Dear [Senator]

I am writing today with concern about proposed changes to Title 26 U.S. Code § 30D included in the Inflation Reduction Act of 2022.[1] The proposal overhauls tax credits for clean vehicles (see Part 4—Clean Vehicles pp. 366-406).

While I am fully supportive of efforts to reduce emissions, I believe this proposal, in its current form, contains a self-defeating incentive structure by overly rewarding production of plug-in hybrid electric vehicles (PHEVs).

Under the proposal, PHEVs with as little as 7 kilowatt hours of battery capacity are eligible to receive a maximum credit of $7,500. Under current legislation, such a vehicle would receive a maximum credit of $3,334. While credits for higher emission PHEVs more than double under this proposal, maximum credits for lower emission fully-electric vehicles remain the same. Undoubtedly, this will shift limited battery supplies towards production of higher emission PHEVs.

Unfortunately, real-world testing has shown that PHEVs role in reducing emissions has been dramatically overestimated. According to research by The International Council on Clean Transportation (ICCT), "PHEV fuel consumption and tail-pipe CO2 emissions during real-world driving, on average, are approximately two to four times higher than type-approval values."[2]

Additionally, it is difficult to justify such a large credit for low-capacity PHEVs. Bloomberg New Energy Finance estimates electric vehicle batteries cost $132 per kilowatt hour,[3] so 7 kilowatt hours would cost just $924. A lower emission fully-electric vehicle requires 50-100+ kilowatt hours of battery capacity, putting battery costs at $6,600 to $13,200. Treating these vehicles which have such different costs and emissions profiles as identical under the proposed credit structure is untenable.

If the proposal were to pass as written, automakers would not be incentivized to produce the fully-electric vehicles that are needed to truly make a difference in the emissions in our cities, in the health of our citizens, and in the economic prosperity of our country. We would cede the opportunity to lead in clean vehicles to countries like China while we toil away billions of taxpayer dollars on inefficient half-measures.

Please consider a revised proposal which either A.) increases the 7 kilowatt hour requirement to something more aligned with the commensurate battery costs (perhaps 35 kilowatt hours) or B.) reduces the maximum credit allowed for low battery capacity vehicles.

Thank you for your consideration,

[Name]

1. Inflation Reduction Act of 2022:
https://www.democrats.senate.gov/imo/media/doc/inflation_reduction_act_of_2022.pdf

2. Real-World Usage of Plug-in Hybrid Electric Vehicles:
https://theicct.org/wp-content/uploads/2021/06/PHEV-FS-EN-sept2020-0.pdf

3. Bloomberg New Energy Finance Battery Cost Estimates:
https://about.bnef.com/blog/battery-pack-prices-fall-to-an-average-of-132-kwh-but-rising-commodity-prices-start-to-bite/#_ftn1