Senate Committee on Finance
All members of the House Committee on Ways and Means

¹⁰ CNBC, "GM's Lordstown factory goes dark as automaker idles underused plants" at <https://www.cnbc.com/2019/03/06/gms-lordstown-factory-goes-dark-as-automaker-closes-underused-plants.html>.