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To: New Jersey Department of Environmental Protection
From: Eric Blomgren, Chief Administrator & Director of Government Affairs
New Jersey Gasoline, Convenience Store, Automotive, Association (NJGCA)

Re: Docket No. 01-23-07

The New Jersey Gasoline, Convenience, Automotive Association is a non-profit trade association representing mostly small business owners across the state since 1937, all of whom are in the motor fuel retail, convenience store, and/or automotive mechanical repair industries. Our membership does not include any oil companies. We have either supported or not opposed various policies at the state and federal level that incentivize and favor electric vehicles. We have and will continue to work to make it easier for our members to install EV fast chargers.

However, we must draw the line at a total ban on the sale of any new light duty vehicles powered at all by gasoline or diesel fuels, and request that NJDEP not adopt the California Advanced Clean Cars II rule.

It is fundamentally unfair and unjust for the government to completely outlaw the sale of new gasoline-powered vehicles. More than 90% of consumers continue to choose gas-powered cars for a wide variety of reasons, and that option should not be stolen from them by government fiat. Any transition to more EVs or to exclusively EVs should be made through the conscious choice of the motoring public, and all involvement by the state should be through offering positive incentives. If EVs are always better in every circumstance for every motorist, then simply let the market do its work without a ban. If some are not choosing EVs over gas vehicles, then instead address the specific concerns they have.

There are a wide variety of very important and fundamental questions that need to be answered before enacting this proposed policy on this aggressive timeline.

How much will the adoption of this rule increase demand for electricity in the state? It will certainly skyrocket demand for electricity in the state, but by exactly how much, when, and in what areas of the state? Based on the economics, if 30% of the fleet were EVs, it would not be an even 30% everywhere across the state, a town like Princeton would electrify far quicker than a neighboring city like Trenton. What impact does that have on the electric grid? What kinds of upgrades will be needed? Can those upgrades be constructed fast enough to meet the new demand?

Has the economic impact been considered in the event upgrades to the electric grid are not constructed quickly enough and power outages become more frequent?

Can New Jersey generate enough electricity to meet that demand entirely with zero emissions sources, while also bringing online so much new clean energy that it replaces all existing natural gas usage, while also bringing on enough new clean energy to cover the increase in demand from the building electrification program? If all our cars are powered by electricity generated mostly by natural gas, then what's the point?

Can the grid upgrades and all the new zero emission generation be installed with the revenue from current utility rates? How much will rates need to be increased to pay for it all? What impact will higher utility rates have on ratepayers, from homeowners to small businesses, especially in an inflationary environment where affordability is the state's biggest concern? If they will not be paid for with higher rates, then will the State rely on revenues from the general fund or from new taxes to subsidize the costs?

Can car manufacturers even construct and deliver to New Jersey enough EVs in this time frame, given the supply challenges in acquiring the rare earth materials to make the batteries? If there is not enough supply to meet a demand for EVs that is being artificially propped up by this regulation, does that mean EVs will be sold for more than sticker price, making them even more unaffordable for motorists?

What will the impact be on the used car market? For many motorists, the only way they can access effective transportation is through purchasing an affordable used car. If they want to stay with the existing fleet of gas-powered cars, those prices will be increasing as the supply drops and cost of maintenance increases over time. If they want a used EV, they may not be able to afford it. If the battery needs to be replaced after a few years, and the cost of a new battery alone is around $25,000, not to mention the cost for the rest of the car, they may be effectively excluded from car ownership and the freedom of mobility that comes with being a motorist. What happens to those residents? How will they get to work? Can NJ Transit handle such a widespread expansion if so many people are forced to use the bus to commute from their suburban home to their suburban jobsite? How much extra time will those workers lose from having to wait around for infrequent public transportation to arrive compared to now, when their personal vehicle affords them the freedom to leave when they choose and pull up right to their destination?

The high cost of batteries also has an impact on the cost of car insurance, as some insurance companies are already writing off fairly new vehicles with low miles because slight damage to the battery means the entire pack must be replaced at a five-figure cost. This leads to higher premiums for these cars and ultimately for all motorists. This is a problem that seems likely to increase as EVs make up an increasing share of the vehicle fleet.

Has or will the DEP analyze the impact of this policy on the Department of Transportation? Specifically, the fact that most of the funding for the state's Transportation Trust Fund comes from taxes on gasoline and diesel motor fuel? Where will funding for basic road maintenance come from if there is to be a dramatic drop in sales of these fuels? Most other states have assessed an annual registration fee for EVs. Will New Jersey follow suit and effectively have one department subsidize EVs while another department charges them an extra tax? Will road construction costs just be borne by the state's General Fund, and if so where will that nearly $2 billion a year come from—higher taxes or cuts in spending? How long will subsidies for new EV purchases continue, and at what level and cost? Will there still be state and federal incentives if EVs are 20% of new car sales? 50%? 100%? New EVs are exempt from the sales tax, but internal combustion engine (ICE) vehicles are not. If the transition called for by this regulation works, a significant portion of the State's sales tax revenues will disappear in a few years. What will that cost the state annually? Will the sales tax be added back on EVs, thereby making them even more unaffordable, or will the State be forced to raise taxes on other items to make up the shortfall?

What will the impact of this regulation be on small businesses? Most gas stations in New Jersey are small businesses, and the majority are still operated by someone who only operates that single location. Some are multigenerational family businesses; others have been the path to the American Dream for immigrants from all over the world. If a huge portion of EV charging is to be done at home, are we just replacing independent small businesses with big utility corporations? The small business impact also includes auto mechanical repair shops. While EVs do need maintenance, it is substantially less than that of vehicles with an internal combustion engine, which will ultimately lead to fewer of these neighborhood small businesses being able to survive.

The US Census Bureau estimated in 2021 a total of 2,262 gas stations in the state, employing 19,402 people with a payroll of over $538 million per year. More than 80% of these businesses have fewer than 10 employees. There are also 2,749 dedicated auto mechanical repair shops and auto oil change & lube shops, which employ 10,220 people with a payroll of about $483 million per year. 93% have fewer than 10 employees. While this mandate will not eliminate that $1 billion in annual payroll, it would substantially reduce it. The high investments needed, whether in EV fast chargers or new equipment in auto service bays, will also be more easily borne by big corporate convenience store chains and wealthy new car dealerships than it will by the small businesses currently providing fuel and maintenance services, effectuating a further consolidation of the market away from small business owners and towards less competition, ultimately leading to higher costs for all consumers.

New Jersey has a legal mandate that 100% of gasoline sold at retail needs to be pumped by an employee of the station. Today most stations only have one attendant working at a time. Even if the volume of gas falls in half, they will still have the same labor cost, but now it will have to be

passed on across fewer gallons. Therefore, the per gallon price will need to increase. I estimate a decline of about half the volume would likely require the cost of a gallon of gas to go up an average of 10¢ a gallon, likely more as wages increase over time due to inflation. Other expenses tied to keeping the station open, like the cost of the underground storage tanks, tank insurance, utilities, environmental compliance, etc. would also have to be passed on over fewer gallons, increasing costs at least a further 10¢ a gallon. Since lower- and middle-income families would likely be the ones slowest to switch to an EV, these burdens would fall on them.

Has the environmental impact been fully and accurately analyzed? It is becoming increasingly clear that battery electric EVs are not truly "zero" emissions. Not only do they create particulate emissions from their tires and their brakes, but they do so at a higher rate than ICE vehicles owing to the added weight of the vehicle's batteries.

Much of the justification for this rule is to address the genuine problem of climate change, which is being affected by the addition of carbon dioxide to the atmosphere by human activities. The rule proposal estimates that in 2050, this policy (if actually followed) would lower carbon emissions by 16.2 million metric tons per year. But climate change is a strictly global problem, and our emissions have as much impact on our coastline as they do on the coastline in China, and vice versa. According to the IEA, in 2022 worldwide emissions were 36.8 billion metric tons. This means that if the policy works exactly as planned, after twenty-five years and all the economic costs and disruptions described, the policy will only lower emissions by 0.04%. Does a 0.04% decline, in a quarter century, have any discernible impact in mitigating climate change's impact on our state? Ultimately, the benefits to the people of our state are not worth the costs of this regulation.

A policy change this broad and this significant should be done through the legislative process, by officials directly elected by the public, rather than through the regulatory process. A change this drastic over this short a timeline was not considered as a possibility by the Legislature when they opted to follow California's lead in reducing tailpipe emissions decades ago.

We are not asking for a level playing field. We are just opposing a total state government ban on a widespread, reliable technology that has been widely used for a century, one which over 90% of New Jerseyans chose last year. If EVs are great for every single person in every single circumstance, then simply let the market speak for itself and let motorists decide for themselves what vehicle makes the most sense for their lives. If the only way a transition to all battery electric vehicles can be done is with a ban on new internal combustion engines, then that should be seen as an indictment of the policy.

We request that the DEP does not adopt this proposed regulation.