

Rec'd 2/14/20



**TESTIMONY REGARDING SB 277**

**being heard by the Maryland Senate Finance Committee  
on Tuesday, February 11, 2020 at 1:00 PM**

Dear Chair Kelley, and Members of the Committees:

Thank you for the opportunity to provide input on SB 277 which would extend and increase the funding for the Electric Vehicle Recharging Equipment Rebate Program and extend and alter the vehicle excise tax credit for the purchase of certain electric vehicles. Tesla has long been supportive of the Rebate Program and the excise tax program, and applauds the increased funding amounts in this bill, but we do have a number of concerns with the bill in its current form.

Tesla's mission is to accelerate the world's transition to sustainable energy through the deployment of electric vehicles and sustainable energy storage solutions and solar energy systems. Tesla is the only domestic mass market automobile manufacturer that exclusively builds and sells electric vehicles. To date we have sold over 900,000 EVs globally. This experience gives us unique insight into what it takes to sell electric vehicles at volume and which policy mechanisms are most effective in motivating customer adoption.

The state of Maryland has set an ambitious goal of having 60,000 ZEVs on the road by 2020 and 300,000 ZEVs on the road by 2025. In order to meet this goal, consumer incentives like tax credits and rebates are needed to bridge the gap in price that still exists for new battery electric vehicles coming to market and competing with traditional internal combustion engine cars, the largest source of greenhouse gas emissions in Maryland and the United States. We are excited to see the incentives in the program extended for three years and appreciate the additional funding that is dedicated to the program in this bill.

Although Tesla is supportive of this measure's intent, we have two issues that we would like to raise with the current language. First, we disagree with the removal of the price cap solely for fuel cell electric vehicles. Tesla agrees that it is in the best interest of the state to get as many electric vehicles out on the roads as soon as possible, regardless of the price of the vehicle. Every gallon of gas that any household avoids combusting by virtue of buying an electric vehicle instead of a conventional vehicle is equally beneficial in terms of advancing the state's policy goals and should be encouraged. Further, with new electric product lines being introduced seemingly every month, we expect to see many more zero emission SUVs and pick-up trucks coming to market in the next 12-18 months, including Tesla's Model Y. SUVs and pick-up trucks are among the most popular vehicles on the road and are generally more emissive than sedans. These newer models will likely be expensive initially and close to the current cap in price. As such it will be important to create a program that includes electric alternatives to customers that are specifically looking to buy this type of vehicle.



Second, the current definition of plug-in electric drive vehicles is also problematic as it includes plug-in hybrid vehicles which have up to 95% of their range powered by a fossil fuel engine. The current definition of electric vehicle those vehicles that have a battery system as small as 5 kilowatt hours (kWh). Assuming an efficiency of 3 miles of range per kWh of energy, this means that under the current definition, a vehicle that only gets 15 miles of all-electric range would receive the same tax credit as a pure electric vehicle that gets 200 miles of all-electric range. This is unreasonable especially given that the relatively higher up-front cost of an electric vehicle is almost entirely attributable to the cost of batteries. To better target the tax credit, Tesla recommends modifying the definition of electric vehicle for purposes of eligibility for the proposed rebate such that qualifying vehicles must have a minimum range of 200 miles. This will ensure that the state is only incenting vehicles that can be the sole vehicle for a family and are more consistent with the objective of eliminating reliance on fossil fuels from ground transportation.

Tesla appreciates the opportunity to submit this testimony. While we strongly support the extension of and increased funding for the EV tax credit, we would encourage the Senate to remove the price caps (or raise them for both electric and fuel cell vehicles) and to limit the eligible vehicles to only zero emission vehicles.

Thank you for the opportunity to provide this testimony.

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