

Automakers Need Their Rainy Day Fund Too

Last fall, Governor Walz announced plans to adopt California's Zero Emission Vehicle (ZEV) sales mandate here in Minnesota—an effort to increase electric vehicle purchases in the state. Recently, the Governor wisely delayed the formal rulemaking. This was the right decision. However, the state still plans to complete its Clean Cars Minnesota regulation before the close of 2020. As every other state adopting the ZEV mandate has recognized, it is critical for Minnesota to include a starting “credit bank” to assist automakers in meeting the ZEV sales mandate even in periods of economic hardship and regulatory uncertainty—which is especially true in these unprecedented times.

The Governor is rightly focusing on leading Minnesota through COVID-19's seemingly-endless list of unknown health, safety, and economic challenges. The auto industry, which is the nation's largest manufacturing sector and shares the state's interest in reducing carbon emissions from vehicles, is also prioritizing health and safety during these unprecedented times. Right now, virtually every major auto manufacturing facility in the country is closed. We, too, are laser focused on ensuring our workforce and customers are safe and have a path to economic recovery.

As the industry, Minnesota and the nation join the world in tackling the pandemic's public health and economic crises, we can all appreciate the importance of planning and preparation.

Take, for example, Minnesota's “Rainy Day Fund.” For years, Democrat and Republican leaders have been putting money into that fund. The state now has \$2 billion to support the state's residents and businesses during these uncertain times.

The auto industry needs to support its workers, suppliers, and initiatives as well. Here's why: the nation's economy has quickly shifted from historic, uninterrupted growth to an unprecedented economic shock. During these uncertain times, individuals, businesses, and governments must rethink every plan and proposal. It will take years to fully understand COVID-19's impact on industry and consumers. And that includes our substantial investment and continuing efforts to develop the nation's electric vehicle market.

To help us do that, we have asked Governor Walz to do what every other state that has adopted the California ZEV mandate has already done as part of their rulemaking: give automakers access to their own, self-funded “Rainy Day Fund.” Simply speaking, this is a starting bank of compliance credits in Minnesota based on the amount of credits automakers have already earned in California. Those credits are derived from sales of electric vehicles, and are necessary to ensure that automakers are able to weather economic challenges and regulatory unpredictability while complying with ZEV regulations from one year to the next.

To be clear, the Governor's Clean Cars Minnesota proposal is challenging, even in perfect conditions. If implemented, it would require a nearly 800% increase in Minnesota electric vehicle sales by 2025—a goal that can't be changed, because it's set not by Minnesota but by the state of California.

Before the pandemic hit and the industry began scrambling to support its communities, electric vehicle sales were less than 1.5 percent of Minnesota's new vehicle sales (compared to roughly 2 percent nationwide). How will the state achieve such a staggering increase in sales, especially during troubling economic times, with no state incentives or the necessary charging infrastructure?

And keep in mind, an automaker may struggle to meet the ZEV mandate in a given year for any number of reasons due to the cyclical nature of our industry. Economic uncertainty often decreases electric vehicle demand, as Minnesotans delay big purchases—sometimes indefinitely. The state itself faces economic uncertainty, and Minnesotans may not find themselves in a position to fund the right tax incentives and public charging infrastructure. Finally, consumers must be reassured that they can find convenient ways to charge their vehicles, and that they can find vehicles that can tow their boats, handle a Minnesotan winter, and take them where they need to go. All of this goes into an automaker's ability to comply with the Governor's proposed mandate.

The insurance against uncertainty that automakers need is for Governor Walz to give the auto industry access to the "Rainy Day Fund" that it has been paying into since the inception of the ZEV mandate in California. Every other ZEV state has done so, and Minnesota should as well.

About Auto Innovators:

Formed in 2020, the Alliance for Automotive Innovation is the singular, authoritative and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S. The newly established organization, a combination of the Association of Global Automakers and the Alliance of Automobile Manufacturers, is directly involved in regulatory and policy matters impacting the light-duty vehicle market across the country. Members include motor vehicle manufacturers, original equipment suppliers, technology and other automotive-related companies and trade associations. The Alliance for Automotive Innovation is headquartered in Washington, DC, with offices in Detroit, MI and Sacramento, CA. For more information, visit our website <http://www.autosinnovate.org>.

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