



## *Clean Air Dialogue – a working group of CED Principles for Sustained and Effective Incentive Programs*

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The California Environmental Dialogue (CED) is a group of California business leaders, environmental groups, and government officials who collaborate through open and honest dialogue to develop timely policy solutions that improve economic efficiency and future environmental protection. CED explores diverse perspectives to formulate solutions that address today’s most challenging environmental issues. Over the past two decades the Clean Air Dialogue, a working group of CED, has specifically discussed air quality and climate change solutions for California.

Addressing air quality and climate change issues is critical to securing a sustainable future for Californians. This requires emissions reductions across all sectors, and mobile source emissions pose an ongoing challenge in this regard. “Mobile sources—cars, trucks, and a myriad of off-road equipment—and the fossil fuels that power them are the largest contributors to the formation of ozone, PM2.5, diesel particulate matter, and greenhouse gas (GHG) emissions in California. They are responsible for approximately 80 percent of smog-forming nitrogen oxide (NOx) emissions, 90 percent of diesel particulate matter emissions, and nearly 50 percent of GHG emissions. Given this contribution, significant cuts in pollution from these sources are needed.”<sup>1</sup>

The goal of this paper by the Clean Air Dialogue is to present a clear set of effective principles that support greater and consistent funding for cleaner transportation to help California achieve its air and climate change goals. The following set of principles represent a consensus approach to the development and implementation of policy and investment strategies that will improve air quality and accelerate the deployment of cleaner, lower emitting mobile source technologies. The Clean Air Dialogue recommends the use of incentive programs to encourage actions that complement state and federal regulations, and achieve additional, or early emission reductions.

It is important that these principles apply across all implementing agencies in order to maximize benefits, provide transparent and clear priorities for incentive programs, and ensure that the State’s air quality and climate change goals are achieved.

- **Increased and Consistent Funding** – Increased and consistent funding over a multi-year time frame, similar to the existing AB 118/AB 8 program (approximately 8 years), is essential to provide market certainty for consumers, fleets, dealers, manufacturers, and suppliers participating in the transition to cleaner technologies. Many of California’s cleaner transportation funding programs are chronically oversubscribed and receive funding on a yearly, stop-start basis. Funding certainty is important to manufacturers for long-term product planning, which requires multiple years to bring products to market after design, testing, and manufacturing. Sustained and consistent funding is equally important for air quality and community planning efforts, particularly in disproportionately impacted populations.
- **Transparency and Accountability** – Incentive programs need to include transparent, comprehensible metrics for emission reduction and cost/benefit quantification methods that are made publicly available for review and comment. Incentive programs must include routine public

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<sup>1</sup>California Air Resources Board *Mobile Source Strategy*, May 2016

accounting of the actual performance of the incentive measured by metrics established when the incentive expenditure was approved. The factors used for determining success and for meeting the stated goals need to be clearly articulated. In cases where cost effectiveness is not the main factor for funding of a program, the metrics need to be tied to the stated goals. All incentive programs should incorporate regular evaluations to justify continued funding; preferably using independent evaluators with public input. If evaluation of the program shows that goals are not being achieved, then re-configuration, or transition to a more effective program is warranted.

- **Equitable Funding** – Funding should be prioritized to benefit the most environmentally burdened communities and low-income populations wherever possible so that these communities receive the air quality, public health, and economic benefits of these investments.
- **Monetary and Non-Monetary Incentives** – Monetary and non-monetary incentives are both critical tools for addressing the challenges of transitioning the transportation sector to cleaner technologies. Upfront costs for cleaner technologies are often higher than existing technologies. Incentives help fleets and consumers reduce these costs and justify choosing a cleaner technology. Non-monetary incentives are also impactful; with access to carpool (high occupancy vehicle-HOV) lanes as an example of an effective non-monetary incentive.
- **California Manufacturing and Workforce Development** – Incentive programs should support, but not require, strategies and efforts to increase manufacturing and workforce development related to the technology, fuel, or infrastructure supply chain within California. The programs should promote the availability and training of skilled labor to attain clean air objectives and reduce GHG emissions.
- **Balancing Near- and Long-Term Objectives and Leveraging Private Investment** – Incentive programs should be configured to support both near-term expansion of commercially available cleaner technology options and longer-term transformative technologies that offer greater benefits at maturity. Incentives should be designed to spur the growth of cleaner technologies by reducing costs through increased research and development, innovation, and economy of scale manufacturing that increase demand for clean technology products and accelerate business models triggering increased private investment.
- **A Technology Neutral Approach** – The goal of mobile source incentive funding should be to achieve emission reduction mandates in a manner that does not predetermine a technology approach. Funding should be directed in a technology neutral manner that best achieves air quality and climate objectives across the portfolio of public incentive programs.

In closing, the Clean Air Dialogue urges the Governor, the State Legislature, and public agencies to consider the policy principles put forward in this document for sustained and effective incentive programs to help California achieve its clean air and climate change goals.