GREEN ENERGY CONSUMERS ALLIANCE
Celebrating 40 years

Office of Energy Resources
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Providence, RI 02908

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May 16, 2022

Re: DRIVE EV Rebate Program

Thank you for the opportunity to provide comment on the design of the DRIVE EV incentive program proposed by the Office of Energy Resources (OER).

Green Energy Consumers Alliance strongly supports OER's efforts to re-establish the EV incentive program and we are generally supportive of the program design. In this letter, we present ideas to strengthen the program to achieve maximum GHG reduction, as well as considerations for future rounds of funding.

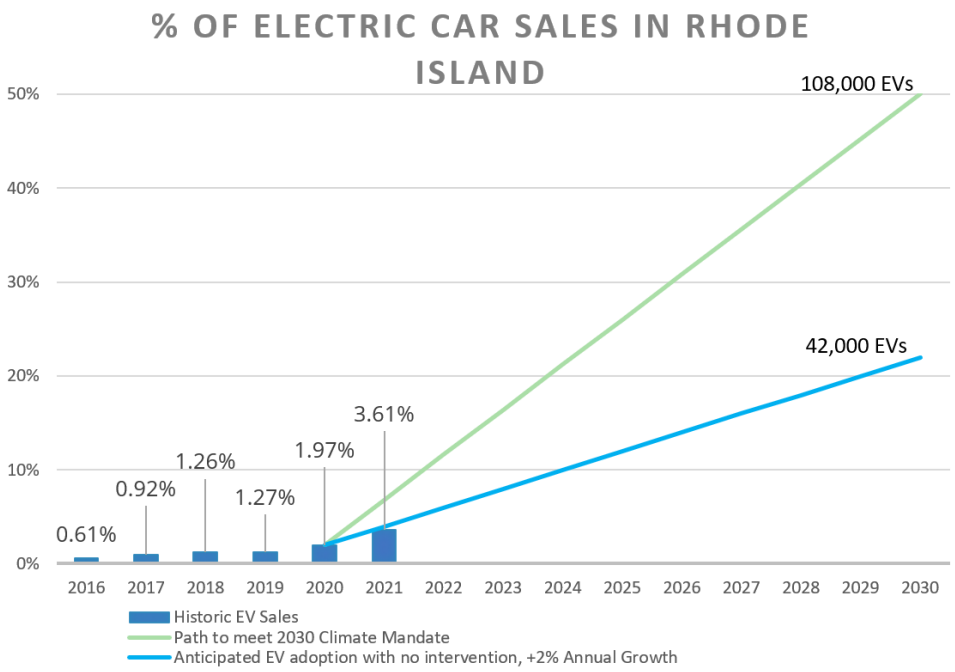
1. Regarding program budget and timeframe

OER has estimated that the DRIVE EV program will support 600 EV purchases starting summer 2022. Rhode Island will need over 100,000 EVs by 2030 to stay on pace with Act On Climate mandate.[1] Assuming EV adoption stays on its current trajectory and grows at a steady rate of 2% every year, Rhode Island will fail to reduce emissions to the extent required by law.

Even though the DRIVE EV program as proposed only has $1.25 million allocated, we appreciate the urgency from OER in finding the money to do this considering the Act On Climate. We also recognize that with limited funding, there is a need to make sure the dollars are spent cost-effectively to have the greatest impact on GHG reduction as possible.

[1]Based on modelling for the draft 2030 Clean Energy & Climate Plan (CECP) for Massachusetts. The CECP draft modelled the pathway to achieve 45% reduction of greenhouse gas by 2030, which aligns with Rhode Island's goal. Massachusetts estimated 750,000 out of the 5.7 million cars on the road in 2030 would have to be electric to meet their goal, which translates to 13% of their total vehicle stock.

Figure 1: EV adoption needed to comply with an Act On Climate

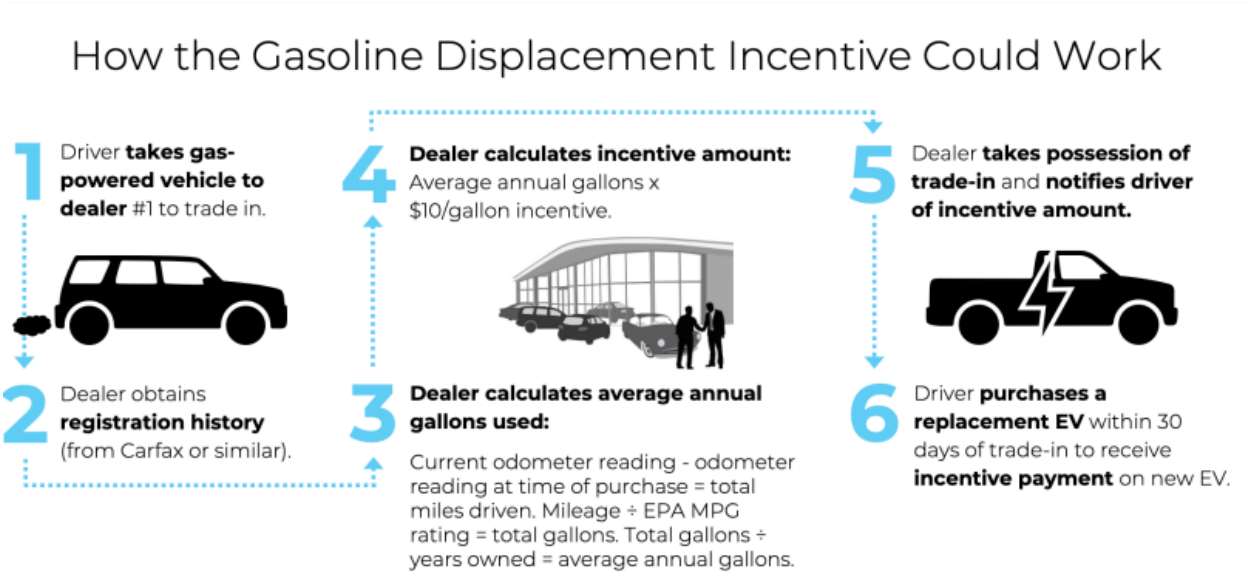


Recommendations

A. OER should plan to identify funds to offer a consistent rebate through at least 2027, when experts believe EVs will reach cost parity with new gas-powered cars.[2] Consistency is key; rebates offered without interruption inspire greater consumer confidence in EVs.
B. In a future iteration of DRIVE EV, OER should consider replacing the flat-rebate structure with incentives targeted at gasoline displacement. A report by the non-profit group Coltura found that a small number of vehicles are responsible for a disproportionately large proportion of gasoline consumption. "Superusers" of gasoline typically drive more miles or drive less-efficient vehicles, and so targeting EV incentives at superusers will reduce more emissions at lower cost. An incentive based on volume of gasoline consumption displaced will also help with equity, in terms of making EVs accessible to drivers most burdened by gas costs.[3]

[2] According to a May 2021 study from Bloomberg New Energy Finance
[3] For more information on superusers and how to design a policy focused on displacing gasoline consumption, please see this July 2021 report authored by Coltura.

Figure 2: "Superusers" incentive structure to consider in a future iteration of DRIVE EV



2. Regarding the proposed incentive for new EVs

The incentive program proposed by OER would offer $2,500 for the purchase of a new BEV and $1,500 for the purchase of a new PHEV. This proposal aligns with the current design of the MOR-EV rebate program in Massachusetts. Conveniently, the Massachusetts Department of Energy Resources recently released a report that reviewed the cost-effectiveness of the MOR-EV purchase incentive.[4] OER should review the report in its entirety; key findings include:

- Free-ridership was more prevalent among EVs with higher purchase prices, supporting the need for an MSRP cap of $50,000 that declines over time.
- Because PHEVs typically drive half of their miles on gasoline, BEVs reduce more GHGs per incentive dollar and are therefore more cost-effective. In 2018, the cost per metric ton of CO_2 reduced was $201 for BEVs and $323 for PHEVs.[5]
- Point-of-sale rebates (incentives offered at the time of vehicle purchase) better alleviate upfront costs and make incentives more accessible to LMI drivers.

Recommendations:

A. OER should keep the $50,000 MSRP cap on EVs to limit free-ridership, as recommended by the MOR-EV program analysis.

[4] Green Energy Consumers strongly recommend that OER review the MOR-EV Cost-Effectiveness Study, which was released on March 2, 2022. The report can be found here.
[5] Ibid, page 28

B. OER should offer the $2,500 incentive for new BEVs.
C. To spend the limited $1.25 million dollars cost-effectively to reduce emissions, the $1,500 incentive for new PHEVs should be eliminated.
D. One of the required documents to apply for a rebate is a W-9 form. It's not clear why submitting a W-9 form is a requirement, as it is not required to receive a MOR-EV rebate in Massachusetts. If possible, OER should eliminate this requirement to make it easier to apply.
E. The program guidance document says it is possible to "pre-qualify" for a rebate before the vehicle purchase. It is unclear whether pre-qualification is intended to act as a "point-of-sale" option, as the program guidance document states that processing each application will take 4-6 weeks. OER should clarify whether the pre-qualification option will effectively act as a point-of-sale rebate. If not, OER consider a point-of-sale option in the future.

3. Regarding the proposed incentive for used EVs

OER has proposed offering a $1,500 incentive for used BEVs and $750 for used PHEVs.

Green Energy Consumers has unique insight to the EV market because we've run a consumer-focused new EV discount program, Drive Green, since 2016.[6] Based on our experience, there are two insights into the current state of the car market that suggest the offering for used EV purchases will not be well-utilized.

1. The secondhand car market is currently a sellers' market and, as a result, even used EVs are out of many buyers' price range. Used prices are 40% higher than they were a year ago for all cars. By comparison, new car prices have only increased by 9%.[7] The extraordinarily high prices for used cars are unlikely to be resolved in 2022.[8] New EVs also still have the advantage of the federal tax credit (up to $7,500, depending on the EV model), which makes some new EVs comparable in price to used EVs.[9]
2. There are too few used EVs available at Rhode Island dealerships. It's common for Rhode Islanders to travel to Massachusetts to buy used EVs. Green Energy Consumers expects that the incentive for new EVs will help encourage RI dealers to order more new EVs to offer on the lot. Unfortunately, dealers have less control over what used EVs are available

[6] For more information about Drive Green, please visit greenenergyconsumers.org/drivegreen
[7] According to USA Today, February 2022.
[8] According to the New York Times, February 2022.
[9] EVAdoption.com tracks how close each automaker is to 200,000 EV sales and therefore federal tax credit eligibility.

at auction, especially when dealerships in Connecticut and Massachusetts are competing to buy those same EVs to sell in their state.

To clarify this point, Green Energy Consumers Alliance searched on Carfax for six top-selling EVs available within 100 miles of Providence and reported on price, availability in the region, and availability in Rhode Island as of April 11, 2022.

Table 1: 5 top EV models and availability in Rhode Island

Vehicle	Powertrain	Price	Number of models available within 100 miles of Providence	Number of models available in RI and price
Nissan LEAF	BEV	$23K - $34K	7	1 ($34K)
Chevrolet Volt	PHEV	$24K	1	0
Chevrolet Bolt	BEV	N/A	0	0
Toyota Prius Prime	PHEV	$23K - $38K	24	1 ($31K)
Volkswagen e-Golf	BEV	$18K - $29K	8	2 ($25K, $28K)
Tesla Model 3	BEV	$42K - $71K	49	2 ($42K, $46K)

The table confirms that Rhode Island doesn't have the EV stock to support a used EV incentive program starting summer 2022. If OER follows through on the existing program design, very few Rhode Islanders will benefit and the dollars spent won't contribute to increasing the pool of new EVs available in the state. In other words, a secondhand EV incentive is not an efficient use of limited funds to reduce GHGs.

It will take time for a strong secondhand EV market to form in Rhode Island, especially since new EV sales remain extremely low- lower than any of our New England neighbors on a pre-capita basis.

As an extreme example for how long it takes to translate new EV sales to a strong secondhand market, we look to Norway, the world's leader on EV adoption. EVs made up 86% of new car sales in 2021, and yet 80% of cars on the road and on the secondhand market are still conventional gas- or diesel-powered cars.

Table 2: New EV Sales Compared to EV Stock in Norway, 2019-2021

Share of new car sales in Norway			
Year	2019	2020	2021
BEV/PHEV	55.9%	74.7%	86.2%
Share of total car stock in Norway			

Year	2019	2020	2021
Gas/Diesel/Hybrid	88.04%	85.28%	80.25%
BEV	8.12%	9.29%	13.2%
PHEV	3.84%	5.41%	6.53%

The table above illustrates that before EVs are widely available and affordable on the used car market, a far greater number of new EVs must be purchased.

By comparison, only 3.85% of new cars sold in Rhode Island in 2021 were electric and less than 0.5% of all vehicles on the road in Rhode Island run on electricity; it simply doesn't make sense to try to offer an incentive for Rhode Islanders to purchase secondhand EVs that don't exist.

Recommendation:

The used EV program design is not appropriate for the current conditions of the secondhand car market and the limited supply of used EVs in Rhode Island and regionally. OER should not expect the used EV incentive to be well-utilized, though an incentive for used cars will be valuable in a few years when there are more EVs in circulation.

4. Regarding the proposed incentive for low-and-moderate income (LMI) drivers

OER has proposed offering an additional incentive for LMI drivers, defined as individuals who currently qualify for an existing state or federal low-income program. The incentives are $4,500 for a new BEV, $2,500 for a new PHEV, $3,000 for a used BEV, and $1,500 for a used PHEV.

Supporting low-and-moderate income people in the transition to EVs is going to become increasingly important to make sure the benefits of electrification are equitably distributed. We appreciate the effort to provide an additional, means-tested incentive for LMI drivers. However, high car prices and limited EV availability in the secondhand market will mean that LMI drivers are extremely unlikely to access an EV.

A one-person household eligible for fuel assistance (ie, with an income of less than $33,645) is not going to be able to afford a new EV, and even the used EVs listed in Table 1 are likely to be unaffordable. The rebate values proposed, including additional DRIVE+ incentive, aren't going to make EVs cost-accessible and they won't solve the availability problem. Evidence from the CHEAPR program in Connecticut indicates that their incentive for low-and-moderate-income consumers has gone virtually unused.[10]

Recommendation:

[10] According to reporting by Connecticut Public Radio on March 20, 2022.

OER should expand the offering for low-and-moderate income consumers to include an incentive for the purchase of a new e-bike. An e-bike can be a low-cost mobility alternative to car, especially for households that cannot afford any car at all. The incentive to purchase an e-bike could help replace a polluting and expensive gas-powered car in a LMI household struggling with the maintenance, fuel, insurance, and repair costs of car ownership.

There's precedent for this; California recently appropriated $10 million to provide e-bike vouchers to LMI households after the success of its CleanCars4All program, which allowed LMI drivers to trade in their clunkers for an EV rebate, a transit pass, or an e-bike voucher.[11] Massachusetts has allocated $3 million for different e-bike pilot programs across the state to address mobility needs in disadvantaged communities with clean transportation solutions.[12] The Connecticut State House and Senate recently passed the Clean Air Act, a bill that expands their CHEAPR EV incentive program to e-bikes.

We encourage OER to consider partnering with local bike shops to keep e-bike sales local in the same way RI-based dealerships are prioritized for cars.

4. Regarding the fleet incentive

For fleet vehicles, OER has proposed to offer $2,500 for the purchase of a new BEV and $1,500 for the purchase or lease of a new PHEV. In the interest of spending out the $1.25 million as quickly as possible to advance vehicle electrification and to reduce greenhouse gas, we support the fleet program offering to provide incentives to small businesses, non-profits, and public agencies that need support to defray the higher initial upfront cost of an EV. We also support the additional $1,000 incentive for EVs located in areas with high incidence of air pollution due to traffic.

Recommendations:

A. The fleet incentive should be limited to the purchase of BEVs only.
B. It is unclear from the DRIVE EV guidance document whether PHEVs are eligible receive the additional $1,000 adder for operating in high-asthma, high-traffic communities. Regardless, the adder for BEVs should remain and the incentives for PHEVs should be eliminated.
C. OER should focus the fleet incentive to apply to new EVs only to avoid stoking greater competition for the small number of used EVs on the secondhand market.

[11] More information about California's $10 million e-bike program can be found here.
[12] Massachusetts plans to support 5 different e-bike pilots in the City of Boston, the Greater Boston Metro Area, the Pioneer Valley region, Worcester, Cape Cod, and Martha's Vineyard. See this press release from the Baker-Polito Administration.

D. For a future round of funding, OER should offer two distinct programs with two pots of money for individuals and fleets. It would be a shame if most of the program funding was immediately gobbled up by well-resourced fleet operators buying vehicles five at a time in this round, leaving nothing for individual Rhode Islanders, or vice versa. The mix of applications in this pilot program should be used to assess demand and size separate individual and fleet EV incentive programs in the future.

Conclusion

Thank you again for the opportunity to comment. Below is a summary list of our recommendations to ensure the success of the DRIVE EV program.

1. Offer a consistent and multi-year incentive program.
2. In a future iteration of the program, consider a "superusers" design to target EV incentives at the highest emitting vehicles.
3. Offer $2,500 rebate for the purchase or lease of new BEVs and eliminate the $1,500 for the purchase or lease of new PHEVs.
4. Design the incentive to be point-of-sale and limit eligibility to vehicles costing less than $50,000.
5. Add an incentive for low-and-moderate income individuals to purchase an e-bike.
6. In the fleet incentive, limit the fleet offering to new BEVs and include the $1,000 adder for vehicles in high-asthma communities.
7. In a future iteration of the program, set two distinct budgets for individuals and fleets.

I hope Green Energy Consumers' input provides insight on how to get the maximum GHG-reduction and equity impact out of this limited funding opportunity. I look forward to using the Drive Green program to spread the word about the incentive when it becomes available this summer.

Sincerely,

Mal Skowron
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Green Energy Consumers Alliance