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Pamela Jones

By Environmental Improvement Board at 4:48 pm, Mar 15, 2024

STATE OF NEW MEXICO

**BEFORE THE ENVIRONMENTAL IMPROVEMENT BOARD
AND THE ALBUQUERQUE BERNALILLO COUNTY
AIR QUALITY CONTROL BOARD**

**IN THE MATTER OF PROPOSED AMENDMENTS TO
20.2.91 NMAC, NEW MOTOR VEHICLE EMISSION STANDARDS**

EIB NO. 23-56(R)

and

**IN THE MATTER OF PETITION TO AMEND EXISTING
RULE 20.11.104 NMAC, NEW MOTOR VEHICLE EMISSION STANDARDS**

AQCB PETITION NO. 2023-01

**NOTICE OF TESTIMONY AND EXHIBITS FOR
HEARING ON MOTION FOR STAY**

COME NOW the Automundo de Garcia, Ltd. Co., and the New Mexico Automotive Dealers Association, by and through undersigned counsel of record, and hereby submit their Notice of Testimony and Exhibits for the hearing on the Motions for Stay.

1. Exhibit 1- Carlos Garcia Written Testimony
2. Exhibit 2 – Ken Ortiz Written Testimony and Exhibits

Ortiz Exhibit 1: EV Adoption Rate in New Mexico

Ortiz Exhibit 2: CNBC – March 13, 2024 – EV Euphoria is dead. Automakers are scaling back or delaying their electric vehicle plans

Ortiz Exhibit 3: Los Angeles Time – Feb. 15, 2024 California EV sales are falling. Is it just temporary or a threat to the state climate goals

Ortiz Exhibit 4: NY Times – 2/7/24 – How Ford's F-150 Lightning, once in hot demand lost its luster

- Ortiz Exhibit 5: Wall Street Journal – January 31, 202 – The EV backlash builds; Companies cut output amid flagging demand. Could it be the product
- Ortiz Exhibit 6: EV sales start to fall in California; an industry bell weather
- Ortiz Exhibit 7: Ford eliminating 2 of 3 production crews and its electric F-150 plant, making 1,400 works either retire or move to another plant
- Ortiz Exhibit 8: Tesla tries winter discount for Model Y in cooling US EV market
- Ortiz Exhibit 9: Rivian cuts prices on base models as EV adoption slows
- Ortiz Exhibit 10: Ford adjust strategy as EV losses mount
- Ortiz Exhibit 11: Toyota: Better to buy credits than waste EV investment
- Ortiz Exhibit 12: Hertz to sell 20,000 EV's in shift back to gasoline powered cars
- Ortiz Exhibit 13: EV tax Credit Summary
3. Exhibit 3 – Teri Garcia Written Testimony

Respectfully submitted,

DOMENICI LAW FIRM, P.C.

/s/ Lorraine Hollingsworth

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I hereby certify that a true and correct copy of the forgoing was served via email on all parties of record in this matter on March 15, 2024.

/s/ Lorraine Hollingsworth

Lorraine Hollingsworth

EXHIBIT 1
TESTIMONY OF CARLOS GARCIA

My name is Carlos Garcia and I am here representing Automundo de Garcia asking the EIB to grant our Motion for Stay on the Clean Cars, or ACCII, portion of the recently adopted rules. I am not here to restate our testimony at the November hearing and will try to reference it minimally.

The EIB was not given proper clarification that the three very different portions of adopted regulations could have and should have been considered separately. The other industries affected by the heavy truck and omnibus portions of regulations need to fight their own battle.

Granting a stay of ACCII does not mean the EIB is admitting it was wrong. It means the Board believes there are good reasons to postpone the implementation of the regulation to allow the legal merits of our case to play out in the Court of Appeals, which they will one way or another. It is clear we have a strong chance of winning our appeal, especially considering what has occurred since the November hearing.

We now have information that was not available at the time of the hearing. I think of it as an earthquake happening that changed the way we must move forward.

With this EV mandate, there is a tremendous risk of what we call a “failed launch” from a retail standpoint. A failed launch normally means a quality or readiness issue with a vehicle which results in consumer outcry along with some bad media reports. In our industry, it is nearly impossible to recover from something like this. We are facing a failed launch scenario in New Mexico with the rollout of this mandate and, if it continues during the appeal process, the EV marketplace in New Mexico will likely not recover.

Although we have been adversaries with some during the process of the ACCII mandate becoming a rule, we are seeking to protect this Board from a failed launch because of the premature nature of the mandate. Believe it or not, we really want to soften the blow of this rule and a failed launch does not help any of us. We narrowly lost 3-2 during the hearing. There is a chance now to protect everyone involved and get this right by granting our Motion for Stay. We all have too much at stake.

A vehicle on our lot today was initially developed 5-7 years ago. The ordering of parts, manufacturing quotas and retooling of manufacturing plants occurred 2-3 years ago. The lead time for a vehicle to come from concept to reality is very long and auto manufacturing and distribution does not change on the flip of a switch as you were told. Trying to change back to a more realistic production cadence will cause even more disruption to the supply chain and further delay a stabilized marketplace. 2025 models are arriving now, we are less than two years away from these 2027 EV units arriving. It will take years to recalibrate to the correct market conditions.

You as Board Members were appointed to enact policy on air quality issues. It is clear that this rule has far-reaching effects beyond air quality and will impact every New Mexican socially and economically, not just car dealers and the thousands of employees in the automotive industry. The economic implications this rule forces on all New Mexicans will cause irreparable harm to many. Creating marketplace and economic policy is not what this Board was created for and not what its expertise is in.

During the hearing, you heard speculative claim after speculative claim from the NMED's so-called experts that were based on a myth. Both Boards were led to believe that there was huge demand for EVs and that this mandate was an easy move for the auto industry. They presented many unfounded assumptions to you, promises that you heard over and over. These promises did not happen. Now we must deal with the unintended consequences of this rule.

The auto dealer's testimony during our hearing was based on facts and real data. NMED's witnesses were speculating about what would happen with more infrastructure in place and heavy financial incentives. Six months later, we have answers. That speculation has now been filled with knowledge. Not by hired guns who never came to New Mexico before our hearing, but by the marketplace.

The EV market is flat. This is an indisputable fact even though you were sold a bill of goods that there was so much EV demand and that these cars were flying off our lots. We told you this was untrue. Since our hearing Toyota, Honda, General Motors, Ford, Volkswagen and even Volvo have made massive cuts to their forecasts and EV spending. (See Ortiz Exhibits 2 to 12). What has been the hottest segment in the industry? Hybrid vehicles, which remain the logical stepping stone to zero emissions vehicles. Hybrid vehicles are what consumers want and are buying even

without any government or state subsidies. Toyota is the world's largest automaker and their non-action on EVs lets us know there is not a sustainable market for these vehicles. Toyota rarely makes mistakes. Toyota's president said in an interview given to Automotive News on March 4, 2024, that Toyota will buy EV offset credits rather than "waste" money investing in EVs without consumers ready to buy them. (Ortiz Exhibit 11). This directly contradicts what you were told by the NMED regarding automaker's commitments to achieve these imposed mandates.

Not one auto manufacturer has committed to participating in ACCII, as you were led to believe. The EPA still has not granted California's waiver for ACCII, what are they waiting for? The same thing everyone else is, to see what will happen. The longer we wait to right the wrongs this mandate contains, the more irreparable harm will be caused. No amount of money down the line is going to be able to fix the damage caused to thousands of businesses and tens of thousands of employees. When everyone sees that the 43% mandate is not archivable in any state, much less New Mexico, it will be too late.

Without a doubt, the most baseless claim you were led to believe was that of the huge EV incentives the Legislature was going to pass in this most recent session. You heard it from every witness, the NMED, Legislators and supporters of the mandate. I heard the Governor say "we're going to pass huge EV incentives, I mean big" when she spoke in July and October. What did we get? Next to nothing. A \$3,000 incentive that is income restricted and capped at a new vehicle price which excludes 75% of the EV market. Not one pickup truck qualifies for this new incentive, yet pickup trucks are far and away the number one vehicle purchased in New Mexico for decades. When I was asked what it would take to move EVs in New Mexico, I said \$10,000 per car like they have in Colorado and California. I told legislators to ask for \$15,000 and hope to get \$10,000. Instead, we got virtually nothing. You were promised earth-shattering incentives on new EVs, used EVs and hybrid vehicles. \$3,000 on new EVs, half of that on used EVs and nothing on hybrids. The amount of incentive decreases over time. That does not sound earth shattering to me. On top of that, if a customer qualifies, auto dealerships must float the state \$3,000 per EV sold until their next year's taxes are due. So now we will become an interest free bank and a tax collector. How does that work? This utter failure by the Governor and legislators to pass any meaningful EV incentive after all the promises made to both boards and all New

Mexicans is an utter failure and an embarrassment. We were all promised a great program and all we got was the smallest state EV incentive in America.

The fact that ZEV sales in New Mexico would have to increase 1000% in three years just sounds preposterous and impossible, yet that is what this mandate dictates. Almost 2000% by 2032 sounds even crazier. I ask that you grant our motion for a stay because this rule cannot be fixed while our appeal is pending and the longer we wait to address its major flaws, the more irreparable harm will be caused.

New Mexico is a captive orphan in terms of sales volume in the US. We are the smallest of the small. We get the last choice already when it comes to vehicle allocation because we just do not sell many cars as a State. We get “the black cars in July” so to speak. Auto manufacturers are worried about the large states that move big volume, they do not care about New Mexico, and we will never be a priority for them.

EXHIBIT 2

Testimony of Ken Ortiz, NMADA

Madam Chair, Members of the Board, thank you for the opportunity to provide testimony in support of the Motion for Stay that you are considering.

New Mexico Automotive Dealers Association is a trade association, representing the franchised dealers in New Mexico.

We respectfully request you to approve the Motion for Stay for the Advanced Clean Car II rule that will become effective in calendar year 2026 for model year 2027. The rule as adopted will cause irreparable harm to the auto industry throughout New Mexico as well as for the transportation needs for most New Mexicans.

This regulation is the most dramatic change to transportation for New Mexicans that we have seen in our lifetime. This rule will ripple throughout New Mexico for many years to come and will result in irreversible harm to New Mexico small business, jobs, and our transportation sector.

Granting a stay it is not expressing an opinion on the rules that were adopted, it is merely placing a pause on these rules until the New Mexico Court of Appeals has decided whether these rules should be adopted in New Mexico.

To start, we are continuing to see the lack of demand of Electric Vehicles across the nation, including in New Mexico. Articles begin appearing in the second half of 2023 through today. Every day we see articles across the Nation showing the demand for EV's has stalled and manufactures are adjusting their EV outlook and manufacturing plans.

Here in New Mexico, we have been studying the percentage of EVs and Plug-In Hybrids being sold in New Mexico. (Ortiz Exhibit 1 EV Adoption Rate in New Mexico).

- For 2022 the combined average EV and plug-in market share was 3.51%
- In 2023, we saw two months (September & October) where the EV market share was over 4% with September at 4.4% and October at 4.32%. This has so far been the high- water mark in EV sales over the past 25 months. Since October, the average EV market share has been reduced to just 3.6%.

- In summary over the last 25-months we basically have not seen an increase in the market share of EVs. To get to 43% in less than two years, the market share would have to be increased by approximately 1,000%.

We all know this is impossible and the ACCII rules are setting up New Mexico to fail, along with hurting our small businesses throughout New Mexico and jeopardizing jobs within our industry.

Recently, over 5,000 dealerships across the US sent letters to President Biden, urging the EPA to adjust the proposed regulations pertaining to EVs and Plug-In Hybrids. Multiple major news outlets are reporting that the President is planning to lower the projections of EVs being sold due to the reality of the market.

In addition, as a reminder, the EPA has still not approved ACCII.

During the hearing, we spoke extensively on the lack of EV infrastructure throughout New Mexico. There has been no evidence presented that the proper amount of infrastructure will be in place by 2026.

On February 15th, KOAT's Target 7 ran a story on the lack of EV chargers. The report stated that towing companies are routinely towing EV's that run out of electricity to the nearest charging station. This may potentially be the tip of the iceberg related to not having enough infrastructure to support the mandate you have adopted.

One of the requirements for adopting an administrative rule is determining if a rule is in the public's best interest. This was not proven during the hearing. There was no outreach to the public south of Albuquerque or in Northwest New Mexico where it is predominantly rural in nature.

Recently, the President of the Navajo Nation, Dr. Buu Nygren, sent a letter to the Governor of New Mexico expressing his concerns with the adoption of ACCII. Some of President Nygren's concerns are how this rule will impact tribal families living on their respective reservations and rural communities. Of particular concern are the terrain and driving conditions that tribal families face when their vehicles are loaded with supplies, livestock, and water driving through unpaved roads throughout the year. President Nygren expressed concerns about affordability and range of EVs because most tribal members will not be able to afford them or have the ability to charge them as some families do not have electricity in their homes.

One of the most glaring issues that was discussed at length during the hearing is that New Mexicans will be able to purchase vehicles out of state and register them in New Mexico. The Environment Department, under cross examination, admitted that vehicles purchased out of state will still be able to be registered in New Mexico. This rule will force New Mexicans to travel hundreds of miles to a neighboring state to purchase their vehicle of choice or the vehicle they need and bring it to New Mexico. This issue is detrimental to New Mexico because the State will lose tax revenue and New Mexico small business and jobs will suffer accordingly. How does this help reduce emissions?

Another requirement for the adoption of this rule is that the rule is economically feasible. How can a rule be considered economically feasible if the vehicles that the government is mandating cost 10-15% more than a traditional vehicle? This rule will cause new and used traditional vehicles to be more expensive than they already are due to the simple supply/demand equation.

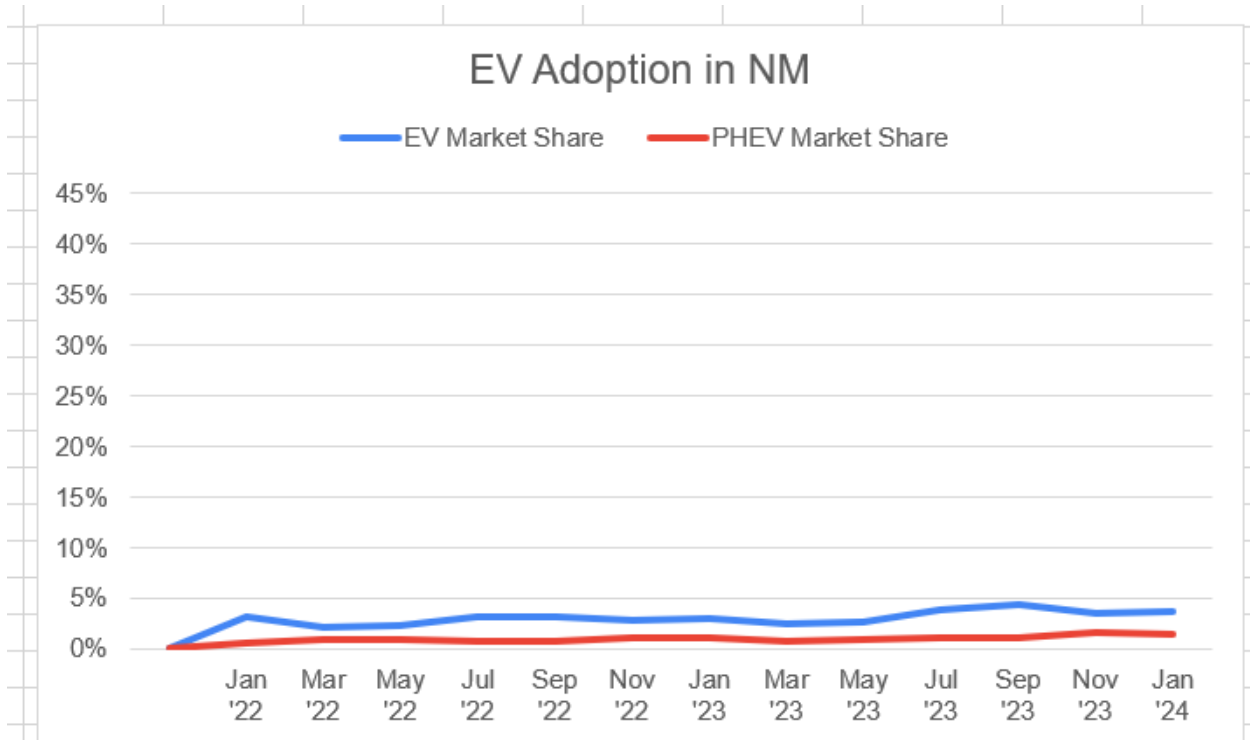
Incentives recently passed by the New Mexico Legislature will be underutilized and will not move the needle due to how the mechanics of this tax credit works. This tax credit is not the “cash-on-the-hood” incentive despite that proponents of the bill labeled it as. The legislation requires proof of purchase or lease along with proof of registration to be presented after the purchase to obtain a certificate of tax credit. This is not a discount or rebate at the point of sale. This credit can only be used to offset tax liability upon tax filing. Very few dealers will accept this type of credit. This program will not work like the federal tax credits under the Inflation Reduction Act where the dealership receives the credit in the form of a check within 48 hours of the sale. (Ortiz Exhibit 13).

Finally, during the administrative hearing, NMADA provided numerous articles related to the lack of demand for EV's across the nation and the adjustments manufactures are making on their EV output plans due to this lack of demand. I will take a moment to read some recent articles that have been issued within the last couple of months.

- Ortiz Exhibit 2: CNBC – March 13, 2024 – EV Euphoria is dead. Automakers are scaling back or delaying their electric vehicle plans
- Ortiz Exhibit 3: Los Angeles Time – Feb. 15, 2024 California EV sales are falling. Is it just temporary or a threat to the state climate goals

- Ortiz Exhibit 4: NY Times – 2/7/24 – How Ford’s F-150 Lightning, once in hot demand lost its luster
- Ortiz Exhibit 5: Wall Street Journal – January 31, 202 – The EV backlash builds; Companies cut output amid flagging demand. Could it be the product
- Automotive News articles in January & February
 - Ortiz Exhibit 6: EV sales start to fall in California; an industry bell weather
 - Ortiz Exhibit 7: Ford eliminating 2 of 3 production crews and its electric F-150 plant, making 1,400 works either retire or move to another plant
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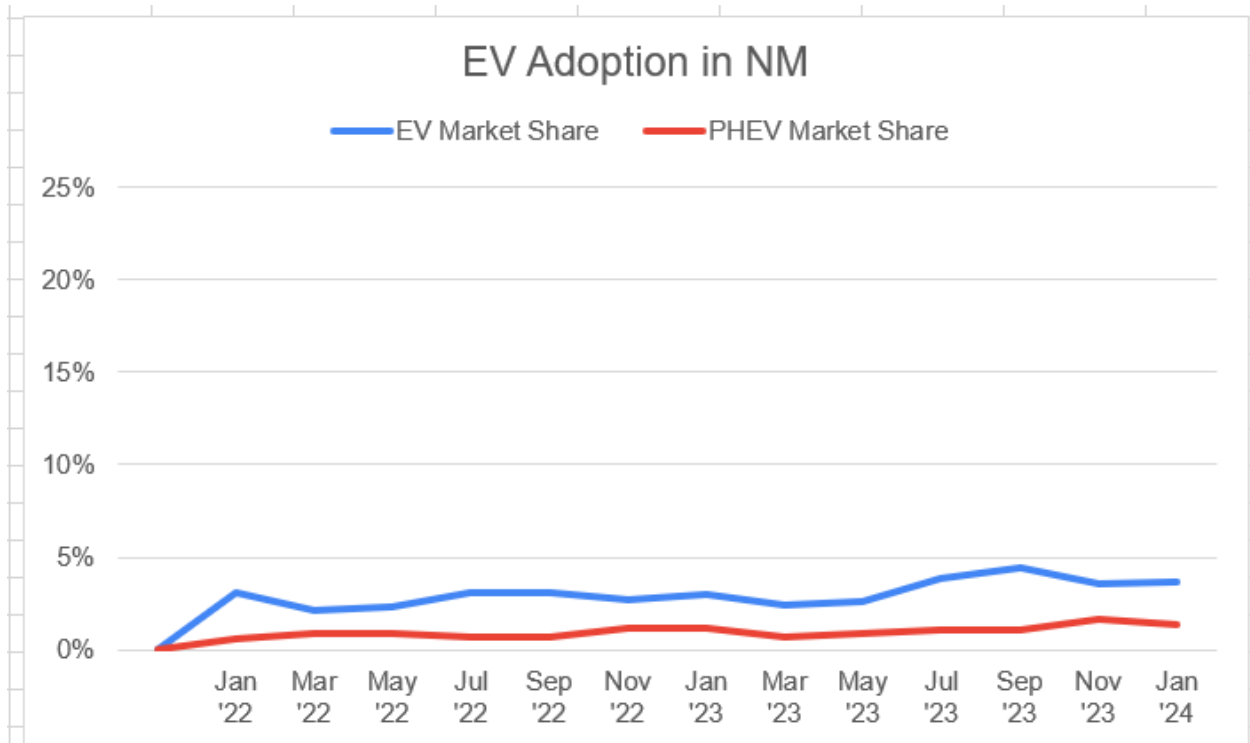
For these reasons, we feel that the recently adopted rule will cause irreparable harm to residents and businesses in New Mexico and urge you to approve the Motion for Stay.



Source: NM MVD Data

	EV Market Share	PHEV Market Share
Jan '22	3.07%	0.64%
Mar '22	2.13%	0.89%
May '22	2.31%	0.86%
Jul '22	3.09%	0.73%
Sep '22	3.08%	0.67%
Nov '22	2.74%	1.17%
Jan '23	2.98%	1.14%
Mar '23	2.46%	0.74%
May '23	2.60%	0.89%
Jul '23	3.83%	1.11%
Sep '23	4.40%	1.08%
Nov '23	3.53%	1.61%
Jan '24	3.65%	1.37%

Ortiz Exhibit 1



Source: NM MVD Data

	EV Market Share	PHEV Market Share
Jan '22	3.07%	0.64%
Mar '22	2.13%	0.89%
May '22	2.31%	0.86%
Jul '22	3.09%	0.73%
Sep '22	3.08%	0.67%
Nov '22	2.74%	1.17%
Jan '23	2.98%	1.14%
Mar '23	2.46%	0.74%
May '23	2.60%	0.89%
Jul '23	3.83%	1.11%
Sep '23	4.40%	1.08%
Nov '23	3.53%	1.61%
Jan '24	3.65%	1.37%

EV euphoria is dead. Automakers are scaling back or delaying their electric vehicle plans

PUBLISHED WED, MAR 13 2024 7:00 AM EDT UPDATED 5 HOURS AGO

Michael Wayland@MIKEWAYLAND

KEY POINTS

- Automakers from Ford Motor and General Motors to Mercedes-Benz, Volkswagen, Jaguar Land Rover and Aston Martin are scaling back or delaying their electric vehicle plans.
- Though consumer demand for EVs hasn't shown up in the way executives had expected, sales of the vehicles are still predicted to increase in the years to come.
- A broad return to a more mixed offering of vehicles — with lineups of gas-powered vehicles alongside hybrids and fully electric options — assumes an all-electric future at a much slower pace, and it calls attention to ambitious EV targets set for the years ahead.



Although consumer demand for EVs hasn't shown up in the way executives had expected, sales of the vehicles are still predicted to increase in the years to come.

Andrew Merry | Moment | Getty Images

DETROIT — The buzz around electric vehicles is wearing off.

For years, the automotive industry has been in a state of EV euphoria. Automakers trotted out optimistic sales forecasts for electric models and announced ambitious targets for EV growth. Wall Street boosted valuations for legacy automakers and startup entrants alike, based in part on their visions for an EV future.

Now the hype is dwindling, and companies are again cheering consumer choice. Automakers from [Ford Motor](#) and [General Motors](#) to [Mercedes-Benz](#), [Volkswagen](#), Jaguar Land Rover and Aston Martin are scaling back or delaying their electric vehicle plans.

Even U.S. EV leader [Tesla](#), which is estimated to have accounted for 55% of EV sales in the country in 2023, is bracing for what “may be a notably lower” rate of growth, CEO Elon Musk said in late January.

The broad return to a more mixed offering of vehicles — with lineups of gas-powered vehicles alongside hybrids and fully-electric options — still assumes an all-electric future, eventually, but at a much slower pace of adoption than previously expected.

“What we saw in ’21 and ’22 was a temporary market spike where the demand for EVs really took off,” said Marin Gjaja, chief operating officer for Ford’s EV unit, during a recent interview with CNBC. “It’s still growing but not nearly at the rate we thought it might have in ’21, ’22.”

Ford is significantly increasing its production and sales of hybrid models, which can help ease the transition to electrified vehicles for drivers who may not be ready for fully electric models. They can also help companies meet tighter federal standards for carbon emissions.

GM, which was the first traditional automaker to go all in on EVs, plans to roll out plug-in hybrid electric vehicles for consumers alongside EVs and gas cars. Others, such as [Hyundai Motor](#), Kia, [Toyota Motor](#) and, potentially, Volkswagen, plan to offer different levels of electrification across their lineups.

“I think the balanced approach is the best way,” VW of America CEO Pablo Di Si told CNBC last month, adding he is in discussions to bring hybrid vehicles to the U.S. The automaker currently sells hybrid vehicles in Europe, but none stateside.



A VW ID.BUZZ EV vehicle

Scott Mlyn | CNBC

“These technologies exist within the VW group, whether it’s hybrids or plug-in hybrids,” he said. “I think it’s just a matter of time until we bring it here.”

To be clear, although consumer demand for EVs hasn’t shown up in the way executives had expected, sales of the vehicles are still predicted to increase in the years to come.

U.S. EV sales were a record 1.2 million units last year, [representing 7.6%](#) of the overall national market, Cox Automotive estimates. That share is expected to increase to between 30% and 39% by the end of the decade, according to analyst forecasts.

“The market was never going to make a smooth transition to EVs, and we expected a slowdown in this shift as early adopters were satisfied,” said Sam Fiorani, vice president of global vehicle forecasting at AutoForecast Solutions. “Moving on to less tech-savvy buyers will slow the EV market share growth over the next few years.”

EV targets

As ESG investing — or investing geared toward environmental, social and governance principles — emerged in recent years and as Tesla rose from niche EV player to the most valued automaker by [market cap globally in 2020](#), the automotive industry largely took note and began plotting its path forward in EVs.

Automakers wanted to emulate Tesla’s success, with some promising to exclusively offer EVs in the not-too-distant future.

Among those targets: [Stellantis](#)-owned Alfa Romeo said its vehicle lineup would be all-electric by 2027. [Jaguar Land Rover](#) and [Volvo said](#) the same but by 2030. GM said it would offer only electric consumer vehicles by 2035, with its brands [Buick](#) and [Cadillac](#) aiming to exclusively offer EVs five years sooner. [Honda Motor](#) set its target to exclusively sell EVs and fuel-cell-powered vehicles in North America by 2040. Other, more specialized brands such as Lotus and Bentley have also announced EV-exclusive targets.

While none of those automakers has officially announced changes to its long-term goals, there’s been a notable shift in tone and messaging around their goals. Companies are monitoring consumer adoption, global emissions regulations and EV charging infrastructure to determine future plans, officials have said.

Since first adopting an all-electric deadline, of sorts, in January 2021, GM CEO Mary Barra and other executives have more recently said customer demand will steer its efforts. They maintain [that the 2035 goal](#) remains its guiding plan. Cadillac now says it will offer a full lineup of EVs, but not necessarily end production of all gas-powered models by 2030.

“We have the best of both worlds right now,” Cadillac Vice President John Roth said last month during an interview. “We’ll see where it heads here in the future, but we are still committed to offering a full EV portfolio by the end of the decade.”

Ford, for its part, has never stated plans to exclusively offer EVs globally, but it did set targets to be all-electric in Europe by 2030, for 50% of its sales in North America to be electric by that same year and to achieve [an 8% EV profit margin by](#) 2026. It has since backed off many targets and is cranking out hybrids — [specifically trucks](#) — along with EVs and plug-in hybrid electric vehicles for the U.S.

“We’ve always had a freedom-of-choice kind of approach,” Gjaia said. “Some of that was to protect ourselves against going too far in one direction, because the market right now, as we’ve seen, is very uncertain.”



Ford Motor Co., CEO Jim Farley gives the thumbs up sign before announcing Ford Motor will partner with Chinese-based, Amperex Technology, to build an all-electric vehicle battery plant in Marshall, Michigan, during a press conference in Romulus, Michigan February 13, 2023.

Rebecca Cook | Reuters

CEO Oliver Blume during Porsche's annual media event Tuesday said the German sports carmaker is "in a flexible position" regarding its vehicle manufacturing. He said the company is monitoring EV adoption and regulations but still has a goal of EVs making up 80% of its global sales by 2030.

"We have to keep tabs on it ... although the ramp-up is slower than planned last year, we are always in a position to respond flexibly," he said, adding the company will "have to see in 2026 and 2027" regarding its plans to significantly reduce spending on gas-powered vehicles.

The widespread shift in sentiment brings more automakers closer to the ethos of Toyota. Led [by Chairman and former CEO Akio Toyoda](#), the world's top-selling automaker has argued for years that a diversified lineup was the right strategy to meet all customer needs and reach its goal of being carbon-neutral by 2050.

The Japanese automaker is now expected to reap the benefits of its strategy, which includes hybrids, plug-in hybrids, EVs and hydrogen fuel cells.

"Toyota is almost completely absent from the [battery electric vehicle] market yet will gain more U.S. market share than any other car company this year. Let that sink in," Morgan Stanley analyst Adam Jonas wrote in an investor note last week. "EVs may be 'the future' but are struggling in the present. Hybrid sales are growing 5x faster than EVs in the US."

What happened?

After significant interest from early EV adopters — bolstered by low interest rates and Tesla's rise — interest rates skyrocketed, raw materials costs surged and the vehicles became much more expensive compared with their traditional counterparts.

It's also become clear that the automotive industry and the Biden administration, which set its own target for half of new U.S. vehicle [sales to be electric by 2030](#), overestimated the willingness of consumers to adopt a new technology without a reliable and prevalent charging infrastructure.



U.S. President Joe Biden gestures after driving a Hummer EV during a tour at the General Motors ‘Factory ZERO’ electric vehicle assembly plant in Detroit, Michigan, November 17, 2021.

Jonathan Ernst | Reuters

The adoption curve of EVs rapidly went through first adopters and some “EV curious” consumers, but has been a tougher sell with mainstream buyers.

“The expectations for EV growth in the U.S. market have shifted from ‘rosy to reality’ as sales increase, but customer acceptance of EVs isn’t keeping pace,” Cox Automotive said in [its 2024 forecast report](#).

The available inventory of EVs in the U.S., measured in days’ supply, has ballooned to 136 days, according to Cox. That compares to the overall U.S. industry at a 78 days’ supply of new vehicles. The data excludes Tesla, [Rivian](#) and other automakers that sell directly to consumers rather than through franchised dealers.

“A few years ago, there were wildly ambitious ideas of how EV sales would go and it seemed like nobody was thinking about bumps in this road,” said Michelle Krebs, an executive analyst at Cox. “Now they’re here, and so reality has set in.”

The slower adoption of EVs has led to price cuts or discounts on several models such as the Ford Mustang Mach-E, Tesla Model Y and, most recently, the Nissan Ariya.

Trisha Jung, senior director of Nissan U.S. EV strategy and transformation, said [the cuts of up to \\$6,000](#) will “improve the model’s competitiveness and ensure we are delivering maximum value to our customers.”

What’s next?

Industry strategy with regard to EVs may shift even more drastically in the months ahead, depending on political pressures, including the finalization of U.S. Environmental Protection Agency fuel economy and emissions standards.

A driving force behind the rollout of EVs by traditional automakers, particularly the so-called Detroit Three, was the need to meet federal vehicle emissions and fuel economy requirements to avoid costly penalties.

Proposals [currently under review](#) by the Biden administration to hike fuel economy standards through 2032 could cost automakers more than \$14 billion in fines based on the fuel efficiencies of their current fleets, according to the Alliance for Automotive Innovation, which represents the largest automakers operating in the U.S.



Cars make their way in traffic on a Los Angeles freeway on January 25, 2024.

Frederic J. Brown | AFP | Getty Images

A separate letter to federal regulators last year by the American Automotive Policy Council estimated such regulations would cost GM \$6.5 billion in fines and Jeep parent Stellantis \$3 billion. The council, which represents the Detroit automakers, said Ford's penalties would total about \$1 billion.

Shifting strategy comes with its own costs: Automakers that invested heavily in EV infrastructure and have since changed course could face write-downs or higher capital needs to shore up different production lines. But without consumer sales, they're left with little option.

It's unclear how much hybrids and plug-in hybrids would help automakers to meet the potential regulations, given the standards were crafted with a fast EV

adoption in mind. But the automakers' product mix will need to satisfy federal guidelines to remain a viable path forward.

Automakers' fuel economies are based on a fleetwide mix of vehicles sold. The better fuel economy and fewer emissions a vehicle produces, the better it is for the automaker's overall score.

"It all depends on what the final regulation looks like," said Matt Blunt, president of the American Automotive Policy Council.

Blunt said the trade group hopes the Biden administration listens to the industry's concerns and "understands that a part of transitioning to electric vehicles is having a reasonable fuel economy regulation in place."

Biden is reportedly expected to dial back certain targets amid the slower-than-expected pace of EV adoption, which was a major piece of his plans to combat climate change.

Looming in the distance, too, is the U.S. presidential election in November. If former President Donald Trump is reelected, he's expected to scale back or remove the fuel economy mandates, as he did during his first term in office.

A reversal of those standards come January could pave the way for an even longer era of gas-powered and hybrid models.

Automakers operating in Europe face stricter governmental EV regulations, which currently aim to ban sales of traditional, fossil-fuel vehicles by 2035. However, changes have already been made to the regulations and conservative groups such as the European People's Party have called for dropping the ban.

California EV sales are falling. Is it just temporary, or a threat to state climate goals?

By [Russ Mitchell](#) Staff Writer

Feb. 15, 2024 3 AM PT



After years of rapid expansion, California's booming EV market may be showing signs of fatigue as high vehicle prices, unreliable charging networks and other consumer headaches appear to dampen enthusiasm for zero-emission vehicles.

For the first time in more than a decade, electric vehicle sales dropped significantly in the last half of 2023. There are even signs that Californians may be growing tired of Tesla — or at least weary of its outspoken chief executive, Elon Musk — as state Tesla sales fell 10% in the final quarter of last year.

It's unclear whether the declines are a mere blip or the beginning of a downward trend, but the news is already raising questions about California's ability to meet its ambitious climate goals, including a pledge to [ban the sale](#) of new gasoline- and diesel-powered cars and light trucks by 2035.

"It's an interesting time for the automakers and consumers," said Greg Bannon, director of automotive engineering at AAA. "The government and automakers have spent billions on something consumers may not want."

Sales of all-electric cars and light trucks in California had started off strong in 2023, rising 48% in the first half of the year compared with a year earlier. By that time, [California EV sales](#) numbered roughly 190,807 — or slightly more than a quarter of all EV sales in the nation, according to the California New Car Dealers Assn.

But it's what happened in the second half of last year though that's generating jitters. Sales in the third quarter fell by 2,840 from the previous period — the first quarterly drop for EVs in California since the Tesla Model S was introduced in 2012. And the fourth quarter was even worse: Sales dropped 10.2%, from 100,151 to 89,933.

"There are real challenges," said Corey Cantor, EV analyst at Bloomberg BNEF, an energy research firm. "Growth year-on-year for 2023 was really impressive, but watching the first half of this year will be important."

Propelled by the sales success of Tesla, and boosted by electric vehicles from other automakers entering the market, consumer acceptance of EVs had seemed like a given until recently. In fact, robust sales growth is a key assumption in the state's zero-emission vehicle plan.

Currently, there are 1.4 million electric vehicles on the road in California, and EVs make up 20.1% of all new car sales. Under the no-gas mandate, zero-emission vehicles must account for 35% of all new vehicle sales by model year 2026.

“It’s conceivable we can get to 35% in two years, but it’s going to be difficult to get there,” said Brian Maas, president of the California car dealers association.

Why the slowdown? Market analysts and survey takers point to several issues: unreliable or insufficient public chargers, high vehicle prices, high interest rates and confusing government incentive programs.

Some also theorize that an aging product line coupled with a steady stream of controversial pronouncements by Tesla’s Musk have turned off consumers — particularly in Democratic-heavy counties where EVs are most popular.

Nationally, EV sales growth also has slowed as automakers such as Ford and General Motors [cut back](#) — at least temporarily — on EV and battery production plans. Hertz, the rental car giant, is also pulling back on plans to shift heavily toward EVs. Hertz several years ago announced plans to buy 100,000 Teslas but is now [selling off](#) its EV fleet.



Hyundai-Genesis North America Chief Executive Jose Munoz with the all-electric Hyundai Ioniq 5.

(Christina House / Los Angeles Times)

Cantor, the BNEF analyst, said that although recent sales figures are worrisome, there's plenty of momentum behind the EV transition, as evidenced by government mandates around the globe and massive investments by motor vehicle manufacturers and their suppliers.

Those investments total [\\$616 billion globally](#) over five years, according to consulting firm AlixPartners.

But plenty of speed bumps and roadblocks could impede the EV transition. Here are some of the biggest challenges:

Undependable chargers

Public charging is notoriously unreliable. As [The Times reported](#) in January, the state government is contending with an undependable charging system that, according to studies from academic researchers and market analysts, can be counted on to malfunction at least 20% of the time. That has provoked an outcry from EV owners who can lose hours a day locating working chargers and then waiting in line to use them.



The Tesla Supercharger station in Kettleman City, Calif.

(Carolyn Cole/Los Angeles Times)

California has doled out \$1 billion to EV charger companies thus far, with more billions to come. But the California Energy Commission, which hands out the cash grants for charger installation, has only now decided to collect reliability statistics. It's also mulling over how to hold the charger companies accountable for performance. The charger companies, including Electrify America, ChargePoint, and EV Go, have promised to improve.

Too few public chargers

Even if they were reliable, there aren't enough chargers to go around. EV sales have outpaced public charger installation. The energy commission [reports](#) 93,855 publicly accessible chargers are in place throughout the state, including 10,000 fast chargers. That's far short of the 250,000 chargers that the state has targeted by 2025. The state estimates that by 2035, 2.1 million chargers will be needed.

There are bright spots however: Some Tesla Supercharger stations — the number is not yet clear — will be opened up to non-Tesla vehicles over the next few years. The federal government is spending \$5 billion nationally to put fast chargers on major highways at 50-mile intervals. California will receive \$384 million.



A Tesla Supercharger Station in Kettleman City, Calif.

(Carolyn Cole / Los Angeles Times)

Seven major automakers have also teamed up to build a North American charging network of their own, called [Ionna](#). The joint venture plans to install at least 30,000 chargers — which would be open to any EV brand — at stations that will provide restrooms, food service and retail stores on site or nearby.

High prices

Although the cost of building EVs continues to drop, it has yet to reach price parity with internal combustion cars and trucks. The average retail price for an EV now is \$55,343, compared with \$48,247 across all vehicles, according to Kelley Blue Book. Higher interest rates add more price tag pain.



President Biden stops to talk to the media as he drives a Ford F-150 Lightning truck in May 2021.

(Associated Press)

Tesla, which has built more manufacturing capacity than the market demanded, slashed prices last year. That's caused other EV makers to lower prices in kind — or to keep prices elevated but cut back on production.

Ford has taken that approach with its F-150 Lightning electric pickup truck. Despite glowing reviews in the automotive media, sales have been

disappointing. Ford chose to cut planned production in half rather than lose big money on drastic price cuts. Marin Gjaja, head of Ford's EV arm, recently told stock analysts that the next generation of EVs will be launched "only when they can be profitable."

Confusing incentives

Government incentives, whether tax credits or cash grants, do help boost EV sales. But as the Biden administration tries to balance EV adoption with a made-in-America industrial policy, federal incentives have become both scarcer and harder to understand.

Depending on whether a car was manufactured in North America or not, and what countries its battery materials were sourced from, tax credits could range from nothing to \$3,750 to \$7,500. The number of models that qualify for the full federal subsidy has fallen from 17 last year to 8 today.

To further complicate matters, EVs assembled overseas and purchased domestically don't qualify for tax credits. However, consumers can qualify for federal subsidies if they lease the same vehicle instead. It's a complicated arrangement that requires close work with a trusted dealer to sort out.

There's some good news for those who do qualify for a tax credit when they buy an EV. Since Jan.1, buyers don't have to wait until they file their taxes to benefit — they get the credit upfront as a reduction in purchase price.

In California, EV subsidies were reworked last year. Strict income ceilings were put in place to qualify for help. Poorer buyers will get more incentives; richer buyers, nothing at all. Such an approach addresses equity concerns, but it will take time to assess the affect on EV sales.

Market saturation?

The EV market is far from saturated. In 2023, 15.6 million cars and light trucks were sold in the United States, most of them gasoline. Electric cars accounted for just 7.6% of those sales.

In California, the market share is already up to 20.1%. The ultimate limit on market saturation, theoretically, is 100% in 2035.

But there's also a market for EV early adopters: those who can afford EVs and buy them because they're perceived as cool, or like the way they drive, or are deeply concerned about the climate — or all three.

But mainstream buyers — i.e., most car buyers — might be a tougher sell. “A lot of observers agree that early adopters have bought an EV,” said Maas, the California car dealer president. “These vehicles are very expensive for the mass market, and on top of that you have the charging challenges,” he said.

Lower-priced EV models are due to arrive over the next several years, but right now they're in short supply. In fact, General Motors last year announced that it would [stop selling its popular Bolt EV](#), one of the least expensive EVs on the market, while pushing gigantic battery-powered vehicles such as the Silverado pickup and the 9,000-pound Hummer. Americans have shown a strong preference for bigger vehicles — pickup trucks and SUVs. Those require bigger, heavier and more expensive battery packs — one reason prices remain so high. (Profit margins are much higher on these vehicles too.)

The Musk factor

There's no survey to prove it, but there's plenty of anecdotal evidence to suggest liberal-leaning California car buyers are done with Elon Musk's abrasive personality and his stands on political issues. (Ask friends or neighbors who drive a Tesla.)



Elon Musk, chief executive of what was then Twitter, is broadcast on a screen as he speaks at a Miami marketing conference in April 2023.

(Rebecca Blackwell / Associated Press)

LaRaye Lyles, a therapist and consultant in Oakland, was thrilled when she bought a Tesla Model Y a couple of years ago. “I felt very happy when I got the car. I was excited about it. Then I lost the joy of owning a Tesla.”

Musk’s endorsement of the [“great replacement theory”](#) championed by white supremacists on X, his [hostility toward transgender activism](#) and his [general public persona](#) turned her off. “I would absolutely not get a Tesla again, as long as Elon Musk is associated with it,” she said. “In fact, I wish I’d leased this one so I could just give it back.”

Tesla remains a major player in California. Last year, 1 in 8 cars sold, EV or gasoline, was a Tesla. But in the fourth quarter, Tesla sales dived 10%. If enough buyers here are truly fed up enough with Musk to influence their purchasing decisions, Tesla’s sales could continue to suffer.

On the EV front, there's plenty to watch out for in the year ahead.

How Ford's F-150 Lightning, Once in Hot Demand, Lost Its Luster

Some buyers said the electric Lightning did not meet expectations, and Ford has slashed its production plans for the pickup because sales are lagging.

https://www.nytimes.com/2024/02/07/business/fords-f150-lightning-electric-pickup-trucks.html?unlocked_article_code=1.Tk0.7Mv8.RM5_6JV8gmkc&bgrp=a&smid=url-share

In July Michael Puglia drove home with what seemed like the coolest vehicle he'd ever own — a Ford F-150 Lightning electric pickup truck.

It was big enough to haul around his children and all their hockey gear. He'd never have to gas it up, and the ride was exhilarating. "It's unbelievably fast and responsive," said Mr. Puglia, a pediatric anesthesiologist in Ann Arbor, Mich. "The technology is amazing."

But as cooler weather arrived, the truck's range — or how far it could travel before needing to be plugged in — dropped significantly. Once, after Mr. Puglia had driven 35 miles to an ice rink, his range fell by 73 miles. Another time, a 60-mile jaunt reduced his range by 110 miles.

Several trips to the dealership for software updates didn't fix the problem, leaving Mr. Puglia wondering whether he should keep the \$79,000 truck.

"People say 'range anxiety' — it's like it's the driver's fault," he said. "But it's not our fault. It's actually they're not telling us what the real range is. The truck says it's 300 miles. I don't think I've ever gotten that."

Mr. Puglia's short trip from excitement to frustration reflects the recent ups and downs across the electric vehicle sector. Twelve months ago, sales of battery-powered cars seemed poised for a sustained takeoff in the United States. Sales rose 46 percent last year, exceeding more than one million vehicles for the first time and making up more than 7 percent of all new light vehicles sold in 2023.

But by the final three months of 2023, the pace of sales had slowed, and automakers' optimism had turned to caution. In the last three months of the year, according to the California New Car Dealers Association, new-vehicle registrations of electric vehicles [fell from the previous three months](#) in California — the largest market for battery-powered cars and trucks.

Ford Motor, General Motors and others are now slowing down electric vehicle investments. G.M. is also delaying the sale of some new electric models and making plans to produce plug-in hybrids, which dealers say are drawing more customer interest.

"You had a wave of early adopters, but the mainstream consumer is just not jumping up and down for E.V.s," said Marc Cannon, an independent consultant who until recently was the chief

customer experience officer at AutoNation, the country's largest automotive retailer. "The manufacturers are putting out product, but the consumer is like, 'We're not participating.'" Editors' Picks

The Point of 'Saltburn' Isn't What You Think It Is

I've Got a Lovely Bunch of Coconut Recipes

Racy Presidential Love Letters: 'I Take a Long, Deep, Wild Draught on Your Lips'

More than almost any other new battery-powered vehicle, the F-150 Lightning seemed like a big hit when it was introduced in 2022. It was the electric incarnation of the country's best-selling vehicle and could accelerate like a sports car. Ford at one point had 200,000 reservations for the truck. Initially, the company struggled to produce more than a few thousand a month, limiting sales. Then, last year, consumer enthusiasm was replaced by a more cautious appraisal.

Demand for the Lightning slackened, and the reservation backlog all but disappeared. In 2023, Ford sold 24,000 Lightnings, a 54 percent increase from the previous year but well short of the annual production of 150,000 that the company had once aimed for.

Marin Gjaja, chief operating officer of Ford's electric vehicle division, said sales of the Lightning, while lower than original expectations, are strong. In the fourth quarter it was one of the top-selling electric vehicles after Tesla's Model Y and Model 3.

And in states where electric vehicle ownership is high, like California, Oregon and Washington, the Lightning accounts for about 30 percent of sales of the company's F-Series trucks. "We continue to see the Lightning as a success and a critical part of our portfolio," Mr. Gjaja said. Late last year, Ford said it would reduce the number of F-150 Lightnings it produced in 2024 by about half, [to around 1,600 a week](#). The company also moved some 1,400 workers who had been making Lightnings to other models, including the gas-powered F-150. In January, Ford sold 2,258 Lightnings, six fewer than in the same month last year.

It's not just Ford. Pickup trucks have been a particularly disappointing segment of the electric vehicle market. Rivian sold about 17,700 of its R1T pickup last year, the same as in 2022, according to Cox Automotive. Tesla and G.M. introduced electric pickups last year — the Cybertruck and a Chevrolet Silverado — but have produced and sold very few so far.

A big part of the problem, owners and analysts said, is that despite having fantastic technology and acceleration, electric pickups suffer sharply reduced range when drivers use them for the kinds of things people buy trucks for: to haul heavy stuff, tow trailers and drive in nasty weather.

How far an electric vehicle can travel on a charge can vary greatly. Edmunds, the market researcher, tested a Lightning in 81-degree weather and drove the truck 341 miles on a full battery. But cold temperatures can reduce the range of all electric vehicles. During [a recent frigid spell in the Midwest](#), some owners of Teslas and other brands saw their range fall by half or more. Owners who do not have chargers at home suffer more

because they cannot preheat their cars while they are plugged in before heading out. Rain, hills, aggressive driving and heavy loads can also reduce range.

Mr. Gjaja said some drivers might not yet be aware of all the steps they could take to maximize the truck's range. Programming the truck to warm up its battery on cold mornings can reduce loss of range. And using "one pedal" driving mode recoups energy when the vehicle brakes.

Driving at 65 miles per hour will use up less energy than driving at 70 or 80 m.p.h., reducing the need for a charging stop, he said. "Going slower may get you there faster."

Ford recently began equipping Lightnings with energy-saving heat pumps that can help extend driving range.

Tesla, which makes about half of all electric vehicles sold in the United States, was sued last summer by three Californians who contend that their cars failed to achieve the range advertised by the automaker. The suit, filed in U.S. District Court in the Northern District of California, was based partly on a Reuters report that said the range figures on Tesla's dashboard screens did not take into account weather conditions and other important factors. Reuters also reported that the company had created a team of employees to deflect range complaints from customers.

Tesla did not respond to a request for comment.

Even when cold weather is not a problem, range can be an issue, especially for large pickup trucks used for work.

Mike Kochav, who owns a construction company in Fort Lauderdale, Fla., bought a Lightning in summer 2022 for about \$90,000. His business already owned six gasoline-powered F-150s. He loved the electric truck's ride and technology, but found his range fell rapidly when the pickup hauled equipment to job sites around the state.

"The minute you put a trailer on it, the mileage drops," Mr. Kochav said. Since he sometimes drives 200 to 300 miles a day, he had to stop to charge — which often took 45 minutes, or longer if he had to wait for a charger to become available.

"It was too many delays in my day," Mr. Kochav explained. He traded in his Lightning last summer.

Public electric vehicle chargers are available at about 61,000 stations across the country, according to the Energy Department; by comparison, there are 145,000 gas stations.

Electric vehicles also tend to have more problems than hybrid or gasoline models, according to a recent survey by Consumer Reports. That may be because manufacturers are still learning how to build reliable battery-powered vehicles. G.M. recently had to tell dealers to stop selling the electric Chevrolet Blazer, a new model, while it fixes software issues that can cause certain features of the sport utility vehicle to stop working.

Electric vehicles are also more expensive than comparable hybrid and gasoline models, even after several rounds of price cuts last year. Federal and state tax breaks for certain electric cars and trucks help but don't always close the gap.

Still, the industry is forging ahead. Analysts estimate that 1.5 million electric vehicles will be sold this year, up from almost 1.2 million in 2023. The Biden administration is expected to complete new emissions rules next month. Its proposal would, in effect, require battery-powered cars to make up two-thirds of all light-vehicle sales by 2032, though the details could change before the regulations become official.

Ford and other manufacturers can perhaps take heart in consumers like Mr. Kochav. Despite his frustrations, he said he was open to giving the Lightning another try in a few years, especially if Ford improved the truck's range and charging stations became more commonplace.

"I really loved it," he said. "I really think I'll go back to it one day."

The EV Backlash Builds

Companies cut output amid flagging demand. Could it be the product?

By
The Editorial Board
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Jan. 19, 2024 6:39 pm ET

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Ford F-150 Lightning trucks under production at their Rouge Electric Vehicle Center in Dearborn, Mich. PHOTO: JEFF KOWALSKY/AGENCE FRANCE-PRESSE/GETTY IMAGES

The Biden Administration keeps throwing around billions in subsidies for electric vehicles, and the press corps keeps hailing them, but consumers don't seem to want them. The evidence is building that this green industrial policy is a bust.

Ford Motor

said on Friday that it's slashing production of its F-150 Lightning truck amid flagging demand. The F-150 Lightning drew oohs and aahs from the press when it was unveiled in May 2021. Yet the electric pickup has been plagued with defects that have required recalls. It sold a mere 24,165 Lightnings last year and lost roughly \$36,000 on each EV in the third quarter.

So now Ford is cutting production at its Lightning plant in Michigan while increasing output of its popular gas-powered Bronco SUV and Ranger pickup. "We are taking advantage of our manufacturing flexibility to offer customers choices while balancing our growth and profitability," said CEO Jim Farley.

Or consider

General Motors

, which last month told its Chevrolet dealers to stop selling its electric Blazer SUV owing to software and other problems. Consumer complaints have piled up on social media about glitches including inoperable window switches and batteries that won't charge.

A Consumer Reports survey in November found that new EVs have 79% more problems than internal-combustion cars. "This suggests that legacy auto makers need more time to work out the kinks under the hood of their EVs," the report noted. "What matters most to consumers remains the same: finding safe, reliable cars," Consumer Reports CEO Marta Tellado said. People want safe, reliable cars—who would have thought?

Hertz, the rental car giant, is also bowing to consumer demand by selling about a third of its global EV fleet and buying more gas-powered cars with the proceeds. Car renters have no doubt read stories about the long lines of Chicago drivers unable to charge their EVs as batteries drain power faster in freezing weather.

None of this is stopping the Biden Administration, as this week the Environmental Protection Agency sent its final rule on auto greenhouse emission standards to the White House for review. This back-door EV mandate will punish Ford and other auto makers if they respond to consumer demand by selling more gas-powered cars. It will also compel the companies to roll out EVs before technological and engineering kinks are worked out. This is a recipe for making EVs less popular, not more.

Amid the private jet-set at Davos this week, Biden climate czar John Kerry attributed consumer resistance to EVs to "disinformation." That's hilarious. The automobile press couldn't be more in the tank for EVs.

We've got nothing against electric vehicles if consumers want them. But the Administration is trying to force them on the public with mandates and subsidies. This misallocation of capital harms consumers and workers. Mr. Biden's green industrial policy isn't failing because of bad marketing. It's failing because Americans don't like the product.

<https://www.wsj.com/articles/ford-f-150-lightning-production-electric-vehicles-biden-administration-1c3fc8d0>

EV sales start to fall in California, an industry bellwether

Consecutive quarters of falling EV sales could derail state's zero-emission vehicle transition target.

January 31, 2024 06:05 AM

JERRY HIRSCH

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Jerry Hirsch

California sales of EVs, like these Teslas charging in Long Beach, Calif., are starting to fall.

When it comes to cars, [California](#) has long served as a trendsetter for much of the nation, both in styling and regulation. But has it now become the canary in the coal mine, signaling a warning for the industry?

Following a long, seemingly inexorable climb, registrations of battery-electric vehicles in California fell in the fourth quarter of last year. [EV](#) sales have now fallen for two consecutive quarters in the state, even as California regulators set a 2035 deadline for all new auto registrations to consist of zero-emission vehicles.

"When I think about California's overall adoption, this is just part of this transition. But if we see more quarters like this, it will be indicative of a slowdown," said Stephanie Valdez Streaty, director of industry insights at Cox Automotive.

California registered 89,993 electric light passenger vehicles in the fourth quarter, a 10 percent decline from the 101,151 in the third quarter, according to data compiled for the California New Car Dealers Association by Experian Automotive. The third quarter represented a small dip from the 102,991 EVs registered in the second quarter of 2023.

RELATED ARTICLE

Tesla EV share falls in booming California market as rivals make gains

To be sure, the EV market is still a substantial portion of California auto sales. EVs accounted for 21.4 percent of the state's auto sales last year. Plug-in hybrids — cars that can travel 10 to 50 miles on electricity alone — made up 3.4 percent of sales. Combined, vehicles that plug into the wall accounted for a quarter, 24.8 percent, of the market last year. That's up from 20.1 percent in 2022 and about three times the national share.

Valdez Streaty said she anticipates continued EV sales growth nationally but expects it will be [uneven](#) with quarterly ups and downs.

"We will have more products, more incentives, more price cuts," she told *Automotive News*. "As consumers start to see more reliable charging

infrastructure and franchise dealers get more EV sales training, we will still see growth."

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Whether California can meet its regulatory target of exclusively zero-emission new-vehicle sales in 2035 is questionable, said [Brian Maas](#), president of the California New Car Dealers Association and the 2023 chairman of Automotive Trade Association Executives.

"The sales trend is slowing down, and it needs to go up to get to 100 percent," Maas said. "There is a lot of ground to cover in just 11 years."

While a two-quarter downturn is not a "definitive trend," Maas said it is something to monitor.

There are a variety of factors at play.

Although market leader Tesla sales grew 25 percent in 2023 over 2022, its fourth-quarter registrations fell by 10 percent from the same period a year earlier. Maas said the automaker, which does not sell through the franchised dealer network that the trade group represents, has not significantly refreshed the design of its vehicles at the same pace as other automakers. He said consumers tend to gravitate to the newest and freshest models.

Gasoline prices are falling, adding appeal for internal combustion engine vehicles. Sales of EVs, plug-in hybrids and hybrids typically rise and fall with gasoline prices because of changes in operating expenses, Maas said.

EVs are expensive, and deciphering which models qualify for federal and state tax credits and rebates has become confusing as regulators have linked them to assembly location, materials sourcing and other factors, Maas said.

Common TV advertisements offer discounted financing rates and rebates at the point of sale. "It is simple," Maas said. "That's the touchstone people use

when thinking about a rebate program. The government programs require additional education for consumers and dealers.""

EV prices are typically higher than those for gasoline vehicles, and there is a dearth of [low-priced models](#) for sale, he said. With interest rates high compared with previous years, consumers are looking at less expensive vehicles to keep monthly payments affordable.

"If consumers are looking at vehicles based on price a lot of the BEVs are not competitive," Maas said.

Ford cutting jobs at F-150 Lightning plant, adding 3rd shift for Bronco, Ranger

Ford is eliminating two of the three production crews at its electric F-150 plant, making 1,400 people either retire or move to another plant in the Detroit area.

January 19, 2024 08:39 AM

MICHAEL MARTINEZ

[HTTPS://WWW.AUTONEWS.COM/MANUFACTURING/FORD-CUTTING-1400-JOBS-ELECTRIC-F-150-PLANT-LOWER-PRODUCTION](https://www.autonews.com/manufacturing/ford-cutting-1400-jobs-electric-f-150-plant-lower-production)



MICHAEL MARTINEZ

[Ford Motor Co.](#) on Friday said it's cutting two-thirds of the jobs at the Michigan plant that builds the F-150 Lightning as it slows output of the electric pickup.

In April, Ford will make 1,400 workers at its Rouge Electric Vehicle Center in Dearborn, Mich., either retire or move to other facilities as the plant drops to one daily production shift, the automaker said. Since October, the site has been operating on a two-shift, three-crew pattern, with one crew of workers [on rotating layoffs](#).

Ford said 700 people, or roughly half the affected workers, will transfer to nearby Michigan Assembly Plant, where it's adding a third crew to increase production of the Bronco SUV and Ranger pickup. Those 700 will join 900 additional hires for a total of 1,600 workers on the new third crew.

EV sales growth slowdown causes headaches for suppliers

Other workers cut from the F-150 Lightning plant will be placed in roles at the surrounding Rouge Complex or other plants in the Detroit area, or they can retire with an incentive package created under the company's new UAW contract, Ford said.

The automaker said "a few dozen" employees could be impacted at F-150 Lightning component plants depending on the number of workers who take the retirement package, although it would place those impacted employees elsewhere.

The move corresponds to a [downshift in Lightning production](#) that *Automotive News* reported last month. Ford told suppliers that it would slash planned output of the F-150 Lightning by half this year because of "changing market demand," moving from a weekly average rate of 3,200 pickups to 1,600.

Still, the automaker hopes to continue growing sales and boosting profitability this year. This month, Ford [adjusted prices](#) for 2024 Lightning models and said it was eliminating two of the pickup's trim levels.

Ford billed the Friday news as a sign of its ability to respond to changing market demand.

"We are taking advantage of our manufacturing flexibility to offer customers choices while balancing our growth and profitability," CEO Jim Farley said in a

statement. "Customers love the F-150 Lightning, America's best-selling EV pickup. We see a bright future for electric vehicles for specific consumers, especially with our upcoming digitally advanced EVs and access to Tesla's charging network beginning this quarter."

F-150 Lightning sales rose 55 percent last year to 24,165 vehicles.

The production pullback comes amid a slowdown in EV demand that has prompted Ford and other automakers to rethink ambitious production targets. The cuts have also upended suppliers that invested millions of dollars in tooling and equipment to meet automakers' plans.

Ford has delayed roughly [\\$12 billion in EV investments](#) and postponed some production targets. The company said it was reducing some Mustang Mach-E production and postponing opening one of two battery plants planned in Kentucky with partner SK On.

"The narrative has taken over that EVs aren't growing; they're growing," Ford CFO John Lawler said in October when announcing Ford's third-quarter earnings. "It's just growing at a slower pace than the industry and, quite frankly, we expected."

Tesla tries a winter discount for Model Y in cooling U.S. EV market

Tesla is offering \$1,000 off in the U.S. and Puerto Rico until March 'since most people don't love to buy cars in the middle of winter,' CEO Elon Musk says.

February 13, 2024 12:59 PM

LAURENCE ILIFF



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Tesla Model Y

[Tesla Inc.](#) is rolling out a new sales incentive this month to boost deliveries of its Model Y crossover, with CEO [Elon Musk](#) announcing a \$1,000 price cut "since most people don't love to buy cars in the middle of winter."

Musk said on the social media platform X, which he owns, that Tesla's winter discount, available in the U.S. and Puerto Rico, could help the automaker through a rough patch. Last month, [Tesla dropped](#) its previous sales guidance of 50 percent growth per year as it warned of a "notably slower" expansion this year. Tesla didn't offer new guidance for 2024.

"This is the essential quandary of manufacturing: factories need continuous production for efficiency, but consumer demand is seasonal," Musk said on his X account on Sunday.

The \$1,000 savings will end in March, Tesla said on its website. The top trim level Model Y Performance doesn't get the winter discount.

Tesla, which has slashed stickers repeatedly over the past 13 months, faces slowing electric vehicle growth and [greater competition](#) as rivals steal market share with fresher models than its sedan and crossover lineup.

The investment firm Piper Sandler said this month that it expects Tesla's 2024 sales to grow 7 percent to 1.93 million vehicles globally. Tesla's 2023 deliveries grew 38 percent to 1.81 million. The U.S. and China are its biggest markets.

Tesla rakes in \$9 billion from carmakers failing to sell enough EVs

In the U.S., new-vehicle registration data shows Tesla's share of the EV segment falling below 50 percent for November, according to the most recent data from S&P Global. Rivian, Hyundai, BMW and Mercedes-Benz all increased their EV segment share compared with November 2022, the data shows.

"Competition among electric vehicle manufacturers is getting tough," said Sam Fiorani, vice president of global vehicle forecasting at AutoForecast Solutions. "There are simply too many models on the market chasing too few buyers, and this is even affecting Tesla, as we've seen from their various price drops."

The base Model Y with rear-wheel drive now starts at \$44,630 including shipping, Tesla said on its website. For buyers eligible for the full \$7,500 tax

incentive, the standard-range crossover starts at \$37,130 with shipping. The higher trim level long-range Model Y with all-wheel drive starts at \$49,630 with shipping.

Prior to Tesla's January 2023 price cuts, the least expensive Model Y started at \$67,440 with shipping. That was for the long-range trim level since Tesla wasn't selling the standard-range Model Y at that time. In 2022, the Model Y didn't qualify for the federal tax incentive.

Comparing the 2022 and 2024 long-range versions, the current one is 26 percent less expensive, not including the tax incentive. With the incentive, it's 38 percent less expensive than the 2022 model.

New pickup

Tesla does have a new vehicle that it doesn't need to discount — the Cybertruck pickup that launched in November.

The Cybertruck is in high demand and selling at six-figure prices for its Foundation Series. But the automaker has warned that production will be limited this year.

Piper Sandler forecast 31,000 Cybertruck deliveries in 2024. Musk has said there are more than 1 million reservations for the pickup.

"Cybertruck production is ramping up slowly, as the manufacturer has done with other models in the past," Fiorani said. "Interest in the truck remains high, so Tesla could get a bounce, if only they could get more of them on the road."

Tesla also launched a freshened version of the Model 3 sedan last month, but on Jan. 1, it lost access to the \$7,500 EV incentive since it uses battery components from China. The Model Y sources batteries from North America. The Inflation Reduction Act tightened battery sourcing requirements for the credit starting in 2022.

The Model 3 starts at \$40,630 with shipping, which is more than the base Model Y with the federal tax incentive included. The freshened sedan has new features not found on the Model Y, such as a more comfortable suspension and upgraded interior. A freshened version of the Model Y is expected next year, analysts said.

By having the Model 3 priced above the larger and more popular Model Y, Tesla may have to make additional price adjustments this year to keep the sedan competitive.

"With versions of the Model 3 losing their [Inflation Reduction Act] incentives this year, 2024 could see a number of price adjustments to keep buyers interested in the brand," Fiorani said.

"The lack of competition for sub-\$40,000 EVs, now that the Chevrolet Bolt is out of production, is one of the few things in Tesla's favor," Fiorani said.

Rivian cuts prices on base R1T, R1S models as EV adoption slows

The price was cut by \$3,100 for the entry R1T pickup and R1S crossover, which qualify for the \$3,750 federal tax incentive.

February 09, 2024 10:30 AM

LAURENCE ILIFF



LAURENCE ILIFF

Rivian R1T pickups outside Normal, Ill. factory.

[Rivian Automotive](#) said it cut prices on its R1T pickup and [R1S crossover](#) by \$3,100 for the base models with 270 miles of range, and added a new battery option with 315 miles of range at the previous prices.

The R1T pickup with dual motors and the standard battery now starts at \$71,700 with shipping, and the R1S in the same configuration starts at \$76,700. Rivian said the models qualify for a \$3,750 federal tax incentive, which is half the maximum. On a lease, the models qualify for the full \$7,500, the automaker said Thursday.

Rivian resisted price cuts last year, citing its robust order backlog. Since then, however, there are clear signs that the electric vehicle market is growing more slowly than expected, analysts said.

"Like every electric vehicle producer with a U.S. presence, Rivian has to reconcile past expectations with current market realities," said Karl Brauer, executive analyst at iSeeCars. "Price continues to be a leading factor in why people don't buy EVs, so anything [Rivian can do](#) to lower that barrier is a good idea," he told *Automotive News*.

Rivian adds leasing for R1S crossover with \$7,500 EV credit built in

Rivian's new battery option sits just above the standard pack. The "standard-plus" battery gives the R1T and R1S an estimated 315 miles of range for an extra \$3,100. That means [Rivian is offering](#) the new pack with an extra 45 miles of range at the old prices, \$74,800 for the R1T with shipping and \$79,800 for the R1S.

The price cap for the federal tax incentive is \$80,000 for pickups and crossovers, but leases are exempt from the cap.

Rivian stuck to its pricing strategy last year after [Tesla Inc.](#) slashed prices to boost demand and other EV makers followed suit, including Lucid and Ford. Rivian CEO RJ Scaringe said on an earnings call in August that the automaker had confidence in the value of its vehicles at the higher base prices.

"As we think about the positioning of the product, the capabilities of the product — on-road, off-road, dynamically — and the feature set that's in the vehicles, we feel quite comfortable with the positioning of what we've done," Scaringe said in response to an analyst question about price-cutting at the time.

Rivian said Thursday that the standard and standard-plus battery packs are nickel-based and not the iron-based units that it expects to offer later this year. Lithium-iron-phosphate batteries are generally less expensive for automakers to produce. Tesla uses LFP cells on its base Model 3 sedan.

"We're leveraging our product portfolio to offer something new to customers who want to make the transition to electric today," Rivian said in a press release announcing the price cuts. "This opens Rivian ownership up to more and more people, which is vital to our mission."

Rivian said it will start delivering its pickup and crossover with standard and standard-plus packs in March. The startup launched production in late 2021 with its large pack and added a bigger "max" pack in October 2023. But it delayed introduction of the standard pack until now. R1T and R1S prices with the bigger packs did not change.

Rivian doesn't break out sales by model, but registration data shows R1T deliveries falling last year as consumer interest shifted to the R1S, which had been in short supply until mid-2023.

New R1T registrations fell 9.7 percent in the January-November period to 10,245 vehicles compared with the same period in 2022, according to the most recent data from S&P Global. New R1S registrations rose to 21,689 from 811 in the 11-month period compared with a year earlier.

For November, new R1T registrations fell 36 percent to 799, while R1S numbers rose to 3,041 from 217 in the year-earlier month.

[Rivian's stock price](#) is down 24 percent so far this year as of Thursday's closing price of \$16.11.

To expand its potential market, Rivian introduced leasing for the first time in November for the R1T and followed with the R1S in January. The leases are limited to inventory models for residents of 15 states, including California, Texas, Florida, New York and Colorado. Rivian has said it expects to expand the program.

Following Thursday's price cuts, Rivian was advertising a lease on the base R1T for as low as \$536 a month with \$7,431 due at signing. That was for a 36-month lease with 10,000 miles per year.

Rivian is also planning to present a new vehicle platform [on March 7](#) that it will use to produce more affordable vehicles starting in 2026.

Brauer said that price cuts and lease deals in the EV market are likely not going away soon as the shift from combustion vehicles to electric ones plays out over many years.

"This won't be the first — or last — time a new technology collided with market realities," Brauer said, comparing the current pace of EV adoption to the delayed promise of autonomous vehicles lining the roads. "That doesn't mean the technology won't eventually change the world, but it will take much longer than industry leaders and government officials told us."

Ford adjusts strategy as EV losses mount

CEO Jim Farley said Ford may postpone some EV launches and is assessing whether to get more batteries from outside sources after working to vertically integrate production in recent years.

February 08, 2024 02:44 PM

MICHAEL MARTINEZ



[Ford Motor Co.](#) is refocusing its electric vehicle strategy and abandoning near-term profit expectations as losses from its Model e business unit pile up.

The automaker this week said it expects to lose [\\$5 billion to \\$5.5 billion](#) on EVs this year — up to 15 percent more than in 2023 — and no longer thinks it can reach a goal of 8 percent margins on EVs by 2026, a target it reaffirmed as recently as the middle of last year. CEO Jim Farley said Ford may delay some upcoming EVs and is assessing whether to get more batteries from outside sources after working to vertically integrate production in recent years.

In addition to a next-generation electric F-Series pickup and a three-row utility vehicle, the company is developing smaller, more affordable EVs on a new, flexible platform, Farley said. The effort is being led by former [Tesla engineer Alan Clarke](#) in California.

"All of our EV teams are ruthlessly focused on cost and efficiency in our EV products, because the ultimate competition is going to be the affordable Tesla and the Chinese OEMs," Farley said.

Ford promises EV adjustments, more dealer engagement

The pivot comes as EV growth slows, prompting Ford to postpone \$12 billion in spending and [cut production](#) of once-promising models such as the F-150 Lightning. While the company plans to continue boosting EV volume and still contends the technology represents the future, Farley said Ford is learning the demand curve differs from gasoline-powered vehicles.

Two years ago, coming out of the pandemic, he said, the company didn't have enough manufacturing capacity and raced to build more products. After production constraints eased and early adopters bought their vehicles, remaining customers haven't been as willing to pay such high prices.

"This is a huge moment for us," Farley said. "What we've seen, because we offer everything, is that pricing quickly converged to hybrids, after any benefit from subsidies. ...We're betting that choice and flexible manufacturing is going to get us successfully through this transition."

'Magical breakthrough'

Farley said this week that Ford expects hybrid sales to grow 40 percent this year, after rising 25 percent in 2023. It's cutting the hybrid variant of its Explorer and Lincoln Aviator crossovers but anticipates more volume from the Maverick and F-150.

COO Kumar Galhotra said the F-150 could become the nation's [top-selling hybrid](#).

Executives said Ford is in good shape despite the longer-than-expected transition to EVs because of the strength of its combustion business. That division, Ford Blue, earned \$7.5 billion in 2023.

Earnings for the Ford Pro commercial unit more than doubled to \$7 billion as its profit margin rose to 12.4 percent. CFO John Lawler said that business has "exceptional upside we're only beginning to realize."

Farley said Ford Pro brought in roughly 500,000 paid software subscriptions last year, up 46 percent. He said software and services would account for 20 percent of Ford Pro's earnings in two years.

"Ford Pro is really a magical breakthrough for our customers, our company and, I believe, the industry," Farley said.

In 2024, Ford expects adjusted earnings before interest and taxes of \$7 billion to \$7.5 billion for Ford Blue and \$8 billion to \$9 billion for Ford Pro.

Cost savings continue

Lawler said Ford is benefiting from selling EVs, even though they are not yet profitable. The company is learning a lot about early adopters' buying habits, he said, and each F-150 Lightning essentially offsets 12 combustion vehicles when calculating compliance with emissions standards.

"Please make sure you're seeing the big picture as you look at Ford and compare us to others," Lawler said on a call with media. "I very much like where we're at, where we're going and how we'll lead and win."

Ford said it expects total EBIT of \$10 billion to \$12 billion this year and adjusted free cash flow of \$6 billion to \$7 billion.

The company expects lower pricing and higher labor costs this year from its recent UAW contract, but executives said a \$2 billion cost-cutting effort will help offset those headwinds to achieve its earnings target.

For example, Galhotra said an engineering team developed a new aerodynamic design that saved \$10 million on one vehicle line, and the

company is removing a little-used **parallel park** feature to save another \$10 million.

"These are the kinds of very robust ideas we have in the hopper," Galhotra said, "along with less inflationary claims, along with a stable supply chain, that's going to help us close that gap."

<https://www.autonews.com/automakers-suppliers/ford-developing-small-evs-delaying-profit-targets#:~:text=The%20automaker%20this%20week%20said,the%20middle%20of%20last%20year.>

Toyota's Ted Ogawa: Better to buy credits than 'waste' EV investment

N.A. CEO Ted Ogawa says EVs will be 30% of the U.S. market in 2030, so Toyota will follow consumer demand and buy credits to make up any EPA shortfall.

March 01, 2024 08:03 AM

LARRY P. VELLEQUETTE

PLANO, Texas — The CEO of [Toyota](#) Motor North America believes that [battery electric vehicles](#) will make up about 30 percent of the U.S. new-vehicle market in 2030, half the target the [EPA sought last year](#) — a goal the agency is [reportedly reconsidering](#).

Because of that, Toyota will choose to follow natural customer demand and buy credits to close any gap, rather than "waste" money investing in EVs without consumers ready to buy them, [Ted Ogawa](#) said in an exclusive interview Monday.

"I know that EPA is now reconsidering what the regulation level should be. However, again, our starting point is what the customer demand should be. So, for example, 2030 regulations said the new-car market, more than half of it should be BEV, but our current plan is like 30 percent," Ogawa said. "We are respecting the regulation, but more important is customer demand."

EV market penetration

Here are the combined fleet (cars and light trucks) EV penetration rates by model year as projected by the EPA under both its proposed light-duty vehicle standards and the "Alternative 3" option, which some anticipate could more closely reflect the final rule.





*The EPA's analysis does not include plug-in hybrid vehicles. However, the agency said it plans to incorporate PHEVs into its analysis for the final rule.

Source: EPA

Asked how Toyota might close the gap between what proposed light-vehicle emissions regulations require and what it actually sells when the regulations go into effect, Ogawa said, "That's a tough question. Regulation-wise, we would have to prepare something like credit purchase. It's difficult to say, but it's not better.

"Wasted investment is worse than the credit purchase," said the longtime Toyota executive, whose company is in the midst of building a [\\$13.9 billion battery complex](#) in Liberty, N.C., to power EVs and hybrids in North America. Since 2021, Toyota has announced investments of about \$17 billion into its U.S. manufacturing operations to build future EVs and hybrids.

While others are planned, it now sells just one EV for each of its two brands in the U.S.: the Toyota bZ4X and Lexus RZ450e crossovers. Ogawa said that 2024 is the "starting year" of the company's plans to broaden its EV offerings in pursuit of its ["multipath" strategy](#) of offering consumers different degrees of electrification to fit their lifestyle. He said it was "one of my challenges this year" to begin realigning production in North America to accommodate EV plans.



Toyota has drawn [heavy criticism](#) for its strategy, especially from environmental groups that believe a faster conversion to an all-electric fleet will be more eco-friendly and slow climate change. Asked if that criticism was fair, Ogawa said it was — at least in part.

"Yes, of course, to compare the battery to Tesla, we are behind; that may be true. However, we are now catching up, not only the product but also the ecosystem surrounding the BEV area, such as the home charging or energy management," Ogawa said.

Threat from China

In other comments, Ogawa called the threat of [China entering the U.S.](#) through Mexico one of the biggest challenges Toyota and other manufacturers face this year, with the possibility that lower-priced Chinese vehicles will undercut existing automakers, as happened in Mexico.

"Their product is so competitive, including the tariffs," in Mexico, Ogawa said. "But China also saw, for example, labor cost is increasing [and] material costs as well. So that's why someday, they'll be in the same condition" as other automakers operating in North America.

"Our dealers ask us every day how [we will compete with China in the U.S.] Still, we have the better product. However, it's unclear how to keep competitiveness in terms of the MSRP or price area."



Leadership transition

Ogawa, 64, will mark five years as CEO of Toyota Motor North America this year, including shepherding the company through the pandemic.

Ogawa spoke with *Automotive News* as part of the annual [Talk from the Top](#) series of executive interviews. A more detailed report of the hourlong discussion will be published this spring.

He now reports to Toyota Motor Corp. CEO Koji Sato instead of Chairman Akio Toyoda, who gave up the global [CEO role last year](#) to Sato.

Ogawa said he meets with Sato "three times a week," and while the "basic policy" or direction of the company remains unchanged after the leadership

transition, the "communication style is quite different." He called Toyoda a "great and strong leader" but said Sato prefers a "team management" approach with "much more communication opportunities."

<https://www.autonews.com/executives/toyota-na-ceo-ted-ogawa-us-ev-demand-will-be-30-2030>

Hertz to sell 20,000 EVs in shift back to gasoline-powered cars

The rental agency plans to sell a third of its U.S. electric fleet and reinvest in gas-powered cars due to weak EV demand.

January 11, 2024 08:30 AM



BLOOMBERG

Hertz Global Holdings Inc. plans to sell a third of its U.S. [electric vehicle](#) fleet and reinvest in gas-powered cars due to weak demand for the battery-powered options.

The sales of 20,000 EVs began last month and will continue over the course of 2024, the rental giant said Thursday in a regulatory filing. [Hertz](#) expects to record a non-cash charge in its fourth-quarter results of \$245 million related to incremental net depreciation expense.

"The company expects to reinvest a portion of the proceeds from the sale of EVs into the purchase of [internal combustion](#) engine vehicles to meet customer demand," Hertz said. "The company expects this action to better balance supply against expected demand of EVs."

EV transition slows as inventory grows and industry hits hurdles

In October, Hertz Chief Executive Stephen Scherr said the company would scale back on EVs, which had made up 11 percent of its total fleet. [Teslas](#) represented 80 percent of that. He said EVs come with higher repair costs compared to the rest of its cars, which has hurt its bottom line. "EV's will be slower than our prior expectations," he said during the company's third-quarter earnings call.

Hertz shares were down 4.2 percent to \$8.95 when the market closed Thursday. The stock declined 32 percent last year.

"Expenses related to collision and damage, primarily associated with EVs, remained high in the quarter, thereby supporting the company's decision to initiate the material reduction in the EV fleet," Hertz said.

Hertz expects to recognize about \$245 million of incremental depreciation expenses from the proposed sale in the fourth quarter of 2023.

Hertz said in April 2022 it would buy up to 65,000 EVs over five years from Polestar, months after the rental car firm decided to order 100,000 Teslas by the end of 2022.

The company's used car website has a variety of more than 700 EVs on sale, from BMW's i3 and Chevrolet Bolts to Tesla's Model 3 and Model Y crossovers.

The dramatic shift away from EVs underscores the waning demand for all-electric cars in the U.S. EV sales slowed sharply over the course of 2023, rising just 1.3 percent in the final quarter.

Ortiz Exhibit 13

NM EV Tax Incentives – HB 252 passed in 2024 Legislative Session.

House Bill 252, titled “Adjust Income Tax Brackets” contains a provision to provide tax credits for the purchase of new and used Battery Electric Vehicles (BEVs) and Plug-In Hybrid Vehicles;

- Effective dates, July 1, 2024 and prior to January 1, 2030
- For the purchase or lease of an electric vehicle, plug-in hybrid or fuel cell vehicle
- A NM Taxpayer may claim a credit against the taxpayer’s tax liability

EV Tax Credits

- For taxable years 1/1/24 through 12/31/26
 - o \$3,000 for new or \$2500 for used EV
 - o \$2,500 for new or \$2,000 for used PHEV or Fuel Cell Vehicle
- For taxable years 1/1/27 – 12/31/27
 - o \$2,220 for a new or \$1,850 of a used EV
 - o \$1,850 for a new or \$1,480 for a used PHEV or Fuel Cell Vehicle
- For taxable years 1/1/28 – 12/31/28
 - o \$1,470 for a new or \$1,225 for a used EV
 - o \$1,225 for a new or \$980 for a used PHEV or Fuel Cell Vehicle
- For taxable year beginning 1/1/29
 - o \$960 for a new or \$800 for a used EV
 - o \$800 for a new or \$640 for a used PHEV or Fuel Cell Vehicle

How it works

A taxpayer shall apply for certification of eligibility for the tax credit from the Energy Minerals and Natural Resources Department (EMNRD). An application for certification of eligibility shall include proof of vehicle purchase or lease through a licensed NM dealer or a dealer located on tribal land within NM along with the vehicle’s registration or application for title and registration in NM.

If EMNRD determines that the taxpayer meets the requirements, it shall issue a dated certification of eligibility to the taxpayer providing the amount of the tax credit and the taxable years in which the credit may be claimed.

Applications for the certification of tax credit shall be made no later than one year from the date the vehicle was purchased or leased. A certificate of eligibility may be sold, exchanged or otherwise transferred to another taxpayer for the full value of the credit as long as the parties to this transaction notify the Taxation and Revenue Department within ten days from the sale, exchange or transfer.

Problem with the Bill

This bill is not a “cash-on-the-hood” incentive where the dealership will be able to provide a discount at the time of sale as the customer has to submit an application and provide proof of purchase or lease along with the vehicle’s registration or application for title and registration in order to receive the certificate of eligibility.

If a dealer accepts this certificate of tax credit after the sale of the vehicle, the dealership will only be able to apply the tax credit at the end of the taxable year to offset any tax liability of the dealership.

EXHIBIT 3

Testimony of Teri Garcia, Amigo Automotive Group

Thank you for the opportunity to provide testimony in support of the Motion for Stay that has been filed by the New Mexico Automotive Dealers Association.

As an automotive dealer in Gallup, New Mexico, I am very concerned that the recently adopted Advanced Clean Car II rules will cause irreparable harm throughout New Mexico and especially in the rural and tribal areas of this state.

I have first hand knowledge of the many challenges my customers who live in rural New Mexico and/or on tribal lands face on a day-to-day basis. The recently adopted ACCII rules will have a devastating effect on New Mexican's transportation needs for the reasons set forth below:

- Rural New Mexico – Most New Mexicans that live in rural New Mexico, basically outside of the Albuquerque, Santa Fe and Las Cruces areas, have to travel many miles each day for their basic necessities such as work, school, food, medical appointments and shopping. All New Mexicans, especially women and children, need to travel safely to and from their destination and currently the EV vehicles do not provide the same range as traditional vehicles.

One of the main obstacles challenging EV adoption is the range anxiety of an EV vehicle. Until technology improves, the range of these vehicles and the EV charging infrastructure is inadequate. Due to these issues, very few customers are interested in EVs. This is not only a hurdle in New Mexico but across the United States as all states, including California, are seeing the lack of demand of EVs growing.

- Lack of Infrastructure – The lack of EV charging infrastructure is prevalent throughout New Mexico but especially in rural and native lands. Currently, the EV market makes up less than 5% of the total new car sales in New Mexico. There has been no plan presented where the State or local governments can ensure that the proper EV charging infrastructure will be in place by 2026 when model year 2027 vehicle will be arriving in New Mexico.

In addition, in speaking to my customers who reside in the Navajo Nation, they are more concerned about the lack of infrastructure as it pertains to the basic necessities such as water, electricity and broadband infrastructure in their communities. Another main concern is the lack of paved roads through the Navajo Nation.

Just last month I had the opportunity to visit with Dr. Buu Nygren, President of the Navajo Nation. President Nygren is very concerned about this rule and how it will impact tribal families on the Navajo Nation. President Nygren feels, at this time, that an electric vehicle is not a viable choice due to the lack of paved roads and the lack of charging stations on the reservation. President Nygren indicated that his priorities are providing water, electricity, broadband to his people. In addition, he is concerned with affordability of EVs and fears that his constituents will be forced to keep their vehicles longer as the rule will increase prices for all vehicles. This issue appears to be counter intuitive to the goals you are striving to achieve.

If New Mexicans are forced to keep their older, dirtier cars on the road as the prices of EV's are typically 10-15% higher, how does this help reduce emissions?

- Another detriment on the adoption of EV's is affordability. Most of my customers have difficulty qualifying for vehicles of their choice based on their needs. With EV's costing 10-15% more than a traditional vehicle, my customers will be forced out of the EV market. In addition, the EV tax credits passed during the 2024 legislative session will not provide the incentives needed to spur the adoption of EVs and most dealers will not accept a tax credit that they will hold on to until tax filing where they can offset tax liability. This was not the type of incentive that will work in New Mexico and it is not what was communicated with us by this administration.
- As a dealer who has a franchise agreement with Stellantis, which produces Chrysler, Dodge, Jeep and Ram, I am very concerned about being able to provide vehicles that my customers need. In other clean car states, Stellantis has taken the approach to stop stocking traditional vehicles in dealerships. If

a customer is interested in purchasing a traditional vehicle, they have three options:

1. They can special order the vehicle and wait several months for the vehicle to arrive at the dealership;
2. They can purchase their vehicle out of state and register it in NM; or
3. They can purchase a slightly used vehicle.

None of these options are good for New Mexico as it will force New Mexicans to travel hundreds of miles out of state to purchase their vehicle, which will cause New Mexico dealerships to lose business to out-of-state dealerships, which will have a direct impact on the number of New Mexicans we employ. The only alternative is to purchase a slightly used vehicle. As the demand grows on used traditional vehicles, this will cause the prices to increase as well.

If New Mexicans are purchasing traditional vehicles out of state and registering them in New Mexico or just holding on to their older vehicles, how does this help to reduce emissions?

My understanding is that in order to adopt a rule there are 4 elements that have to be proven. With the concerns that I have outlined, I feel that these rules will cause irreparable harm to New Mexicans, they are not in the best interest of the public and are not economically feasible for New Mexicans.

For the reasons provided, I strongly urge the respective Board to approve the Motion for Stay.