

STATEMENT FOR THE RECORD

ELECTRIC DRIVE TRANSPORTATION ASSOCIATION
BEFORE THE
COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES

ENERGY TAX INCENTIVES DRIVING THE GREEN JOB ECONOMY
April 14, 2010

The Electric Drive Transportation Association, founded in 1989 promotes the adoption of vehicles that use electricity to displace petroleum. Electric drive includes battery, hybrid, plug-in hybrid, and fuel cell electric vehicles and our members include all of the industry stakeholders, including automotive and other vehicle manufacturers, component and battery suppliers, utilities, and recharging infrastructure companies.

The importance of electric drive transportation has been well-documented. Multiple studies have demonstrated the benefits of displacing oil with electricity across the environmental, economic and national security sectors. Advanced technology vehicles throughout the supply chain - from materials to manufacture to sales to recharging - will also create jobs and reduce the approximately \$440 billion the U.S. spends annually on foreign oil.

According to the Pacific Northwest National Laboratory, if 73% of the nation's light duty vehicles were fueled by electricity – the amount estimated that could be supported by excess capacity in today's grid -- the U.S. could displace an estimated 6.2 million barrels of oil a day, about 52% of current oil imports.

In addition to the strategic and economic costs of oil dependence, the environmental costs are also substantial. The transportation sector accounts for about a third of the greenhouse gas emissions in the U.S. and about 80% of urban air pollution. Electrification is a solution here as well.

Hybrids emit fewer air pollutants and reduce greenhouse gas emissions by up to 50%. Plug-in vehicles have zero-emission capability and boast greenhouse gas reductions on par with hybrids. Battery electric vehicles and fuel cell electrics have zero tailpipe emissions. And uniquely, these plug-in vehicles will become cleaner over time. As electric fuel from the grid becomes cleaner, the environmental benefits of the vehicles will increase.

Congress recognized the environmental and security value of electric drive in 2005 and 2007 energy legislation and also recognized its economic potential in the American Recovery and Reinvestment Act. That legislation acknowledged the job creation potential of advanced vehicles and provided support for expanded battery and vehicle manufacturing, as well as up- and downstream tax incentives for electric drive vehicles, including Section 48C advanced energy investment tax credits for manufacturing facilities, expansion of the number of plug-in electric drive light duty vehicles eligible for the Section 30D purchase credit of up to \$7500 and an expanded Section 30C investment credit for alternative fuel vehicle refueling property, which includes electricity recharging infrastructure.

The electric drive industry is poised to grow exponentially in the next few years – providing jobs, greenhouse gas reductions and greater energy independence – as well as advanced vehicles. The only real question is whether those benefits are headquartered here.

To lead the advanced vehicle industry, there are important next steps Congress can take. Federal tax policies can jump start near-term markets and provide the clear signals needed to promote longer term investments.

Specifically, the Section 30D credit for light duty plug-in electric drive vehicles is a critical incentive that will bring these vehicles into the mainstream faster. Moving forward, federal policy can do the same for advanced technology in the medium and heavy duty sector. The Chairman of the committee has already laid out that next step in H.R. 3367, which would extend and expand the incentives for hybrid, plug-in hybrid and battery electric trucks. It is an essential incentive for growing this U.S.- led industry and supporting job creation throughout the supply chain of advanced components, manufacturing and sales. For truck purchasers, more efficient vehicles also lower the cost of ownership and put more money in the pockets of the operators.

On the passenger vehicle side, we also believe that providing incentives directed at fleet purchasers of advanced electric drive vehicles could have great benefit in moving markets, building demand and advancing the installation of infrastructure.

Another important step that the Committee should take is to provide a long-term extension of the Section 30C credit for alternative fuel vehicle refueling property, which is scheduled to expire at the end of this year. The fueling options for plug-in electric drive transportation need to move into the market as quickly as the vehicles themselves. The 30C credit will help individuals and businesses invest in diverse, safe and convenient electric recharging options. In addition to the certainty provided by a longer term credit, the credit itself should be updated to explicitly recognize the unique elements of electric recharging infrastructure.

For both vehicles and infrastructure, we also recommend that the Committee look at ways to make the incentives more effective for an emerging industry. We believe that providing greater flexibility in the vehicle and infrastructure credits, such as greater transferability of the credits between buyers and sellers, could provide an additional boost to the early markets for plug-in electric drive vehicles and recharging property.

Clear signals for long term investment can be provided through an expansion of the 48C advanced energy investment credit. As the Committee is aware, total credits under 48C were limited to \$2.3 billion and the credit is already oversubscribed. Promoting greater industry investment in electric drive vehicle and component manufacturing will build U.S. leadership and competitiveness in advanced technology. A recent battery manufacturer projection estimates that an investment of \$6.1 billion to support advanced vehicle and battery manufacturing in the U.S. would create approximately 24,000 jobs.

Congress has established the policy foundations that will support an electric drive transportation sector and a green jobs economy. The industry has responded with increased investments in manufacturing facilities and advanced technologies. Consumers have responded with great interest in electric drive vehicles. Working together, the next steps for electric drive technology and policy should focus on accelerating mainstream adoption. We believe that continued support for domestic manufacturing capacity will bring down costs for the industry and for consumers. Further, extended incentives for the

purchase of vehicles and investment in infrastructure will help electric drive reach national scale in the near term.

EDTA appreciates the Committee's leadership in moving toward an electric drive transportation sector. We look forward to working with you to build upon the significant private and public investments that have been made and provide consumers with clean, efficient transportation. In so doing, we can also help the U.S. reduce its dependence on oil and achieve our energy, economic and national security goals.