



February 23, 2022

The Honorable Kumar Barve
House Environment and Transportation Committee
Room 251
House Office Building
Annapolis, Maryland 21401

HB 894: Transportation Electrification and Modernization (TEAM) Act Position: Favorable with Amendments

Dear Chair Barve:

The Alliance for Automotive Innovation¹ (Auto Innovators) supports HB 894, which seeks to establish a Zero Emission Vehicle (ZEV) rebate program. It is critical for states and automakers to work together with the spirit that “**More is Better**” to develop policies that will encourage ZEV adoption. That is why we support consumer focused incentives, and we applaud the state’s previous efforts to ensure funding for electric vehicles.

Industry Commitment to ZEVs

Automakers shared our industry’s commitment to an electric future in [a letter to President Biden](#). Nearly 70 models of plug-in hybrid (PHEV), fully electric (BEV), and fuel cell electric vehicles (FCEV) are available now to consumers — and more are on the way. Automakers are providing our customers with record-breaking choice in energy-efficient models, while also providing even safer, more environmentally friendly, affordable vehicles. The automotive industry is investing more than \$330 billion by 2025 in its commitment to vehicle electrification. Electric vehicles (EVs) are an important part of our mission, both in the U.S. and around the world. The auto industry has shown its commitment to EVs, but supportive state policies, like consumer rebates, are critical to increasing EV deployment.

Consumer Focused Policies are Critical to Maryland’s Goals

Maryland previously set a goal of 60,000 EVs on the road by 2020 and 300,000 EVs by 2025.

¹ Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S. Members include motor vehicle manufacturers, original equipment suppliers, technology and other automotive-related companies and trade associations. For more information, visit our website <http://www.autosinnovate.org>.

To date, approximately 42,000 EVs have been sold in Maryland, well short of its goals.² Long ago, Maryland also chose to follow the California Advanced Clean Car rules which are expected to be updated later this year to include a requirement for 100% of all new vehicle sales to be electric in 2035. That same program will likely require sales requirements of approximately 25% in 2026 with the requirements increasing each year until the 100% ZEV requirement in 2035.

However, the Clean Car Standard does not encourage consumer demand or support Maryland's car dealerships during the transition. More work needs to be done to accomplish these goals, and it is on this point that HB 894 can help advance the acceptance of EVs. The higher upfront cost of EVs continues to be a barrier to adoption, even as technology and battery costs are dropping. Until EVs reach cost parity with gas-powered vehicles and become widely accepted in the marketplace, targeted incentives are needed to help increase uptake and expand access to the life-cycle financial benefits of owning an EV.

Suggested Amendments

While we are supportive of policies that establish financial incentives to encourage electric vehicle purchases, the following concerns with HB 894 will limit its potential impact.

- **Funding** – While \$12 million is a good start, Maryland should know from experience that funding is depleted quickly. Maryland's previous excise tax incentive for ZEV's struggled with funding issues for years and money was depleted before the start of the next fiscal year. Given that sales requirements will jump dramatically the state should consider increased funding to jumpstart the market.

MSRP Cap - A large percentage of EVs are leased, an increasingly preferred method for consumers to access new technology. Many of those vehicles would become ensnared in an MSRP cap, while the true cost to the purchaser through the term of the contract (e.g., total of all payments) would roughly be equivalent to 50% of the MSRP. Further, this arbitrary cap would eliminate many of the expected new EVs in the coming years, including pickups and other more capable vehicles, to the extent they exceed the MSRP cap. To meet the state's longer-term climate and electrification goals, *all* EVs, regardless of MSRP, must succeed. Discouraging the purchase of EVs, based on MSRP and particularly at this early stage of market adoption, is not consistent with these goals. We prefer the elimination of the MSRP cap, but also recommend not reducing it any further. We also suggested the following amendment to replace the current MSRP definition: "*Base model manufacturer's suggested retail price*" means *the manufacturer's base price for the lowest price trim level of the model and shall not include charges for optional equipment, taxes, title, or registration fees.*"

We believe that Maryland can be an electrification leader – and to do so, it must make real and necessary investments in both EV incentives and EV infrastructure. Auto Innovators and our members are committed to working with Maryland to achieve the shared goals of reducing GHG emissions and increasing ZEV sales and believe we should do so in a smart and effective manner that provides the right signals to the consumer to choose to buy ZEVs.

² <https://www.autosinnovate.org/resources/electric-vehicle-sales-dashboard>

Thank you in advance for your consideration of our views. For more information, please contact our local representative, Bill Kress, at (410) 375-8548.

Sincerely,

A handwritten signature in black ink that reads "Josh Fisher". The signature is written in a cursive, slightly slanted style.

Josh Fisher
Director, State Affairs
Alliance for Automotive Innovation

