

ISSUE BRIEF June 2021

Electric Vehicles



Summary

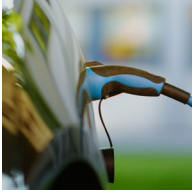
Battery technology improvements, declining battery costs, and significant government incentives are driving increased adoption of electric vehicles (EVs) nationwide. The Energy Information Administration anticipates that EV sales will reach 19 percent of new passenger vehicle sales by 2050. The electrification of the transportation sector is expected to lead to reduced emissions, economic growth (from investments in EV technologies), and the enhancement of America's energy security through the diversification of transportation fuels. EVs may also be an asset to the grid through vehicle-grid integration technologies, including by absorbing excess generation from renewable energy resources, curtailing charging during peak hours, and even transferring power back to the grid if needed. Public power utilities are working with their communities to enable greater EV adoption through the development of charging infrastructure and EV customer programs and investment in smart grid technologies to manage EV charging. The American Public Power Association (APPA) supports policies to promote the adoption of EVs and the ability for public power utilities to provide EV-related services to their customers.

Background

At the federal level, EV adoption is primarily supported through the tax code, using two major credits. Created by the Energy Policy Act of 2005, the Alternative Fuel Vehicle Refueling Property Credit (26 U.S.C. 30C) provides a tax credit equal to 30 percent of the cost of installing alternative fuel vehicle refueling infrastructure, including EV chargers. The credit is capped at \$30,000 for a business and \$1,000 for an individual and applies through December 31, 2021. The New Qualified Plug-in Electric Drive Motor Vehicles Credit (26 U.S.C. 30D) provides a tax credit for the purchase of a new plug-in electric vehicle. Depending on the vehicle's battery capacity, the credit is worth between \$2,500 and \$7,500. The credit, created in the Energy Improvement and Extension Act of 2008, is phased out for any vehicle manufactured by a manufacturer that has sold 200,000 or more qualifying EVs, a threshold that has been achieved by both Tesla and General Motors. In the case of a tax-exempt entity that cannot make use of these tax credits, such as a public power utility, the tax credits instead can be claimed by the seller of the EV.

In 2015, the Fixing America's Surface Transportation (FAST) Act included several measures to accelerate the growth of the EV market. One provision directed the Department of Transportation (DOT) to create corridor maps to identify the "near- and long-term need for, and location of, electric vehicle charging infrastructure...across the United States." Beginning in 2016, DOT designated routes as Alternative Fuel Corridors, leading to a national network that spans 49 states and over 165,722 miles.

Additionally, state and local governments are increasingly supporting EV policies through grants and tax incentives. Several states have also adopted zero-emission vehicle (ZEV) goals or mandates that target either a percentage of new vehicle sales or 100 percent of new passenger vehicles sold by a specified date. Notably, in 2020, the governors of California and Massachusetts issued mandates to require all new cars and passenger trucks sold in the state to be ZEVs by 2035. While not binding, New Jersey also set a goal of eliminating internal combustion engines by 2035.



Congressional Action

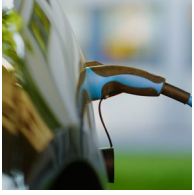
Several bills to encourage EV purchases and incentivize the deployment of EV infrastructure have been introduced in the 117th Congress. In March, House Energy & Commerce Committee Democrats introduced H.R. 1512, the Climate Leadership and Environmental Action for our Nation's (CLEAN) Future Act, which includes a transportation title designed to support zero-emission transportation. Specifically, the CLEAN Future Act would establish a rebate program for the deployment of public charging infrastructure, amend the Environmental Protection Agency (EPA) Clean School Bus Program to deploy electric school buses, and direct the Department of Energy (DOE) to establish building codes for EV charging infrastructure. The bill would also impose a “must-consider” requirement under section 111(d) of the Public Utility Regulatory Policies Act (PURPA) that would direct state public utility commissions and non-regulated electric utilities to consider measures to support transportation electrification and charger deployment, including authorizing utilities to recover associated charging infrastructure costs from customers. APPA does not support creating a must-consider requirement under PURPA because of the cost and regulatory burden it places on smaller public power utilities. Additionally, many public power utilities are actively considering, and many are already implementing, actions to increase EV adoption and the availability of EV chargers in their communities, making a must-consider requirement unnecessary.

EV-related provisions have also been included in several major infrastructure bills under consideration by Congress. Infrastructure legislation, the Leading Infrastructure for Tomorrow's (LIFT) America Act (H.R. 1848), introduced by Energy & Commerce Committee Democrats, includes the transportation-related provisions from the CLEAN Future Act. Additionally, tax legislation from Democrats on the House Ways & Means Committee, the Growing Renewable Energy and Efficiency Now (GREEN) Act of 2021 (H.R. 848), would allow an additional 400,000 electric vehicles per manufacturer to be eligible for a credit of up to \$7,000 before the credit begins to phase out, including for manufacturers that have already crossed the current 200,000 vehicles sold threshold. The GREEN Act would also create a new tax credit for up to 30 percent of the sales price of used electric vehicles.

After passing a one-year extension last October, Congress must once again extend or reauthorize surface transportation programs previously authorized under the FAST Act this year. In May 2021, the Senate Environment & Public Works Committee (EPW) unanimously passed bipartisan surface transportation reauthorization legislation, S. 1931, the Surface Transportation Reauthorization Act. It would establish a grant program to deploy publicly accessible EV charging infrastructure, along with hydrogen fueling, propane fueling, and natural gas fueling infrastructure, along DOT designated Alternative Fuel Corridors. APPA supports the inclusion of this provision, which is based on legislation authored by EPW Committee Chairman Tom Carper (D-DE) during the 116th Congress, as public power utilities would be eligible to apply for these grants. In the House, Transportation & Infrastructure Committee Chairman Peter DeFazio (D-OR) introduced H.R. 3684, the Investing in a New Vision for the Environment and Surface Transportation (INVEST) in America Act on June 4, 2021. The INVEST Act would require DOT to create a program to provide formula funding for states to deploy electric vehicle charging and hydrogen vehicle fueling stations along Alternative Fuel Corridors. The committee approved the INVEST Act on June 10, 2021 by a vote of 38-26.

APPA Position

Public power utilities are committed to providing their communities with the infrastructure and programs needed to support increased EV adoption. Insofar as Congress seeks to encourage the use of EVs, it should ensure that any such incentives are available to public power utilities and their customers. Federal programs and incentives should prioritize local decision making and flexibility to fulfill each community's unique transportation needs. APPA supports the creation of a grant program to support the installation of EV charging stations along established alternative fuel corridors so long as public power



utilities are eligible to apply. During the 116th Congress, APPA also supported standalone legislation, which was ultimately incorporated in the GREEN Act, to increase the maximum number of electric vehicles sold per manufacturer that would be eligible for tax credits.

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 93,000 people they employ. Our association advocates and advises on electricity policy, technology, trends, training, and operations. Our members strengthen their communities by providing superior service, engaging citizens, and instilling pride in community-owned power.