

April 15, 2013

The Honorable Kevin Brady
Energy Tax Reform Working Group
Committee on Ways and Means
U.S. House of Representatives
Washington D.C. 20515

The Honorable Mike Thompson
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Dear Chairman Brady and Vice Chairman Thompson:

EDTA is a cross-industry trade association advancing the electrification of transportation. Our members represent the entire value chain of electric drive - including vehicle and component manufacturers, electric utilities, materials and infrastructure providers - who are developing and deploying hybrid, plug-in and fuel cell technologies.

Because they displace oil with abundant electricity that can be derived from diverse resources, electric drive technologies are the focus of a global technology race. The United States has compelling national security and economic reasons to be a leader in that race.

In the U.S., we rely on imports for almost half of our oil needs. We spent more than \$451 billion on imported oil in 2012, well over \$1 billion a day. The transportation sector accounts for 71 percent of total U.S. petroleum consumption and 33 percent of total carbon emissions.

For consumers and businesses, the problem of oil dependence is even more immediate. The U.S. Energy Information Administration reports that "the average household spent \$2,912 on gasoline in 2012, or nearly four percent of their pre-tax income." This number is higher than any other year in last three decades, other than 2008.

In contrast, electric drive vehicles use electricity that is domestically produced, cleaner, and from the grid, costs the equivalent of about a dollar a gallon - without oil's price volatility. In creating oil alternatives, the emerging electric drive value chain is also creating jobs in research and development, raw material search and mining, manufacture of advanced components and vehicles, recharging and refueling infrastructure, and consumer services.

The American Energy Innovation Council, a group of U.S. industry leaders working to "foster strong economic growth, create jobs in new industries and re-establish America's energy leadership" concluded in their 2011 report that federal participation in energy innovation was imperative because "ready access to reliable affordable forms of energy is not only vital for the functioning of the larger economy, it is vital to people's everyday lives and significantly impacts the country's national security and environmental well-being."

The innovation our nation needs in transportation can be accelerated with a portfolio of policies that promote the development and deployment of alternative vehicles and infrastructure. The portfolio needs to include tax incentives that are consistent, limited and performance-based to spur investment and innovation and to help mitigate initial market hurdles for emerging technologies.

Electric Drive Vehicles

Plug-in electric drive is an emerging technology with the potential to transform the transportation sector by displacing oil with domestically-produced electricity. However, as is often the case with new technology, costs are still higher than the conventional technology incumbent, which has had a century to mature and establish infrastructure.

The Section 30D Plug-in Electric Drive Vehicle Credit is a scalable incentive that rewards displacement of oil and utilization of advanced technology. The credit phases out as the market grows and manufacturers capture efficiencies of commercial scale production. The credit was created with bipartisan and bicameral support in 2008 and revised in 2009. The first commercial plug-in vehicles arrived in the market at the end of 2010.

The plug-in vehicle incentive is a critical element of a policy portfolio that expands alternative fuel vehicle options for consumers and grows the fledgling industries and supply chains that create them. The credit helps consumers access new electric drive technology options and reinforces ongoing investment by diverse industry entrants.

Consumers and investors, however, need certainty. Consistent incentives reinforce investment in emerging technologies that require longer time horizons. Vehicle design and manufacturing planning is a multi-year process. Regulatory policies recognize this, and to be an effective tool for innovation and economic growth, the tax code should as well. As dozens of new plug-in models are already slated to enter the market in the next model years, it is important to maintain the terms of the still-new incentive on which investors throughout the supply chain have relied.

Pro-growth tax policy should also recognize the enormous opportunity for development and manufacturing investments in clean and efficient medium and heavy duty vehicles. The emerging electric drive technologies for truck applications (hybrid, plug-in hybrid, pure battery and fuel cell) can reduce commercial transportation costs, but currently have higher initial prices, which inhibit early market adoption. A time, or volume-limited, performance-based incentive for electric drive trucks, as was proposed with bipartisan support in the previous Congress, would help businesses buy advanced technology trucks with lower operating costs. It would also help to build investment in the entire advanced vehicle supply chain, including batteries, components and infrastructure.

Infrastructure

To promote growth in the alternative vehicle market, alternative fuel infrastructure must expand as well. Battery electric, fuel cell, natural gas, and other emerging vehicles fuels all require the coinciding deployment of varying amounts of charging/refueling infrastructure. The Section 30C Alternative Fuel Vehicle Refueling Property Credit helps individuals and businesses invest in the refueling/recharging infrastructure that supports their vehicle choices and fuel needs. The credit's percentage and total value limitations ensure that private dollars are dominant and the federal investment is limited.

The credit is spurring placement of diverse refueling options that expand consumer options and accelerate growth in alternative fuel vehicle sector. To invest in emerging transportation technologies, families, as well as fleet operators, want convenient fueling and recharging opportunities in varied locations – at home, at work, and on the road.

The incentive, which has a history of bipartisan support, is supported across the alternative transportation industries. However, the expiration/extender cycle on which the infrastructure credit now operates creates uncertainty throughout the value chain, from technology investors to consumers. A multi-year extension would provide the necessary certainty and reinforce investment across the entire alternative fuel and vehicle industries.

In making federal investments to achieve national priorities of national security, economic growth and global competitiveness, the need to promote innovation in the transportation sector cannot be ignored. Tax incentives for electric drive vehicles and infrastructure vehicles are essential and effective tools in the “all of the above” energy portfolio.

We thank you for consideration and look forward to working with you to align the tax code with the vital interests of the nation in achieving true energy and economic security.

Sincerely,



Brian P. Wynne
President