March 11, 2025

The Honorable Marc Korman
Chair, House Environment and Transportation Committee
251 Taylor House Office Building
Annapolis, Maryland 21401

HB 1258: Consumer Goods - Restrictions Based on Energy Source - Prohibition (Energy Equality Act of 2025)
Position: Favorable with Amendments

Chair Korman:

The Alliance for Automotive Innovation[1] (Auto Innovators) appreciates the opportunity to express our thoughts on HB 1258. We appreciate the sponsor's efforts to address this issue and bring balance to Maryland's new vehicle market. We also want to recognize Delegate Stein's legislation, HB 1556, which takes a different approach to solve the same problem. We are committed to working with the sponsors and the committee to align these proposals in a manner that benefits Maryland residents, the state's new car dealers, and automakers.

By 2030, the auto industry is expected to invest more than $1.2 trillion globally in electrification, including $123 billion that has been invested in the U.S. since 2020.[2] This includes massive investments in critical mineral sourcing and processing, battery cell and pack production, electric vehicle (EV) [3] research and development, certification, production, charging stations, and consumer education. In less than two years, the auto industry has significantly increased the number of electrified models, and EV options are available at a variety of price points to consumers in nearly every vehicle segment. **The auto industry will continue to deliver EVs to Maryland dealers without the mandate in place.**

EV Sales in Maryland

In the first three quarters of 2024, 11.9% of light-duty vehicles sold in Maryland were EVs, which was a minimal increase from the 2023 percentage of EV sales. **To meet the regulatory obligations of ACC II in MY 2027, EV sales must be more than triple in a very short period.** If EV sales do not increase between MY 2025 and MY 2027, the challenge in Maryland is further exacerbated in the following years: quadruple in MY 2028 (when more than half of new vehicle sales must be EVs) and quintuple in MY 2028 (when nearly two-thirds of new vehicle sales must be electric). There is no

[1] From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – Alliance for Automotive Innovation represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy. Active in Washington, D.C. and all 50 states, the association is committed to a cleaner, safer and smarter personal transportation future. www.autosinnovate.org.

[2] https://www.autosinnovate.org/posts/papers-reports/get-connected-q2-2024

[3] Electric Vehicles include battery electric vehicles, plug-in hybrid electric vehicles, and hydrogen fuel cell electric vehicles.

viable path for automakers to meet these sales requirements in Maryland and this will necessitate drastic actions from automakers.

The Numbers Don't Add Up

It will take a miracle for Maryland and most states following California to meet these EV sales requirements. Trying it will harm customers, dealers and automakers doing business in the state.

Let's walk through this example and you'll see the numbers don't add up. Think of the EV sales requirements in Maryland as a ratio or a fraction.

In this case, the numerator is the number of EVs that must be sold each year. The denominator is the total number of vehicles sold annually. Using recent EV sales trends (and remember — sales *are* growing), about 60,000 EVs are projected to be sold in Maryland in 2027 out of 300,000 total vehicles. That's about 20% EV market share — but still 23 points short of the law's requirement.

One option for automakers to achieve the required EV sales ratio? Shrink the pie. In other words, sell fewer gas-powered vehicles in Maryland — about 160,000 fewer! A smaller pie inflates the proportion of EV sales in the state and voila… the EV sales requirement is achieved. That's a recipe to depress economic activity, increase automobile prices and obliterate customer choice.

It will also send Maryland drivers who don't want an EV (for whatever reason) to cross the border and buy a car in Pennsylvania or Virginia, states that don't follow California. All bad options for Maryland.

You can't get ahead of the customer, and that's where Maryland and this California-style EV sales mandate is — ahead of the customer. Not to mention the state's charging infrastructure.

EV Charing in Maryland

Readily accessible EV charging remains a significant barrier to EV adoption. Unfortunately, the rollout of public EV charging remains insufficient to meet customers' needs today and falls vastly short of the charging infrastructure required to support even 43% EV sales in MY 2027 (CY 2026).

The National Renewable Energy Laboratory (NREL) analyzed the EV charging infrastructure needs for every state to support total EVs in operation assuming 50% EV sales in 2030[4] (a level well below the ACC II requirements of 68% in MY 2030).

In that analysis, NREL found that Maryland will require at least one publicly available EV charging port[5] for every 27 EVs on the road. Maryland has slightly under 5,000 publicly available EV charging ports and around 118,000 EVs on the road. To support the number of EVs required to be sold in 2026, Maryland will need around 16,000 public EV charging ports. This means that within two years, Maryland will need over three times as many publicly available charging ports as today -

[4] https://www.nrel.gov/docs/fy23osti/85654.pdf

[5] Publicly available EV charging includes Level 2 and DC fast charging ports.

the equivalent of 13 new charging ports coming online every day between now and the end of 2026. And it only increases from there as the EV sales requirements increase each year.

As we sit here today, there is no plan in place to meet the sales requirements or install the needed charging infrastructure to support Maryland residents who will face less vehicles choices if the state does not alter its current course.

Credit Flexibilities

Proponents of ACC II often misrepresent the flexibility of credit usage to meet the mandate. In Maryland, manufacturers have five ways to earn credits toward the ZEV mandate. Early Compliance Values (ECV) are capped at 15% annually, while converted credits from ACC I are also limited to 15% per year. Pooled credits have a declining cap of 20%, 15%, 10%, and 5% over time but require a manufacturer to over-comply in one state, to transfer credits to another. Proportional credits and Environmental Justice (EJ) credits come with specific limitations, with EJ credits tied to sales to community programs such as the sale of discounted off-lease vehicles that won't become available until two to three years after ZEVs enter the leasing market.

The realistic scenario when the ZEV mandate reaches 43%, the maximum allowable ECV and converted credits will each account for just 6.45% (15% of 43%). Given these constraints, the most realistic credit utilization scenario of all available credits in Model Year 2027 is 13.5%, meaning manufacturers will still be required to sell at least 30% ZEVs in that year. Even with optimal credit flexibility, ZEV sales must increase 2.5 times by Model Year 2027 to meet the mandate.

Conclusion

There is no question that the auto industry is committed to this EV transition. **However, Maryland's continued participation in California's ACC II EV mandate will lead to market disruptions, less vehicles delivered to Maryland new car dealers, less vehicle choice for Maryland residents, high prices for consumers, and less revenue for the state.**

We look forward to working together with the state to find ways to achieve your state's electrification goals, consider additional actions to accelerate EV adoption in your state, and support automakers as they strive to their customers' needs.

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

Sincerely,

Josh Fisher
Senior Director
Alliance for Automotive Innovation