

CHEAPR Closes 2020 With an Uncertain Outlook

CHEAPR Rebate Data Released for December 2020

The EV purchase incentive program awarded 74 rebates in December. This is slightly higher than the 40 from November, but of a piece with what we have been seeing over the past 14 months since the program changes. There is typically a jump in December as federal tax-credit eligible vehicles are acquired before the year-end. That bump is a bit smaller nowadays since it is no longer applicable for Tesla or General Motors.

The October 2019 program changes were a lowering of the vehicle eligibility MSRP cap from \$50 to \$42 thousand and a lowering of incentive levels.

The monthly numbers rise and fall mostly driven by the number of rebates for the Tesla Model 3, despite the fact only the most basic trim level is eligible. Actually, that has been true ever since the Model 3 began ramping deliveries, which predates the 10/19 program changes. This may be less the case going forward as reports are that the Model Y is outselling the Model 3. The Y will qualify for CHEAPR if it is the base model with zero changes, and so it is not expected to push that many rebates. There have been zero to date.

The Model 3 accounted for 29 rebates in December. There was only one other model in double digits, the Toyota RAV 4 Prime (PHEV) with 13. We do not know if this is a supply constrained car, but there are early signs that it could be a successful model.

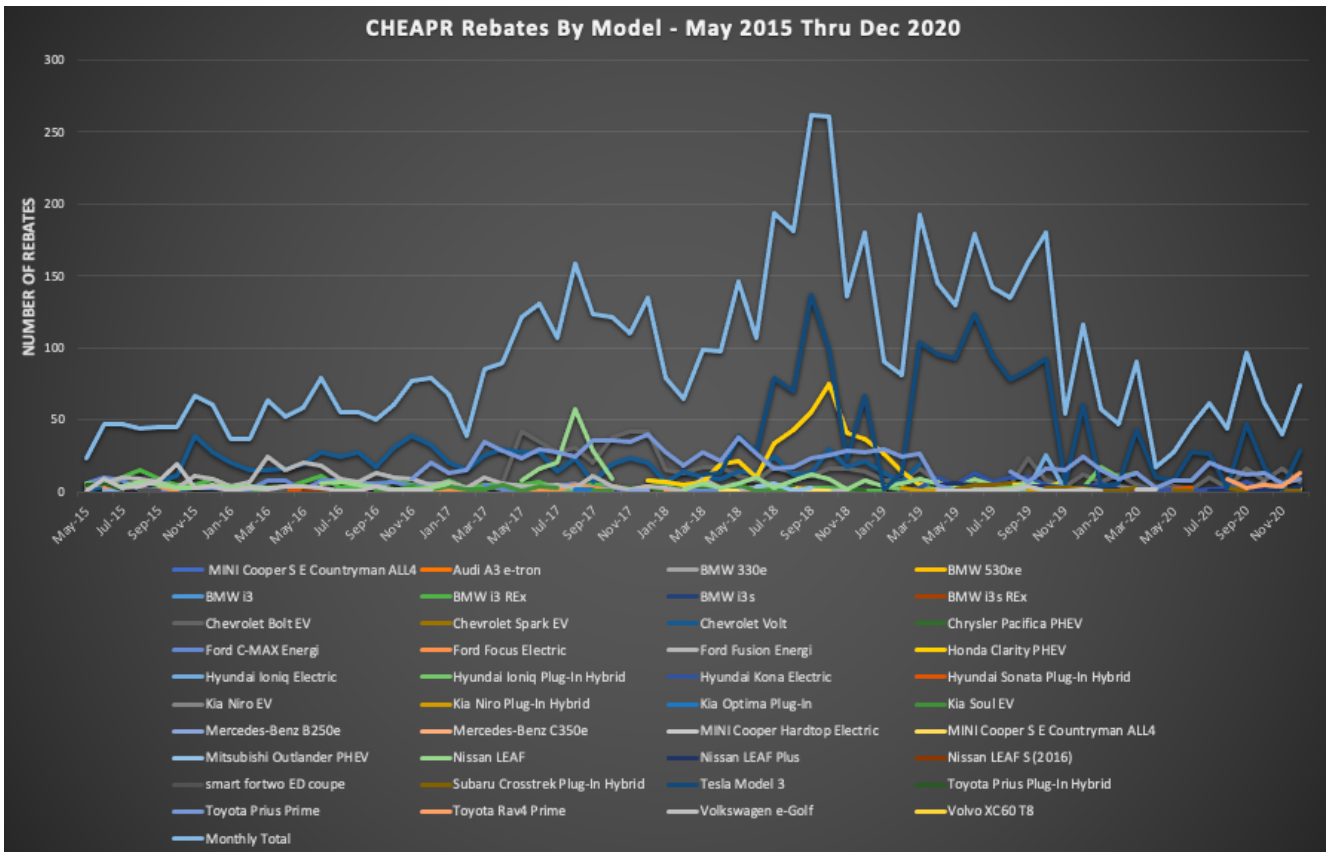
Final Totals for 2020

There were a total of 663 rebates handed out in 2020. This compares to 1605 in 2019. However, the better comparison is arguably the 12 months ending September 2019 to look at the impact pre and post program change. If we look at Q4 2018 through Q3 2019, there were 1832 rebates.

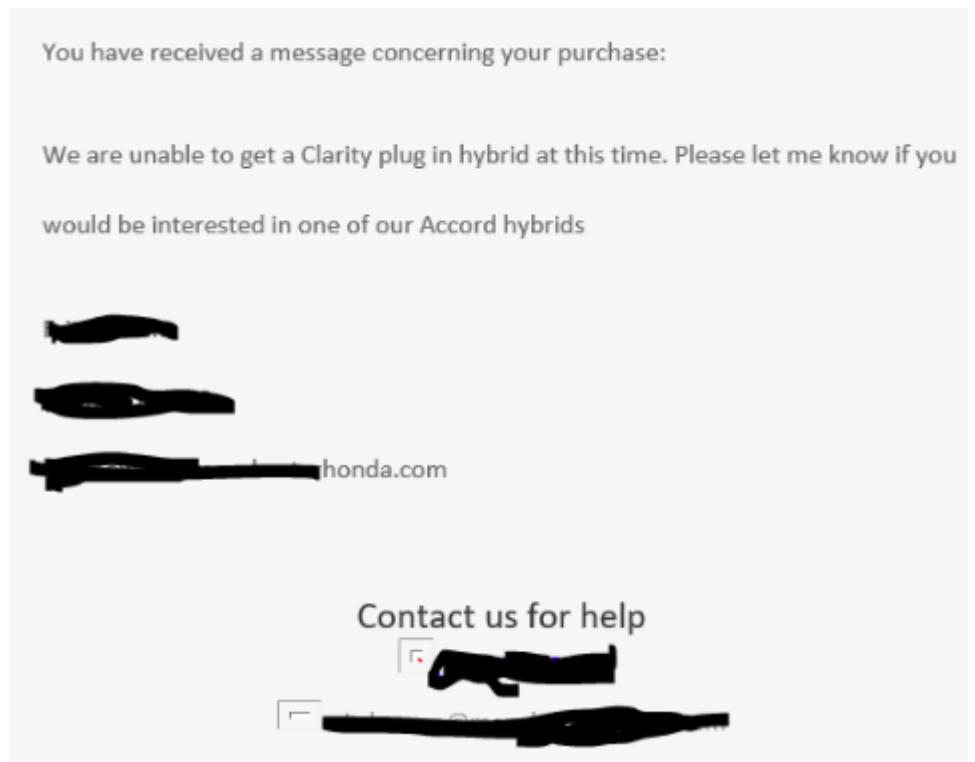
Since both the quantity and size of rebates were reduced, the program only spent \$708,500 (plus admin and dealer incentive costs) against a budget of \$3 million.

DEEP has advised that unspent funds will be rolled over. That is better than losing them but not as good as getting more EVs on the road sooner.

Below is a chart of rebates by vehicle model by month since the program's inception through 2020. The light blue line across the top is the total monthly number of rebates, the same number as in the chart at the top of the post, and the drop-off beginning in late 2019 is readily apparent. The other lines are individual vehicle models.



The dark blue line that spikes in 2018 and 2019 is the Model 3.



The yellow line that spiked briefly in late 2018 is the Honda Clarity PHEV, which is an interesting case. The car was well-received, customers were buying, and then it seems to have done a vanishing act off dealer lots in CT. There was reporting that Honda had pulled back and was using it as a

compliance car. We received this communication from a recent EV shopper, a flavor of the switch pitch that is unfortunately so common. The note from the dealer indicates lack of availability, but the CHEAPR rebate graph clearly shows a dearth of sales (there were zero rebates in Q4, 2020). Translation: Honda isn't bringing these vehicles into the state.

When the program changes were made in late 2019, the Model 3 numbers dropped (along with some other, smaller volume vehicles losing eligibility altogether, e.g. the BMW i3).

CHEAPR Directionless

For over a year, there has been a notice on the CHEAPR website that a new set of program revisions will be forthcoming. This hasn't happened. A newly authorized board met in January 2020, then monthly meetings from July through December, but no meetings since and none posted. DEEP indicated that it may have the board vote offline. We then heard there was a vote, which as far as we know was 2 or 3 weeks ago, but no word has been forthcoming. There were as many scenarios as there are board members, so consensus may still be elusive. The scenarios include an income-limited used EV incentive and a similarly income-limited supplemental incentive. The board has been divided about the MSRP cap and incentive levels, which is what we assume is delaying matters. Hopefully, it will get sorted soon as the program is severely under-performing.

At the very least, there should be some communication. We assume that the as yet unreleased January data will be as low-performing as the past year plus.

It is the position of the EV Club that previous incentive levels should be restored (or something similar), the MSRP cap should be restored to \$50,000, and the used and supplemental incentives should be included. The fact that there is roughly \$5.2 million in funds for 2021 should cover it, and it will

provide valuable data going forward for future program modeling.

We Suggest a Website Improvement

The CHEAPR website was clearly not designed with a consumer in mind. To actually learn about the rules, one has to comb through the FAQs. There is no front door that has the basics of the program: incentive levels, MSRP restrictions, once per driver per lifetime, and other pertinent rules. DEEP could accomplish this with something as simple as adding another element to the left nav, preferably near the top, called program basics (or similar) that links to a page with this top-level information.

We have tried to partly compensate with an [incentives page](#) on this website. And, oh yeah, that phantom \$5000 incentive should go behind the curtain.

CHEAPR – Nov Update and Prolonged Limbo

CHEAPR Remains in a Limbo Which Might End Soon

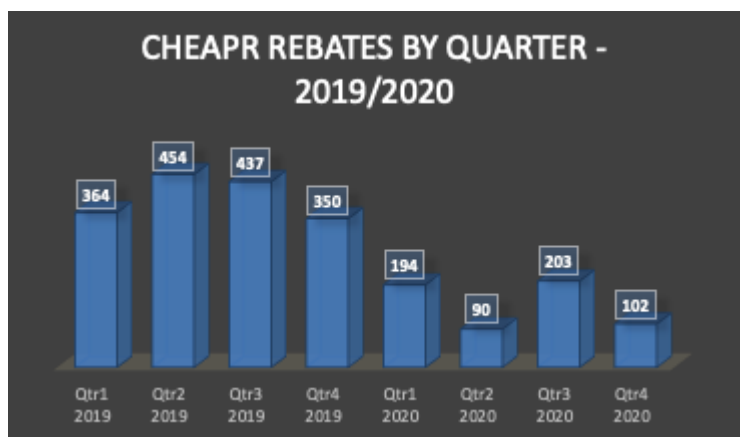
The combination of the 2019 legislation authorizing a modest, but steady funding stream, along with new program elements, and changes made by DEEP to the program in October 2019 that were more financially conservative have left the program in limbo. There has been a notice that “CHEAPR is EVolving” on

its website for a year that there will be revisions but these have not been finalized.

The immediate impact of the October 2019 changes has been a dramatic underspending relative to the budget. Through November, the program awarded 589 rebates with a value of \$629,500 against a budget of \$3 million. The program incurs some other costs aside from consumer rebates, namely dealer incentives and admin charges paid to the program administrator, the Center for Sustainable Energy. DEEP has projected a final underspending of \$2.2 million. Fortunately, these funds will roll over into 2021.

Program Parameter Changes and COVID-19

The downturn in rebates was made even more severe by the pandemic and recessionary economy, and this perfect storm led



to the extremely low numbers we have been seeing through all reported data for 2020. November continued the pattern with only 40 rebates awarded. This chart of rebates by quarter for 2019 and 2020

illustrates this clearly. The downturn began in Q4, 2019 (the changes were made mid-October of that year), declined further in Q1, 2020, when the economy was still strong for the first 10 weeks, and then really tanked in Q2, 2020 during the lockdown. There has been a modest recovery since then (keep in mind that Q4, 2020 includes only 2 months of data).

New CHEAPR Structure and Forthcoming Vote

Responsibility for CHEAPR transitioned from DEEP to a board that was authorized by the legislation and had a quorum by the beginning of the year. DEEP still retains a presence on the board and administratively the board lives within DEEP. The board has been divided and no fewer than 9 scenarios have been modeled and recently presented to the board. These represent different levels of incentives, where to place the MSRP cap, the newly authorized income-limited incentives for used EVs, and a supplemental incentive for new EVs, as well as a possible temporary increase in incentive levels as a stimulus.

We expect a vote to occur sometime in the next few weeks.

This is the position of the EV Club of CT and the broader [CT EV Coalition](#):

- Raise the MSRP cap and incentive levels to where they were before being lowered in October 2019.
- Implement an income-limited used EV incentive.
- Implement an income-limited supplemental incentive.

We feel the finances, especially given the rollover funds, are adequate to support this model in 2021. The EV Coalition plans to seek additional funding for the program for 2022. There is the possibility that funds may be forthcoming from the Transportation Climate Initiative beginning in 2023. Finally, we want to thank everyone who submitted public comments when they were solicited by DEEP over the summer.

At such time as the program revisions are finalized, the updates will be posted to the [incentives](#) page on this website.

Aug CHEAPR and October Vote

Few CHEAPR Rebates Given in August

Another tepid, desultory, underwhelming (I'm running out of adjectives – feel free to help in the comments) month for the CHEAPR program with only 40 rebates given out and a total dollar amount of \$28,000. This is the second-lowest month of the year and continues the dispiriting (another adjective!) trend we have seen since November 2019. One interesting item: there were 9 rebates for the new Toyota RAV4 Prime plug-in hybrid. Between the RAV4 Prime and the Prius Prime, Toyota vehicles dominated the rebate activity. The reporting has been that the plug-in RAV4 Prime is a severely supply-constrained vehicle at present and there was some doubt that any would make it out of California, but apparently, they have.

Note: CHEAPR often restates the prior month when issuing new data. In this case, July has increased from 57 to 62 rebates and it is incorporated into the title graph.

Decision Time

The next CHEAPR meeting is scheduled for October 9 at 11:00 AM.

The Center for Sustainable Energy (CSE) presented a set of proposals for program revisions in July. The agenda includes a vote on the new program. The meeting is scheduled for only one hour, so we don't expect much discussion. We do not know if this will be an up or down vote on the package or if the items will be considered individually. We know that despite 3 meetings and public comments, there isn't a consensus on all

the items.

This is what we know to the best of our information.

The package that will likely be presented to the board in October will have no differences relative to what was proposed in July.

- No e-bike incentive or even a pilot test. Ix-nay on this from the DEEP attorneys.
- A used-EV income-limited (lower/middle income, or LMI) incentive (non-controversial).
- A supplemental LMI EV incentive (non-controversial).
- No changes to base incentive levels or to the MSRP cap.
- No changes to the much higher fuel-cell vehicle incentive, which stands at \$5000 with an MSRP cap of \$60,000.

UPDATES as of 10/25/20

Modeling scenarios include:

- Maintaining the current (since 10/19) MSRP cap of \$42K or raising it to \$50K.
- Base BEV incentives of \$2500 or \$1500.
- A possible temporary “stimulus” additional sample of \$1750 for BEVs and FCEVs, and \$500 for PHEVs.
- \$500 increase to \$2500 for the LMI incentive.
- Possible inclusion of scenarios with base-level incentives less than \$1500.

Incentive Levels and MSRP Cap

Much commentary, from board members, public attendees, and public comments, was in favor of raising the base incentives and the MSRP cap to at least where they were before DEEP lowered them in October 2019. These currently stand well below comparable incentive programs in nearby states. The CSE was

tasked with modeling scenarios and they forecasted that there was a possibility that demand would exceed available funds, thus risking disruption. This blog doesn't buy that line of argument for several reasons.

- A pandemic and recession of unknown duration make for a difficult environment in which to model. There is a lot of guesswork here, exacerbated by the fact that there are no empirical data on the take-rates for the new LMI incentives. A disruption would likely only occur if the economy roars back and the participation rates are at the high end of estimates.
- The dealership contingent spoke out for a higher MSRP cap. They argued that leases have grown in popularity to about half of all new car sales, and people can manage a lease payment on a vehicle they can't afford to buy. Also, we are soon to see a wave of crossover and SUV EV launches, and these popular form factors are more expensive than sedans.
- Based on our [analysis](#), and comments from the dealers, there isn't much of a used EV market at this time. The incentive will help, but it will take some time for auction bids to be influenced such that inventory can build. Also, used Teslas are probably too expensive for an LMI limited buyer (and we don't know how the rules will work for them – they may not qualify – something we will seek to find out).
- At the July meeting, when CSE proposed this incentive regime, they advised that the LMI system development would cause it not to be available until Q1 2021. We don't know if they have been able to work on it during this period when the program isn't finalized, but there could potentially be a delay.
- There is more money available – DEEP has indicated that the unspent funds from 2020 (they have only given out \$398,000 in consumer rebates), as well as unspent bridge financing from 2019, will be rolled over into 2021. This

will yield approximately \$4.9 million in available funds (compared to the \$3 million budget).

- The CHEAPR mission seems to be increasingly skewed towards the equity part of the mission. This blog supports the LMI incentives (and e-bikes, for that matter), but also sees the mission as just getting more EVs on the road. The program has fallen seriously short of that in the past year.

For these reasons, we think the best course is to raise the incentives and collect data. There will be plenty of time to course-correct if necessary. CHEAPR has an important role to play in moving people to drive electric. This is attested to by consumers, dealers, and our [data](#). Let's allow it to fulfill its potential.

Closing Pet Peeve

The \$5000 fuel-cell rebate has never been given out in the 5+ years of the program's existence, and there is no sign it will be anytime soon. You can't buy one of these vehicles at present, and there is only 1 public hydrogen refueling station in the state. And yet, DEEP continues to use this as its headline incentive. It is misleading. It can be seen in the first sentence of the first paragraph on the CHEAPR home page. It was spoken out loud by Tracy Babbidge during the Sustainable Fairfield Webinar on September 28th. It was said by Victoria Hackett when she spoke at the Tesla leasing kickoff in February. Those are the occasions we are aware of but this is clearly not inadvertent. They are not helping themselves.

Editors Note: The October 9th meeting did not yield a resolution. A letter from the EV Coalition was debated that proposed a different structure. No vote was taken.

Meeting Details

We encourage members of the public to listen in! This is the Zoom info:

Webinar Information:

Join Zoom Meeting

<https://ctdeep.zoom.us/j/99938032925>

Meeting ID: 999 3803 2925

One tap mobile

+16468769923,,99938032925# US (New York)

Meeting ID: 999 3803 2925

Find your local number: <https://ctdeep.zoom.us/u/adLDH6PJuC>