



Memo

To: Chair Coffey, House Transportation Committee
Date: March 1, 2023
From: Patrick Ó. Murphy
Re: Proposed codification of and modifications to Vermont vehicle incentive programs

The purpose of this memo is to provide a brief description of the proposed changes to statewide incentive programs and their rationale.

Codification of programs: The Program for New PEVs and MileageSmart (used vehicles) have evolved over multiple transportation bills, creating some confusion over current program requirements. Codifying the programs in statute reflects their maturation and provides clarity, allowing committee members, stakeholders, and the general public to easily find all program elements in one place.

Income guidelines for New PEVs & Replace Your Ride: There has been significant inflation (15%) since the guidelines were last updated, resulting in a smaller pool of potential applicants at a time when the State needs more participants to increase the uptake of electric vehicles. Head of Household is a newly separated category that should have a higher income threshold than single filers because of dependents implied by the filing status.

Increased vehicle price caps for New PEVs: Inflation has also resulted in models exceeding the current vehicle caps, thus reducing the supply of eligible vehicles. The income-sensitive nature of the programs render the need for caps less important than in other states. Allowing for adjustments over time is suggested to avoid repeating the drawbacks of session law, but the most important aspect of this is to increase the base MSRP cap now to \$50k.

Increase incentive limits for New PEV and Replace Your Ride: The Agency is proposing to increase allowable amounts in order to increase participation in both. It is not a given that incentive amounts would rise to or remain at those levels, but this would provide flexibility to the Agency to make data-driven decisions about how to maximize the impact of these programs, similar to what has already permitted for MileageSmart.

Establish minimum electric range standards for PHEVs: PHEVs are likely to be a key transitional technology for a more rural, colder climate state like Vermont. However, they do not figure prominently in modeling for the Climate Action Plan (because of relatively lower GHG reduction potential). As the price of all-electric vehicles (AEVs) declines and more public charging infrastructure is built out in the next few years, it will become more important to focus on AEVs and longer range PHEVs, more cost-effective on a \$/kg of CO₂ reduced basis.

Create a new fleet incentive program: Funded with unused Replace Your Ride money, the Electrify Your Fleet program could serve multiple aims. The idea is to increase the volume of AEVs purchased now, create the conditions for a used vehicle market later when those AEVs turnover from local fleets, and to fund nontraditional fleets that may employ other kinds of electric mobility to serve local business, municipal or nonprofit needs. This would stack with the Clean Commercial Vehicle Tax Credit established in the IRA, possibly coordinate with the State's Community Charging Program to roll out later this year, and be supported by technical assistance available through the Agency's grant agreement with Drive Electric Vermont.