

# Oregon's Advanced Clean Cars II Rule Rulemaking Advisory Committee Meeting #2

Sept. 20, 2022

# Today's Agenda

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Time	Topic
9 a.m.	Welcome & Introductions Review agenda
9:15 a.m.	Review Rule Language
9:35 a.m.	Fiscal & Economic Impact Analysis
10:15 a.m.	Racial Equity Impact Discussion
10:40 a.m.	Public Comments
10:55 a.m.	Wrap up and Next Steps
11 a.m.	Adjourn

# Ground Rules

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- Please set your display to your name and affiliation
- Remember to stay muted when not speaking
- For questions/comments, use the “Raise Your Hand” button in the Participants panel to get in the queue and I will call on you
- If you are joining by phone, press \*9 to raise your hand
- When you are called on, state your name and affiliation before speaking
- Respect each other’s viewpoints, values and interests
- Focus comments on topics at hand – be hard on the issues and soft on the people

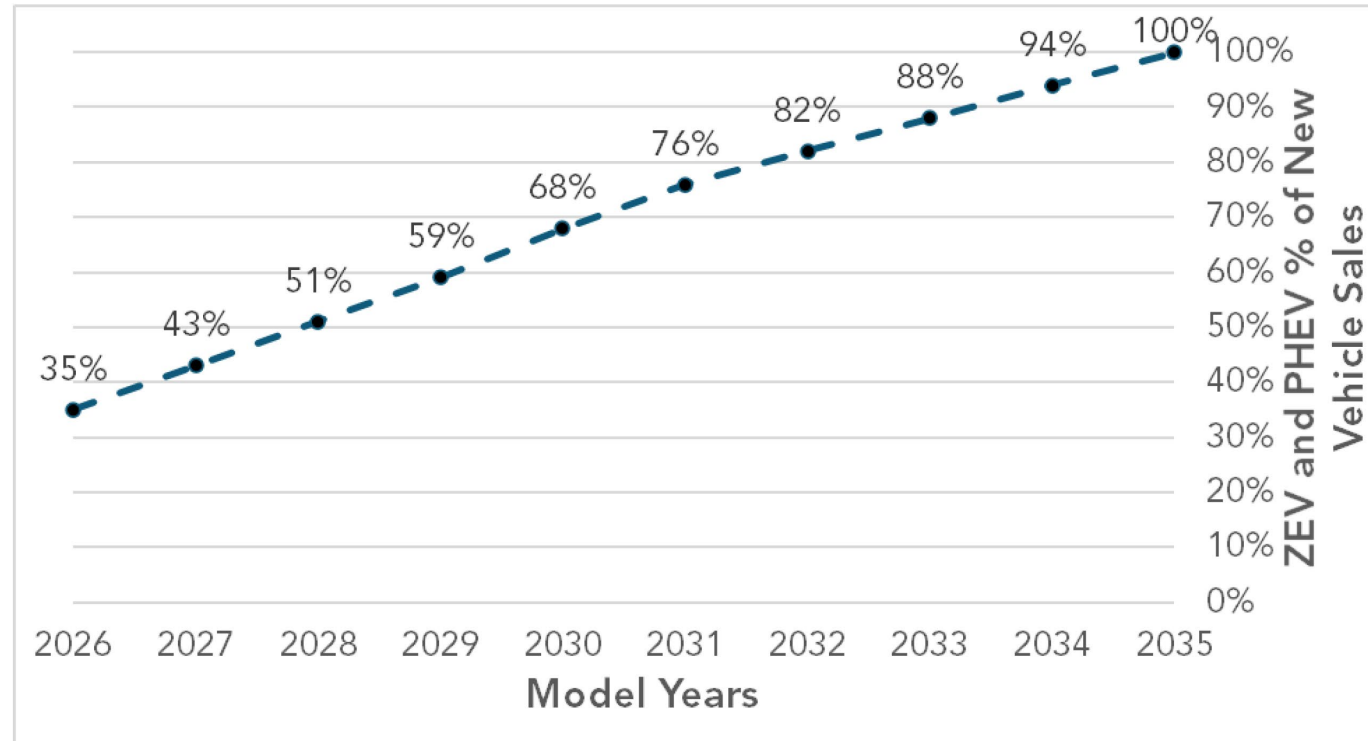
# Background - Legal authority to adopt vehicle emission standards

- Section 177 of the Clean Air Act allows California to adopt their own motor vehicle emission standards
- States can adopt California emission standards, but must do so identically
- Provide two years' advance notice before the start of the model year
- Oregon has adopted California's emission vehicle rules since 2005
  - Emission standards in place through the 2025 model year



# Proposed Advanced Clean Cars (ACC) II Rule

- **ACC II Rule**
  - Continuation of LEV/ZEV rules for 2026-2035 model year
  - **100% new vehicles (MY 2035) must be ZEV**
  - Compliance achieved through sales of battery electric and plug in hybrid electric vehicles



# Draft rule review

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- No rule changes since last Advisory Committee meeting
- Any other feedback or comments on the rules?
  - Additional opportunity to provide comments on EJ values
  - ZEV allowances for community based clean mobility program or for vehicles sold at the end of lease to participating dealerships

# Fiscal and Economic Impact Analysis

# Fiscal and Economic Impact Statement (FEIS)

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As ORS 183.333 requires, DEQ will ask for the committee's recommendations on:

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.
- The committee will review the draft fiscal and economic impact statement and will share its comments



# FEIS – Overall

This proposal will have a fiscal impact on automobile manufacturers, estimated up to \$3 billion

- Manufacturers must produce and deliver ZEV vehicles for sale
- Beginning with the 2026 model year at least 35% of new vehicle sales must be ZEV. 100% ZEV by 2035 model year.

Will have an overall positive impact to the public due to reduction in greenhouse gases (GHG), air quality pollutants, and total cost of ownership savings. Estimated benefits ~\$5.8 billion

- Fewer adverse health effects
- Fewer GHG impacts such as wildfire events, higher temperatures, and effects on water supplies

# FEIS – Impact to Large Businesses (automobile manufacturers)

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## *Direct costs:*

The proposal will have a fiscal impact on 17 automobile manufacturers. There will be costs with developing, manufacturing, and selling new ZEV vehicles plus some costs associated with meeting LEV requirements for gasoline vehicles.

## *Direct benefits:*

Some vehicle manufacturers who already produce and manufacture ZEVs only can earn credit through overcompliance and sell these credits to other manufacturers.

# FEIS – Impact to Large Businesses (others)

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- Vehicle service providers
  - Indirect costs – gasoline vehicle providers may see decline in business
  - Indirect benefits – ZEV service providers (parts and batteries) see an increased demand
- Electric utilities
  - Indirect benefits – see increased use of electricity
- Infrastructure businesses
  - Indirect benefits – see increased demand for equipment

# FEIS – Impact to the Public

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## *Direct costs:*

- There are no direct costs to the public as a result of the rule

## *Indirect costs:*

- Potential higher costs to purchase EVs
- Need to install or have access to charging infrastructure

## *Indirect benefits:*

- Overall lower total cost of ownership
- Reduced tailpipe emissions – lower negative health outcomes

Cumulative impacts could total \$675 million in savings, not including additional public health and climate impacts.

# FEIS – Impact to Small Businesses

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## *Direct Costs:*

- No direct fiscal impact to small businesses because not subject to the requirements.

## *Indirect Costs:*

- May be some indirect fiscal impacts for small auto repair shops and small businesses with vehicle fleets

There are no additional requirements for reporting, recordkeeping or other administrative activities including costs of professional services for small businesses.

There are no additional requirements for equipment, supplies, labor or administration for small businesses.

# FEIS – Feedback

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## Questions for Advisory Committee:

1. Are there any significant adverse impacts on small businesses as a result of this rule?
2. Are there any other questions/comments?

# Racial Equity Impact Statement

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ORS 183.335(2)(a)(F) as amended by HB 2993, requires state agencies, when providing notice of a rulemaking, to provide a statement identifying how adoption, amendment or repeal of the proposed rules will affect racial equity in the state.

DEQ is asking for the RAC's input on how adoption of this rule may affect racial equity in the state

# Racial Equity Statement

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- The requirement for only new ZEV vehicles by 2035, reduces greenhouse gas emissions and tailpipe emissions. These reductions help address the localized impacts of air pollution.
  - Communities that are adjacent to or near transportation facilities and corridors are disproportionately impacted by those emissions and are traditionally lower-income and have a higher percentage of Black, indigenous, and other peoples of color residents
- Environmental justice communities are being impacted by climate change and are often disproportionately affected.



# Racial Equity Impact

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- DEQ also knows that switching from a conventional gasoline vehicle is costly and is a barrier for low-income Oregonians.
- Higher initial EV costs, will disproportionately impact lower income Oregonians but the overall lower total cost of ownership is realized through decreased maintenance and fuel costs
- Other DEQ programs, such as the Oregon Clean Vehicle Rebate Program are aimed to reduce these upfront costs

# Racial Equity Impact

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- Proposed rules include ZEV assurance measures
  - Ensures as new EVs transition to the used vehicle market, they are durable and long-lasting
  - Helps increase access to EVs for communities not able to purchase new vehicles

# Racial Equity Impact Statement

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- Proposed rules encourage manufacturers to improve access for disadvantaged, low-income, and frontline communities
  - Place reduced price EVs in community car share programs
  - Produce lower cost EVs
  - Direct used ZEVs for purchase to communities needing financial assistance

# Racial Equity Impact Analysis

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- DEQ finds that the proposed rules will impact racial equity in the state, both positively and negatively.
- The proposed rules include provisions to help mitigate the negative indirect racial equity impacts, and DEQ is also implementing other programs to mitigate those indirect negative impacts through incentives and reduced fueling costs.

# Racial Equity Impact Statement

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- Comments or feedback?

# Public Comment Period

# Public Comment Instructions

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To verbally ask a question or make a comment:

- If you have joined by Zoom, click “Raise Hand.”
- If you have joined by phone, press \*9 to raise your hand.
  - You will receive an “unmute” request. Please accept it.
- If you are commenting by phone dial \*6 to unmute.
- Please provide your name and affiliation.
- Attendees will be allocated reasonable time for public comment depending on the number of commenters.

# Next Steps

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- Notice of Proposed Rulemaking: week of September 26th
- Public Hearings: mid-October 2022
- Environmental Quality Commission: December 2022

Website:

<https://www.oregon.gov/deq/rulemaking/Pages/CleanCarsII.aspx>