

ENERGY & ENVIRONMENT

Behind the Quiet State-by-State Fight Over Electric Vehicles

By HIROKO TABUCHI MARCH 11, 2017

When Georgia repealed its generous \$5,000 tax credit on electric vehicles in July 2015, and instead slapped a \$200 registration fee on electric cars, sales quickly tumbled.

In the month before the repeal, nearly 1,300 electric vehicles were sold in the state. By August, those sales had all but evaporated — to just 97 cars.

It was a hint of what would come.

Today, the economic incentives that have helped electric vehicles gain a toehold in America are under attack, state by state. In some states, there is a move to repeal tax credits for battery-powered vehicles or to let them expire. And in at least nine states, including liberal-leaning ones like Illinois and conservative-leaning ones like Indiana, lawmakers have introduced bills that would levy new fees on those who own electric cars.

The state actions could put the business of electric vehicles, already rocky, on even more precarious footing. That is particularly true as gas prices stay low, and as the Trump administration appears set to give the nascent market much less of a hand.

In coming days, the Trump administration is widely expected to roll back stringent federal regulations on vehicle emissions, one of the biggest environmental legacies of President Barack Obama. The changes would give American carmakers less incentive to produce more battery-powered cars. There

are also concerns among advocates of electric cars over the fate of a \$7,500 federal tax credit on the vehicles, a major catalyst for sales.

But while the battle in Washington gets much of the attention, the most direct attack against electric vehicles, and in some cases hybrid vehicles, is quietly being waged at the state level.

In Colorado, a bill that would end income tax credits for owners of electric and alternative-fuel vehicles is working its way through the legislature. In Utah, lawmakers voted this month against extending the state's tax credit for electric cars.

The measure in Colorado has been backed publicly by Americans for Prosperity, an advocacy group founded by the conservative billionaire brothers David H. and Charles G. Koch, whose wealth is founded on their petrochemicals empire.

A handful of other states, including Illinois, Pennsylvania and Tennessee, have already let their incentives expire. That has brought down to 16 the number of states that offer financial support for buyers of electric vehicles. That number once approached 25.

"It's baffling," said Matt Jones, a Democratic state senator in Colorado, who opposes the move to repeal the tax credit. "It's very counterproductive."

It is unclear how many of these measures will pass. In Colorado, for example, support for clean vehicles has long enjoyed bipartisan support. Still, the backward slide in incentives "is going to be a big issue and crash this market further," said Jessica Caldwell, executive director for industry analysis at Edmunds.com.

Even with the incentives, overall sales of electric vehicles are only about 1 percent of the American market. To start making a real dent in the market, Ms. Caldwell said, "electric vehicles still need to be subsidized for a significant amount of time."

A slowdown in the country's shift toward battery-powered vehicles could leave the American auto market a global laggard, electric vehicle proponents warn. They say a similar situation played out a couple of decades ago, when

American car companies stayed away from small cars, leaving a big opening for Japanese companies.

Sales of electric vehicles are estimated to have jumped more than 70 percent last year in China, which now has the world's biggest market for electric cars, with about 630,000 units on the road. Canada, France and Sweden each had growth in electric vehicle sales of 50 to 70 percent in 2016, compared with the year before, according to EV Sales, which tracks global sales numbers.

A slower transition could also have big consequences for the United States' carbon emissions.

Transportation now regularly emits more earth-warming gases into the atmosphere than any other sector, according to the federal Energy Information Administration. Last year, it overtook the electric power sector for the first time since the late 1970s.

That makes switching to cleaner vehicles imperative in further reducing America's carbon footprint, environmentalists say.

"Instead of buying fuel from halfway round the world, you're plugging in and maybe you're producing the electricity on your roof with solar," said Joel Levin, executive director of Plug In America, a nonprofit organization that promotes electric cars.

"It's not just about the environment," Mr. Levin said. "These vehicles are also about being a leader in this new technology that everyone agrees is coming. If the U.S. isn't a leader in this technology, we'll be buying them from someone else."

Advances in battery technology, both in quality and price, have allowed companies to bring more affordable battery-powered cars to market.

General Motors' Bolt EV has a 238-mile range for less than \$30,000, after the \$7,500 federal income tax credit. Tesla plans to introduce the Model 3, a 215-mile-range car, for under \$30,000 after federal tax credits.

For these lower-cost models, which seek to attract buyers beyond the comfortably wealthy, those incentives are critical to sales. But each automaker has a 200,000-vehicle allotment for the federal tax credits, a limit that Tesla and

GM will reach by 2018, according to some estimates. It is unclear whether that limit will be extended, making the state credits even more important.

Laura Toole, General Motors spokeswoman, said that incentives were “still necessary to help build the E.V. market to greater volumes.”

A Tesla spokesman declined to comment. But its chief executive, Elon Musk, has said that he supports getting rid of incentives, but only if other subsidies are repealed, including support for fossil fuel industries.

The uncertainties mean global forecasts for the global electric vehicle market are all over the map. But one particularly bold study, released last month by the Grantham Institute at Imperial College London and the Carbon Tracker Initiative, predicts rapid growth in electric vehicles to make up 35 percent of the road transport market worldwide by 2035.

Electric vehicles alone could reduce oil demand by two million barrels a day by 2025, the study forecasts. That would be about the same dip that caused the oil price collapse in 2014 and 2015.

(Other projections are decidedly less gung-ho in their projections. The International Energy Agency, for example, expects oil demand to rise into the 2040s unless there is decisive global action to curb fossil fuel use.)

In general, though, the projections underscore the threat that electric vehicles pose to the oil and gas industries — and those with big investments in those areas — and those who back a rapid shift away.

The bill in Colorado, which would end income tax credits of up to \$5,000 for buyers of electric cars and as much as \$20,000 for commercial trucks, cleared its first barrier in a senate committee Feb. 28.

The bill, which shifts the money for the tax credits toward fixing Colorado’s infrastructure, is supported by the Kochs’ Americans for Prosperity, as well as the Independence Institute, a libertarian think tank based in Denver that has been financed by coal, oil and gas companies.

They argue that the government should not be choosing between technologies or companies. They also argue that electric vehicle owners tend to be wealthy and do not need financial help.

State funds should be used for roads and bridges “instead of giving millions of dollars annually to rich guys,” Amy Cooke, director of the Energy Policy Center at the Independence Institute, wrote in a blog post.

In testimony before Colorado lawmakers, Rudy Zitti, deputy state director at Americans for Prosperity, said, “By allowing these subsidies to continue, you are unfairly choosing to use our tax dollars to benefit a finite group of individuals and corporate interests.”

Georgia offers an example of how some of these arguments played out. For a few years, attempts to repeal that state’s electric vehicle incentive, first introduced in the late 1990s, went nowhere. Then in 2015, the repeal was rolled into a larger transportation bill, which promised freshly paved roads and shored-up bridges.

The bill passed, together with the repeal, with little debate on the incentive itself; amid a budget shortfall, legislators were more interested in securing money for infrastructure projects.

In a close vote, also Feb. 28, Utah’s House of Representatives voted against extending the state’s tax credit for electric vehicles after legislators there argued that those credits cost too much.

The \$1,500 credit for buyers of long-range electric vehicles “does not make sense economically to me,” Scott Sandall, a Republican representative, argued. A bill to extend that credit for five more years failed by one vote in the chamber.

Kevin Emerson of Utah Clean Energy called the defeat disappointing. “If we don’t reinstate it, it sends a message that Utah is no longer open to business for E.V.s.,” he said. “This is so important for Utah. We’d seen it as important in the long term.”

Several other states have imposed new registration fees on electric vehicles. Lawmakers pushing for the fees say that because owners of battery-powered cars do not pay gasoline taxes, they should help pay for infrastructure in some way.

Since 2011, 10 states have adopted special fees of up to \$200 a year for electric vehicle or plug-in hybrid owners. At least nine more states are considering similar charges.

In Indiana, a bill that would establish a \$150 annual fee for electric vehicle owners was introduced in January. A similar bill has been presented in Kansas, also for a \$150 fee, and Montana is debating a \$300 fee. Even California is looking at imposing a \$165 yearly car registration fee on zero-emissions vehicles.

Despite the setbacks, a broad coalition between environmentalists, electric vehicle manufacturers and some electrical utilities has redoubled efforts to keep the electric car momentum going.

This month, for example, the local utility Xcel Energy announced that it was teaming with Nissan to offer up \$10,000 incentives on the automaker's Leaf battery-powered car for Colorado residents.

Nissan said that the incentive programs are "instrumental" to building acceptance among American drivers.

And California's Zero Emission Vehicle Program, which will soon require automakers to sell electric vehicles in nine other states that have adopted California's own stringent emissions rules, could also keep states on course. Environmentalists worry, however, that the Trump administration could challenge California's unique authority to set pollution targets.

Some states are bolstering their support for electric vehicles. In a long-awaited move, buyers of electric and plug-in hybrid vehicles in New York are set to receive a \$2,000 rebate.

"We're very excited to see this kind of rebate launched in New York," said Gina Coplon-Newfield, who directs the electric vehicle program at the Sierra Club.

She said the steady growth in electric vehicle sales despite lower gas prices, and the proliferation of electric and plug-in models now available, showed both consumer and industry interest in the technology.

"Are we worried about what the federal government will likely try to do? Yes," she said. "And we're concerned that many similar bills are coming out in many states at the same time."

She added: "But do we think that's going to kill electric vehicles? Absolutely not."

Still, electric vehicle owners in states pulling back on incentives are left in the lurch.

Alfred Richner, a financial services worker in Atlanta, vowed to go electric over a decade ago, when oil prices in the city spiked after Hurricane Katrina.

“In 2005, I promised myself my next car would not use gas,” he said.

It took seven more years for Mr. Richner to find an electric car he was happy with — a new 2012 Nissan Leaf. And he got a great deal — \$26,000 before sales tax — from a local dealer desperate to get rid of the car, he said.

With the federal and state subsidies, he paid \$15,500 out of pocket.

“It was solid, it was comfortable, it was futuristic,” Mr. Richner said. “And the dealer was willing to negotiate, because he couldn’t sell it. And then the dealer said Georgia had a \$5,000 tax credit. I couldn’t believe it.”

A year later, he bought Mitsubishi’s i-MiEV electric car for his wife, again using federal and state incentives. (But his wife, who declared the Mitsubishi car ugly, now drives the Leaf, leaving him to make his 52-mile round-trip daily commute in the i-MiEV.)

He had planned to upgrade his Nissan Leaf in 2015. But that plan was foiled when he couldn’t track one down in Georgia before the tax credit expired.

“It’s a great car,” he said. “I guess by then, everyone wanted it. And then it all stopped.”

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