HOUSE RESEARCH ORGANIZATION bill analysis	5/6/2011	HB 3310 Rodriguez (CSHB 3310 by Sheffield)

SUBJECT: Incentives for electric-powered light-duty motor vehicles

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 5 ayes — Keffer, Craddick, Lozano, Sheffield, Strama

1 nay — C. Howard

3 absent — Crownover, Carter, J. Davis

WITNESSES: For — Russ Keene, Plug-In Texas (Electric Vehicle Coalition); (*Registered, but did not testify:* Robert Braziel, Texas Automobile Dealers Association; Stephanie Newell, NRG Energy; Robert Peeler, Ford Motor Company; David Power, Public Citizen, Inc.; Chris Shields, Toyota Motor Manufacturing; Bill Siebert, General Motors; David Weinberg, Texas League of Conservation Voters)

Against — (*Registering, but did not testify:* Ramon Alvarez, Environmental Defense Fund; Pat Carlson, Texas Eagle Forum)

On — Morris Brown, Texas Commission on Environmental Quality; Cyrus Reed, Lone Star Chapter, Sierra Club

BACKGROUND: The Light-Duty Motor Vehicle Purchase or Lease Incentive (LDPLI) Program, part of the Texas Emissions Reduction Plan (TERP), is a statewide program administered by the comptroller to provide financial incentives or rebates for the purchase or lease of an eligible new car and light truck, model year 2003 or newer. To be eligible, the vehicles must meet certain exhaust emissions standards of the U.S. Environmental Protection Agency (EPA) and must have been purchased or leased after August 1, 2002.

The rebates are subject to available funding. Although the program has existed in statute since 2003, the LDPLI program has not been appropriated any state funding since the fiscal 2004-05 biennium, and no incentive grant payments were ever made for the program. The Health and Safety Code allocates 100 percent of TERP funding to various programs, but does not provide for an allocation for the LDPLI program.

DIGEST:

CSHB 3310 would amend the provisions of the LDPLI program within TERP to apply incentive provisions to new gasoline-powered light-duty vehicles and to establish a new provision for incentives for light-duty motor vehicles powered wholly or partly by an electric motor.

Qualifying electric-motor vehicles would be eligible for a $2,500 incentive, and incentives would be limited to 2,000 vehicles for the fiscal 2012-13 biennium.

Recreational vehicles that drew power from batteries for purposes other than propulsion would not be eligible for the rebates.

This program would expire September 1, 2013.

The bill would take effect September 1, 2011.

SUPPORTERS SAY:

More than 20 states currently have some type of local or state incentive for electric vehicles and/or plug-in hybrid electric vehicles. CSHB 3310 would authorize statewide incentives in Texas for the purchase or lease of electric-powered motor vehicles.

Electric vehicles plug in directly to the Texas electric grid using domestically produced electricity to power them instead of gasoline or diesel. Electric vehicles are being introduced by major automakers and are becoming more and more available to consumers. However, electric cars typically cost about $10,000 more than comparable gas vehicles. The current federal subsidy is a $7,500 tax credit. If Texas introduced a $2,500 rebate, it would make electric vehicles cost competitive with gas vehicles. The successful commercialization of electric and plug-in hybrid electric vehicles is crucial for improving the environmental performance of the light-duty vehicle fleet, reducing greenhouse gas emissions and petroleum dependence, and achieving Texas' environmental objectives. This next generation of advanced technology vehicles can bring benefits to Texas, including significant emission reductions, energy independence, job creation, and alignment with wind-energy generation since they would typically charge at night.

CSHB 3310 would require no new state funds because it would reallocate already existing TERP funds. The goal of the TERP program is to reduce emissions. Electric cars do just that, so it makes sense that they would be part of this program.

OPPONENTS SAY:

CSHB 3310 would effectively subsidize the electric car industry by providing a $2,500 incentive to consumers for the purchase of an electric vehicle.

The argument that electric cars would have a positive impact on emissions is only part true. Electric cars have to use other sources of energy to recharge. The source of energy could be a high-emissions fuel source such as coal. This bill could result in the state paying to trade emissions from gasoline for an increase in coal emissions.

OTHER OPPONENTS SAY:

CSHB 3610 would create another category of incentives to be funded by TERP. While incentivizing the purchase of an electric vehicle would provide many benefits to the state, diverting TERP funds to incentivize electric cars would be inappropriate. TERP is the state's major emissions reduction program that is aimed at replacing and retrofitting larger, heavy-duty mobile sources such as construction equipment that produce a high level of emissions. Spending money to incentivize the choice of an electric car over a gasoline- or diesel-powered car would improve emissions, but would not be as impactful as spending money to retrofit or replace a large, heavy-duty mobile source. Diverting funds from TERP for electric cars would essentially be taking funding away from a program that has a bigger impact on emissions. It would be more appropriate to incentivize electric cars under a program, such as the Low-Income Vehicle Repair Assistance Program (LIRAP), if an older, higher-emitting vehicle could be replaced with an electric-powered vehicle.

NOTES:

HB 3272 by Burnam, which also would also provide an incentive for electric vehicles, passed the House by 132-15 on April 27 and was referred to the Senate Natural Resources Committee on May 3. HB 3272 would include electric cars in the list of eligible replacement vehicles toward the purchase of which LIRAP grant money could be used.

According to the fiscal note, CSHB 3310 would authorize an additional appropriation out of the general revenue-dedicated TERP account in an amount sufficient to provide the $2,500 incentive to 2,000 vehicles for fiscal 2012-13, or $2.5 million per fiscal year.