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Advanced Clean Cars II: Environmental Justice Vehicle Values Frequently Asked Questions

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The Northeast States for Coordinated Air Use Management (NESCAUM) is the nonprofit association of state air quality agencies in the six New England states, New Jersey, and New York. NESCAUM serves as a technical and policy advisor to its members and works with broader groups of states to develop strategies to achieve air quality and climate goals. For more than three decades, NESCAUM has supported states in using their authority under Section 177 of the Clean Air Act to adopt California's motor vehicle emission standards. Currently, NESCAUM hosts a workgroup for Section 177 states across the country to assist with and coordinate state adoption and implementation of California's clean car and truck standards. While NESCAUM works with the Section 177 states and California to develop common approaches and interpretations of California's clean car and truck standards, each state is ultimately responsible for interpreting and implementing its regulations. NESCAUM also facilitates the Multi-State ZEV Task Force, a unique forum for galvanizing state leadership on complementary policies and programs to accelerate transportation electrification through research and analysis, information sharing, collective strategizing, and coordinated action on shared priorities.

This resource is intended to address key questions related to adoption and implementation of the environmental justice (EJ) vehicle values provisions in California's Advanced Clean Cars II (ACC II) Zero-Emission Vehicle (ZEV) regulation. Under the federal Clean Air Act (CAA), California is the only state permitted to establish emission standards for new motor vehicles. Other states, however, may adopt and enforce California's standards, in lieu of federal standards. States that adopt California's standards are referred to as "Section 177 states," in reference to the CAA provision that grants this authority.

Overview

What are EJ vehicle values?
Under the ACC II ZEV regulation, manufacturers may fulfill a portion of their total annual ZEV requirement with EJ vehicle values, which are intended to incentivize manufacturers to take targeted actions to help achieve more equitable access to ZEVs and plug-in hybrid electric vehicles (PHEVs).

How can manufacturers earn EJ vehicle values?
There are three ways for manufacturers to earn EJ vehicle values: (1) providing new ZEVs and PHEVs discounted by at least 25% for use in community-based clean mobility programs; (2) selling off-lease (used) ZEVs and PHEVs to dealerships participating in a financial assistance program targeted to lower-income consumers; and (3) delivering for sale new ZEVs and PHEVS below the established MSRP threshold. Each option is discussed in more detail below.

Are manufacturers required to earn EJ vehicle values?
No, EJ vehicle values are not mandatory under the ACC II ZEV regulation. Recognizing variation among manufacturer product portfolios, the California Air Resources Board (CARB) adopted a more flexible regulatory structure that incentivizes manufacturer participation.

Options for Earning EJ Vehicle Values

New ZEVs and PHEVs Provided for Use in Community-Based Clean Mobility Programs

How do manufacturers earn EJ vehicle values for new ZEVs and PHEVs provided for use in community-based clean mobility programs?
For each new 2024 through 2031 model year ZEV or PHEV provided for use in a community-based clean mobility program and discounted by at least 25% from the MSRP, manufacturers earn an additional 0.50 vehicle value per ZEV and 0.40 per PHEV.

How does the ACC II ZEV regulation define "community-based clean mobility program"?
In short, a "community-based clean mobility program" must meet each of the following three elements:

1) provide access to clean mobility solutions other than vehicle ownership, including ZEV car sharing, ridesharing, vanpools, ride-hailing, or on-demand first-mile/last mile services;

2) serve a community in which at least 75% of the census tracts in the project area are a disadvantaged community, a low-income community, or a Tribal community; and

3) is implemented by a community-based organization, Tribal government, or a public agency or nonprofit organization with support from a project-related community-based organization.

The definition of "community-based clean mobility program" in 13 CCR §1962.4(l) incorporates by reference the definitions of "disadvantaged community" and "low-income community" in California's Health and Safety Code. What if a Section 177 state defines these terms differently?
It may not be appropriate for Section 177 states to utilize California-based definitions for these terms, and states may want to make minor modifications as needed. For example, Massachusetts substituted its own definitions of these terms, and Vermont is issuing a guidance document to explain how it will determine that a program is a qualifying community-based clean mobility program.

Does the ACC II ZEV regulation identify any qualifying "community-based clean mobility programs"?
Yes. Qualifying programs in California include the Clean Mobility Options Voucher Pilot Project and the Sustainable Transportation Equity Project (both established pursuant to Health and Safety Code §44258.4). In addition, the regulation lays out a process by which a manufacturer may request a determination that a program qualifies as a community-based clean mobility program. To qualify, the manufacturer must demonstrate that the program meets each element of the definition of "community-

based clean mobility program" and provide required documentation (e.g., program description, contact info, etc.).

Are Section 177 states required to have community-based clean mobility programs that are identical to the qualifying programs in California?
No, but qualifying programs in Section 177 states should meet the three elements in the definition of "community-based clean mobility program." Section 177 states may identify qualifying community-based clean mobility programs in their regulations or make subsequent determinations, as appropriate.

Is state funding required for community-based clean mobility programs to qualify for EJ vehicle values?
No. While such programs could be funded by the state, programs funded by local or federal government agencies, utilities, manufacturers, foundations, or other entities would also qualify.

Vehicles Sold at the End of Lease to Participating Dealerships

How do manufacturers earn EJ vehicle values for vehicles sold at the end of lease to participating dealerships?
Manufacturers earn an additional 0.10 vehicle value for each 2026 through 2031 model year ZEV or PHEV with a MSRP $\leq$ \$40,000 (when new and adjusted annually for inflation) leased in the state and sold at end of lease in 2026 through 2031 calendar year to a dealership participating in a "financial assistance program" targeted to lower-income consumers. Manufacturers earn an additional 0.15 vehicle value (for a total of 0.25) if the vehicle is then sold to a financial assistance program participant. These vehicle values are earned in the calendar year the vehicle is sold.

How does the ACC II ZEV regulation define "financial assistance program"?
"Financial assistance program" is defined as a vehicle purchase incentive program where approved dealerships accept a point-of-sale incentive for used ZEVs and PHEVs for lower-income consumers.

Does the ACC II ZEV regulation identify qualifying financial assistance programs in California?
Yes. Qualifying programs in California include the Clean Cars 4 All Program established by Health and Safety Code §44124.5, the Financing Assistance for Lower-Income Consumers Project established pursuant to Health and Safety Code §44258.4, or successor state programs that meet the definition of "financial assistance program."

Are Section 177 states required to have financial assistance programs that are identical to the qualifying programs in California?
No, but any qualifying programs in Section 177 states should be a vehicle purchase incentive program where approved dealerships accept a point-of-sale incentive for used ZEVs and PHEVs for lower-income consumers. Section 177 states may identify qualifying financial assistance programs in their regulations or make subsequent determinations, as appropriate.

Do financial assistance programs have to be funded by the state to qualify for EJ vehicle values?
No. While such incentive programs could be funded by the state, programs funded by local or federal governments, utilities, or other entities would also qualify.

New ZEVs and PHEVs Offered at Below MSRP Threshold

How do manufacturers earn EJ vehicle values for new ZEVs and PHEVs below the MSRP threshold?
Manufacturers earn an additional 0.10 vehicle value for each 2026 through 2028 model year ZEV or PHEV delivered for sale with a MSRP ≤ $20,275 for passenger cars and ≤ $26,670 for light-duty trucks, as adjusted annually for inflation.

How do you know whether an SUV or crossover vehicle is subject to the MSRP threshold for passenger cars or light-duty trucks?
How the vehicle is certified by CARB determines whether the vehicle is subject to the MSRP threshold for passenger cars or light-duty trucks.

Limitations on Use of EJ Vehicle Values

Is there a cap on the use of EJ vehicle values?
Yes. Manufacturers may use EJ vehicle values to satisfy up to 5% of their total annual ZEV requirement in the 2026 through 2031 model years. EJ vehicle values may not be used to demonstrate compliance in the 2032 model year or any subsequent model year.

Can a manufacturer bank excess EJ vehicle values?
Yes. A manufacturer may bank excess EJ vehicle values for future use in the state where the value is earned through the 2031 model year.

Can a manufacturer trade EJ vehicle values to another manufacturer?
Yes. EJ vehicle values may be traded to another manufacturer for use in the state where the value is earned through the 2031 model year.

Can EJ vehicle values be transferred to another state?
No. EJ vehicle values may only be used in the state where they are earned and may not be used for compliance in another state. In other words, EJ vehicle values are not eligible for pooling.

Is a shortfall in a given year required in order for a manufacturer to use EJ vehicle values to fulfill a portion of its total annual ZEV requirement?
No, a shortfall is not required.

Reporting EJ Vehicle Values

What are the reporting requirements for EJ vehicle values?
As part of the annual report submitted after the close of the model year, manufacturers must provide the following data for each ZEV and PHEV qualifying for additional EJ vehicle values:

New ZEVs and PHEVs Provided for Use in Community-Based Clean Mobility Programs: Vehicle identification number (VIN), model year, make, model, test group, Executive Order number (or Section 177 state equivalent) of community-based clean mobility program, name of community-based clean mobility program, MSRP, vehicle sales price, sale or lease date, and vehicle purchase agreement.

Used Vehicles Sold at End of Lease to Participating Dealerships: VIN, make, model, test group, MSRP, odometer reading at time of sale, participating dealer name and address, date vehicle sold to dealer, and, for vehicles sold to a financial assistance program participant, VIN and date of sale.

New ZEVs and PHEVs Below MSRP Threshold: VIN, model year, make, model, test group, and MSRP.