April 15, 2015

Working Group on Individual Income Tax
Committee on Finance
United States Senate
Washington, DC 20510

Dear Senators:

The Electric Drive Transportation Association (EDTA) is the cross-industry trade association promoting the advancement of electric drive technology and electrified transportation. Our members represent the entire value chain of electric drive, including vehicle manufacturers, battery and component manufacturers, utilities and energy companies, and smart grid and charging infrastructure developers.

Collectively, EDTA members are committed to realizing the economic, national security, and environmental benefits of displacing oil with hybrid, plug-in hybrid, battery, and fuel cell electric vehicles. Oil provides 93% of the energy used for transportation in the United States. Around one-third of the oil we use is imported, costing our economy roughly $192 billion annually. The U.S. Department of Energy (DOE) estimates that the cost of oil dependence to the U.S. economy was about $3 trillion from 2005 to 2010.

Even with reduced imports, our energy and economic security continue to be threatened by oil dependence. Our transportation sector is still almost wholly fueled by a single commodity, whose price is set by the global market and whose availability is subject to significant geopolitical uncertainty. As DOE documents, the majority of the world's oil reserves are concentrated in the Middle East; approximately 73% of those reserves are controlled by the Organization of the Petroleum Exporting Countries (OPEC) members.

Advanced transportation technologies are the solution to this chronic threat to our economic and national security.

Reinforcing private sector innovation and investment in a portfolio of advanced transportation technologies, including electric drive, that diversify our transportation fuels should be goal of current and future tax policy. Incentives for alternative vehicles and infrastructure will strengthen our economy, enhance our energy security, protect consumers and the economy from price volatility, and increase U.S. competitiveness in the global clean energy markets.

The existing Section 30D credit is an effective example of such a policy. It is performance-based to reward innovation and oil-displacement and phases out as markets reach commercial scale. The credit helps consumers to access transportation alternatives and promotes industry investment. The credit provides needed certainty to buyers looking at electric drive options and to manufacturers making long term product and manufacturing decisions.

A comprehensive approach to diversifying the transportation sector with clean, advanced technologies should also promote fuel cell electric vehicles. These zero-emission electric vehicles, which are essential to meeting

regional and national goals for efficiency and emissions reductions, began to enter the market late in 2014. Multiple manufacturers plan to bring additional models to market over the next several years. However, the Section 30B performance-based incentive for fuel cell electric vehicles was allowed to expire at the end of last year, just as the first vehicles were being offered to consumers. The uncertainty created by a year-to-year extension approach undermines the investments the credit was established to promote. A reformed tax code should ensure that the credit is allowed to work as intended, on the terms upon which manufacturers have relied, to support continuing innovation and investment and provide important clean vehicle options to consumers.

In promoting economic growth and energy security through advanced transportation, national tax policy should also recognize the importance of advanced medium and heavy duty vehicle technologies. The potential fuel savings and emissions reductions in this segment for large fleets and small businesses are substantial. Households will benefit too, as the fuel costs embedded in their goods and services decline. For example, the Consumer Federation of America estimates that medium and heavy duty truck fuel costs amounted to more than $1100 per household in 2010. An incentive for larger vehicles will help to reduce first-cost challenges that limit access to these emerging technologies and accelerate the deployment of efficient technologies in the commercial vehicle fleet.

Finally, the transportation sector must function as an integrated system of fuels, vehicles and infrastructure. Tax policies need to ensure that the elements of the system advance together. The Section 30C Alternative Fuel Vehicle Refueling Property Credit, which was among the provisions allowed to expire at the end of last year, is a critical link in the development of those systems. By reinforcing the expansion of alternative fueling and charging infrastructure, the incentive provided certainty to manufacturers and investors throughout the electric drive and other alternative fuel vehicle supply chains. National tax policy should continue to ensure that advanced vehicles and infrastructure advance in concert by including the credit on a one-time multi-year basis.

We thank you for your consideration and look forward to working with you to ensure that federal tax policies effective advance our goals for a more secure nation, a stronger economy and a sustainable, twenty-first century transportation sector.