



ELECTRIC VEHICLE INCENTIVES – ARE THEY NEEDED? DO THEY WORK?

BACKGROUND

According to the most recent Vermont Greenhouse Gas Inventory conducted by the Department of Environmental Conservation, Vermont's transportation sector accounts for 43 percent of all greenhouse gas (GHG) emissions in the state. Electrification of this sector will be critical when looking to reduce pollution contributing to climate change in our state.¹

THE NEED

The 2016 Comprehensive Energy Plan (CEP) laid out a need for 10% of light duty cars and trucks in Vermont to be electric by 2025 (roughly 50,000 vehicles).² Recently, Energy Action Network's annual progress report found that with climate pollution rising since the CEP's writing, we now need 90,000 EVs on the road by 2025. With an estimated 264,000 new vehicles to be sold in the state over that period, that would require about a third of new vehicle purchases to be EVs.³

We need a robust EV market if we are going to meet these goals, and the experience of other states clearly shows that direct incentives drive market growth. (see reverse for more details)

THE PROGRAM

EV incentive programs have been used in many other states and continue to expand throughout the country. Recognizing the numerous benefits of EVs, the Scott Administration and Vermont legislators are also working to implement a state-level incentive here.

The potential VT program, as passed by the Vermont House in the "T Bill" is as follows⁴:

- \$2,500 point of sale incentive for Vermonters earning between 100-140% median household income who purchase or lease an EV
- \$5,000 for Vermonters with an income below 100% median household income
- Qualifying vehicles may have a MSRP of up to \$40,000
- \$1.5 million in funding, enough for 300-600 EVs
- The program operates on a first-come, first-served basis until funding runs out and will be administered by the VT Agency of Transportation
- H.529 also contains a study (due 12/15/19) to identify ongoing funding for the program

THE PROPOSAL

We recommend the program be funded at \$4.5 million (matching the funds from recent state-level auto emissions settlements), administered by the Clean Energy Development Fund, which has expertise in running similar incentive programs, and that a third of the total funding be reserved for a low-income pilot program allowing the purchase of used hybrid vehicles. The program as passed the House is a good start; the Senate can improve upon it.

¹ 2018 Greenhouse Gas Emissions Inventory Brief (1990-2015), VT Agency of Natural Resources.

² https://outside.vermont.gov/sov/webservices/Shared%20Documents/2016CEP_Final.pdf

³ <https://www.eanvt.org/wp-content/uploads/2019/02/EAN-report-2018-highres-compressed.pdf>

⁴ <https://legislature.vermont.gov/Documents/2020/Docs/BILLS/H-0529/H-0529%20As%20passed%20by%20the%20House%20Official.pdf>

EXAMPLE INCENTIVE PROGRAMS IN OTHER STATES⁵

CONNECTICUT⁶

In 2015, Connecticut began offering up to \$5,000 for the purchase or lease of a new eligible battery electric vehicle (BEV) or plug-in hybrid electric vehicle (PHEV). Rebates vary depending on battery size.

DELAWARE⁷

Delaware's EV rebate program, implemented in 2016, provides incentives of \$3,500 for BEVs with an MSRP of less than \$60,000 and \$1000 for those with an MSRP of \$60,000 or more, and also provides smaller incentives for PHEVs.

MARYLAND⁸

In 2017, Maryland implemented a plug-in electric vehicle excise tax credit for all leased/purchased, new BEVs and PHEVs. This program's incentive also varies with battery capacity, and offers up to \$3,000. The incentive only applies to new, light-duty vehicles that have a battery capacity of at least 5 kWh and an MSRP of \$60,000 or less.

⁵ All sales data for the graphs in this section does not include non-plug in hybrid vehicles and was retrieved from:

<https://autoalliance.org/energy-environment/advanced-technology-vehicle-sales-dashboard/>

⁶

https://www.ct.gov/deep/cwp/view.asp?a=2684&q=561434&deepNav_GID=2183

⁷ <https://dnrec.alpha.delaware.gov/climate-coastal-energy/clean-transportation/vehicle-rebates/ctip-2016-2018/>

⁸ <http://www.mva.maryland.gov/About-MVA/INFO/27300/27300-71T.htm>

BEFORE AND AFTER EV INCENTIVES

State incentives accelerate EV deployment

These graphs illustrate the percentage increase in EV purchases from the last full year prior to implementation of an EV incentive program to the first full year after that implementation, in each respective state, vs the same percentage increase on the national level. In virtually every state examined, the increase in EV purchases after 2 years was substantially higher than at the national level.

