Electrification Coalition
1111 19th street, NW suite 406, Washington, DC 20036
TEL 202-461-2360
FAX 202-461-2379
ElectrificationCoalition.org

The Electrification Roadmap is a comprehensive report that outlines a vision for a fully integrated electric drive network in the United States. The report examines the challenges facing electrification, including battery technology and cost, infrastructure financing, regulatory requirements, electric power sector interface, and consumer acceptance issues. The Roadmap provides policymakers and business leaders with a framework for overcoming these challenges in order to drive meaningful reductions in U.S. oil dependence.

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The Electrification Coalition is dedicated to reducing America’s dependence on oil through the electrification of transportation. Our primary mission is to promote government action to facilitate deployment of electric vehicles on a mass scale. The Coalition serves as a dedicated rallying point for an array of electrification allies and works to disseminate informed, detailed policy research and analysis.
The timing of this report is deliberate. Federal and state policies are proceeding apace, and those efforts are historic in nature. Never before have so many resources been brought to bear in support of electrification of transportation. Nonetheless, there is a great risk that the results of these initiatives could be less than the sum of the parts. To secure the advantages of electrification, it is not enough to deploy even millions of vehicles. In fact, only penetration rates in excess of a hundred million electric vehicles will be sufficient.

Beyond the sheer number, the manner in which vehicles enter the system will prove crucial to achieving scale at the lowest public cost and with the least disruption. The electricity grid was not designed, and does not operate presently, as an aspect of the transportation system. It is one thing to sprinkle a modest number of electric-drive cars throughout a nation as large as the United States; it is quite another for even a seemingly small number of those cars to operate simultaneously in a specific area, let alone for millions to be densely concentrated in a single city. The recommended policies seek to ensure not only the production of vast quantities of electric vehicles, but also their seamless integration into a complex electricity grid and transportation network.

The companies and leaders who are signatories to this report affirmatively support the policy objectives and recommendations contained within. To maximize the comprehensiveness and cohesiveness of information and analysis, participants span the electrification value chain. Included are the perspectives of enterprises involved with raw materials, battery production, vehicle manufacturing and marketing, power generation, and technology, among others. This structure reflects the view that electrification entails a systemic shift encompassing multiple industries and policies that depart markedly from the incumbent transportation network. Additional voices will be added in the coming months as the group refines its work and engages the policy-making process.

It is hoped that this report offers policymakers and the public a clear and accessible schematic for converting the vision of electrification into a working system that displaces oil as the nation’s dominant transportation fuel and, in so doing, dramatically enhances energy security, propels economic growth, and reduces carbon dioxide emissions.

Ideally, the technology and deployment of electric vehicles would emerge through regular market mechanisms. Events conclusively demonstrate that this path to electrification is unlikely, however. Therefore, if the desired transformation is to occur anytime in the foreseeable future, focused and sustained public policy will be required. All of those who contributed to this document are committed to assisting policymakers at this critical moment in the history of electrification. The Electrification Roadmap represents the best efforts of the participants to provide the nation’s leaders with accurate, timely, and actionable guidelines.
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Executive Summary

The United States may finally be emerging from its longest, and most severe, post-Depression recession. Although the recession was driven primarily by turmoil in financial and housing markets, it is increasingly clear that rising oil prices were a significant factor as well.

At the beginning of 2001, oil prices were steady at $30 per barrel. Over the subsequent five years, prices steadily rose, reaching $75 per barrel in June of 2006. After retreating slightly, benchmark crude prices jumped 50 percent in 2007, from $60 per barrel in January to more than $90 in December. In 2008, oil prices soared rapidly, eventually reaching their all-time high of more than $147 per barrel on July 3.

American households spent an average of $3,597 on gasoline in 2008. Between 2001 and 2008, the average retail price of gasoline increased from $1.46 to $2.27, costing typical households $1,990 a year in increased fuel expenses. By way of comparison, all changes to the federal tax code during that same period decreased annual federal income and estate taxes by about $1,900 for the median household. In other words, every penny that the typical household saved due to federal income and estate tax cuts over the past eight years was spent on higher gasoline bills. These increased energy costs reduced nearly every family’s discretionary income, diminishing their ability to spend, and contributing to a weakening of our consumer spending-driven economy.

The importance of oil to the U.S. economy is beyond dispute. Oil provides 40 percent of America’s primary energy needs, more than any other fuel source. In large part, this is due to the scale and dynamism of the U.S. transportation sector, which consumes nearly 14 million barrels of petroleum each day—more than the total oil consumption of any other nation in the world. Americans enjoy a flexible, mobile lifestyle, and it is powered almost exclusively by oil. Our cars, trucks, planes and ships rely on oil for almost everything they do: transportation, heating, cooking, and lighting.

By way of comparison, the rest of the world uses much less oil. Although the United States consumes nearly 14 million barrels of petroleum per day, the next biggest consumer of oil is China, which consumes 10 million barrels a day.4 The United States is the only country that consumes more than half of the oil consumed in the rest of the world.4

In December 2008, the United States spent more than $900 billion on gasoline, diesel, and other petroleum products.5

This heavy reliance on petroleum has created unsustainable risks to American economic and national security. The economic risks are all too clear: so long as the cars and trucks that power our economy are dependent on a single fuel source, the majority of which is produced in hostile nations and unstable regions of the world and the price of which is increasingly volatile, our economy is at the mercy of events and actors largely beyond our control.

The fundamental factors that contribute to the increasing—and increasingly volatile—price of oil are likely to persist over the long term. Between 2007 and 2030, the International Energy Agency expects world oil demand to grow by 21.2 million barrels per day (mbd), with fully 100 percent of the increase coming from developing countries. Rising demand for energy in China and India in particular has added a new dimension to the global oil consumption picture. With burgeoning middle classes and rapidly expanding economies, both nations appear poised to provide consistent pressure on world oil suppliers. In the meantime, resource nationalism, political instability, and insufficient upstream investment in many oil producing regions are continuing to constrain growth in oil supplies.

At the same time, the risk of a sudden and prolonged interruption to steady world oil supplies looms over the U.S. and world economies. Much of the infrastructure that delivers oil to the world market each day is exposed and vulnerable to attack in unstable regions of the world. According to the U.S. Department of Energy, each day more than 50 percent of the world’s oil supplies must transit one of six maritime chokepoints, narrow shipping channels like the Strait of Hormuz between Iran and Qatar. Even a failed attempt to close one of these strategic passages could cause global oil prices to skyrocket. A successful closure of even one of these chokepoints would bring economic catastrophe.

To mitigate this risk, U.S. armed forces expend enormous resources patrolling oil transit routes and protecting chronically vulnerable infrastructure in hostile corners of the globe. This engagement benefits all nations, but comes primarily at the expense of the...
American military and ultimately the American taxpayer. A 2009 study by the RAND Corporation placed the cost of this defense burden at between $67.5 billion and $83 billion annually.\(^\text{13}\)

Finally, in addition to these immediate threats to the national interest, petroleum consumption poses a long-term threat to global environmental sustainability. It is important to recognize that curbing emissions is a global issue and that there is not yet an international consensus on a long-term stabilization objective or on the required changes in emissions trajectory to meet such a goal. Nonetheless, international discussions are increasingly centered on a stabilization level that ranges between 450 and 550 parts per million (ppm) CO\(_2\) equivalent (CO\(_2\)-eq).\(^\text{14}\) Regardless of the exact nature of a final emissions stabilization target, it is clear that nearly any goal will be determined in large part by the extent to which the increase in fossil fuel-related GHG emissions is slowed down or reversed.

Despite the magnitude of the challenge and decades of political and policy shortfalls, a solution to America’s oil dependence is emerging. The United States now has the capacity to permanently enhance our national security and safeguard our economy. To do so, however, the United States must fundamentally transform our transportation sector, moving from cars and trucks that depend on costly oil-based fuels to an integrated system that powers our mobility with domestically-generated electricity.


Electrified transportation has clear advantages over the current petroleum-based system. Electricity represents a diverse, domestic, stable, fundamentally scalable energy supply whose fuel inputs are almost completely free of oil. High penetration rates of grid-enabled vehicles—vehicles propelled in whole or in part by electricity drawn from the grid and stored onboard in a battery—could radically minimize the importance of oil to the United States, strengthening our economy, improving national security, and providing much-needed flexibility to our foreign policy. Simultaneously, such a system would clear a path to dramatically reduced economy-wide emissions of greenhouse gases.

Therefore, this report proposes completely transforming the light-duty vehicle fleet into one in which grid-enabled mobility is the new conventional standard. By 2040, 75 percent of the light-duty vehicle miles traveled (VMT) in the United States should be electric miles. As a result, oil consumption in the light-duty fleet would be reduced to just 2.0 mbd, compared to today’s level of 8.6 mbd, and it is conceivable that U.S. oil imports could effectively be reduced to zero.
PART ONE THE CASE FOR ELECTRIFICATION

The primary advantages of electrification derive from replacing petroleum fuels with electricity. Total U.S. oil demand over the five years from 2004 through 2008 averaged 20.4 million barrels per day. Over the same period, oil demand within the aggregate transportation sector averaged 13.9 mb/d. Light-duty vehicles—cars, SUVs and motorcycles—accounted for approximately 8.6 mb/d of total transportation demand. That is, passenger vehicles currently account for roughly 40 percent of total U.S. petroleum demand. In short, if the United States is to address oil dependence, petroleum use in light-duty vehicles must be sharply reduced.

Electrification would allow the transportation sector to access a number of strategic advantages inherent to the electric power sector:

› The Power Sector has Substantial Spare Capacity. The U.S. electric power sector is constructed to be able to meet peak demand. However, throughout most of a 24-hour day—particularly at night—consumers require significantly less electricity than the system is capable of delivering. Therefore, the U.S. electric power sector has substantial spare capacity that could be used to power electric vehicles.

› The Network of Infrastructure Already Exists. Unlike many proposed alternatives to petroleum-based fuels, the nation already has a ubiquitous network of electricity infrastructure. No doubt, electrification will require the deployment of charging infrastructure, additional functionality, and increased investment in grid reliability, but the power sector’s infrastructural backbone—generation, transmission, and distribution—is already in place.

In order to harness the strategic advantages of the electric power sector in the light-duty vehicle fleet, vehicles that can be propelled by electricity must be available to consumers. In fact, the technology for such vehicles has advanced rapidly in recent years. Though important challenges remain, the global automotive industry has invested heavily in highly-efficient electric drive vehicles that utilize lithium-ion batteries to store electricity from the grid.

In general, grid-enabled electric drive systems can be either pure electric vehicles (EVs) or plug-in hybrid electric vehicles (PHEVs). Both EVs and PHEVs store energy from the grid in on-board batteries. Energy from the battery powers a highly-efficient electric motor that propels the vehicle. EVs substitute an electric drivetrain for all conventional drivetrain components. PHEVs retain the use of a downsized internal combustion engine that supplements battery power.

Both EVs and PHEVs provide consumers and the broader economy with two distinct advantages compared to conventional vehicles:

› Electric Miles are Cheaper than Gasoline Miles. Operating a vehicle on electricity in the United States is considerably less expensive than operating a vehicle on gasoline. In large part, this is due to the high efficiency of electric motors, which can turn 90 percent of the energy content of electricity into mechanical energy. In contrast, today’s best internal combustion (IC) engines have efficiency ratings of just 25 to 27 percent. With gasoline at $3.00 per gallon, the operating cost of a highly-efficient IC engine vehicle (30 miles per gallon) is 10 cents per mile. For current pure electric vehicles, assuming an average electricity price of 10 cents per kilowatt hour, operating costs are only 2.5 cents per mile.

› Electric Miles are Cleaner than Gasoline Miles. Vehicle miles fueled by electricity emit less CO₂ than those fueled by gasoline—even with today’s mix of generating resources. As renewable power increases its share of the electricity portfolio, and to the extent that new nuclear power comes on line, the emissions profile of the U.S. power sector will continue to improve over time; this improvement will directly enhance the emission’s benefits of grid-enabled vehicles. This pattern will only accelerate if climate change legislation is enacted and stricter emissions goals are established in the United States. Finally, to the extent that grid-enabled vehicles (GEVs) are charged overnight using power from base load nuclear or off-peak renewable resources, their emissions footprint can be nearly eliminated.

Because the vast majority of material in lithium ion batteries is recyclable, the increased use of grid-enabled vehicles does not present the United States with additional resource dependency. Particularly when recycling is assumed, global lithium reserves are adequate to support even the most bullish GEV deployment scenarios. Moreover, at a structural level, dependence on lithium is unlike dependence on oil. Vehicles do not deplete batteries as we drive; they deplete the energy stored within them. In other words, batteries are like the engines in conventional vehicles of today; though their life span is finite, they last for many years. Coupled with the fuel diversity of the electric power sector, grid-enabled vehicles generally insulate consumers from volatile commodity markets.

Finally, current federal policy provides support to a range of fuels designed to displace petroleum as the dominant fuel in the U.S. transportation system. Electrification offers the fuel diversity, price stability, and emissions benefits needed to meaningfully increase U.S. energy security. Instead of scattered, inconsistent federal support for a wide variety of alternatives, what is required is a coherent, focused strategy designed to radically drive down oil consumption in the light-duty fleet. Part of this strategy must be the acknowledgment that other alternatives, while having value, cannot ultimately revolutionize America’s light-duty fleet and end oil dependence.
PART TWO CHALLENGES & OPPORTUNITIES

Despite the rapid progress currently being made in the global electric vehicle market, substantial barriers to widespread vehicle adoption still exist. Overcoming these barriers will require innovative business models and stable, effective public policy. The four principal challenges to electrification of transportation are: 1. Batteries and Vehicles, 2. Charging Infrastructure, 3. Electric Power Sector Interface, and 4. Consumer Acceptance.

BATTERIES AND VEHICLES

No obstacle to GEV adoption has been as formidable as the development of battery technology. In short, batteries have never been able to compete with the tremendous energy density of petroleum fuels. The last several years, however, have seen enormous strides in battery technology, substantially lowering costs and increasing range potential. This progress has enabled the design and manufacture of grid-enabled vehicles that can compete with the performance and convenience of gasoline-powered cars. Improvements in battery performance can be grouped into at least five categories: power, energy, safety, life and cost.

A key catalyst in battery innovation has been the advent of lithium-ion battery technology. First deployed in consumer electronics, today's lithium-ion technology enables very large batteries with long ranges to be placed in vehicles while minimizing the weight and size burden compared to previous technologies.

Factors such as battery life require ongoing testing and research, but the first generation of grid-enabled vehicles powered by lithium-ion batteries will reach U.S. markets in the next 18 months. The largest obstacle to widespread consumer adoption of these vehicles will be cost. Existing policies have already begun to reduce these costs; for example, the American Recovery and Reinvestment Act of 2009 introduced tax credits that would be cost. Existing policies have already begun to reduce these costs; for example, the American Recovery and Reinvestment Act of 2009 introduced tax credits that

Cooperation Recommendations

- Establish tax credits for installing automotive grade batteries in stationary applications to help drive scale
- Establish loan guarantees for retooling automotive assembly lines

CHARGING INFRASTRUCTURE

There are different levels of charging based on the power available. Level I charging uses the traditional 110 volt outlet. Though relatively slow, it may be sufficient for many PHEV owners. The longer charges required by larger EV batteries will likely convince many consumers to opt for higher-power Level II charging. Level II charging is specified at between 208 and 240 volts (the voltage used in many homes by clothes dryers, ovens, and well pumps).

Most vehicles sit idly overnight at homes, which provides ample opportunity to charge their GEVs. Important shortcomings of home charging will need to be addressed before grid-enabled vehicles can be widely adopted, however. First, many homes will require installation of a 220 volt plug in the garage or parking shelter if they want Level II charging. Of greater concern may be the fact that many households lack access to a dedicated parking space. For them, overnight charging will be more difficult.

While home charging will be important for achieving high rates of GEV deployment, public charging is arguably more important for moving past the early stages of GEV adoption. Drivers are accustomed to being able to fill up using the ubiquitous gasoline infrastructure developed over the last 100 years. Inability to do so will generate significant hesitancy—range anxiety—for many drivers, and may reduce the fuel economy of PHEVs. Especially early on, a readily available network of Level II public charging facilities may assist in minimizing range anxiety. It should be supplemented by public Level III chargers capable of providing a high voltage “fast charge” that can charge vehicle batteries in minutes rather than hours. Level III facilities will allow a fast charge for a driver who forgot to or was unable to charge overnight, or who is traveling beyond the range of the vehicle without the time to stop and wait for a slower charge. Level III chargers will also likely need to be deployed along intercity roads to provide charging opportunities for longer trips.

GEV advocates have suggested that private firms should install public charging infrastructure wherever consumers may need it. However, a profitable business model for public charging infrastructure has not been reliably demonstrated. The only way for consumers to recover the cost of an expensive battery is to defray it over time with comparatively cheap electricity. This upper bound on the price consumers are willing to pay to charge their vehicles, and the readily available substitute of home charging, places an upper limit on what consumers will be willing to pay for public charging.

Cooperation Recommendations

- Modify building codes to promote GEV adoption

ELECTRIC POWER SECTOR INTERFACE

GEVs represent an enormous opportunity for the nation’s electric utilities and electricity market retailers in both regulated and competitive electricity markets.

Light-duty vehicles today are the largest energy consumers in the transportation sector, which is the most significant sector of the economy that relies on some form of energy other than electricity. The nation currently consumes about 4.1 trillion kWh of electric power each year. If 150 million light-duty GEVs each consume 8 kWh of power a day, that would represent an additional 440 billion kWh of power each year.

Depending on the manner in which that power is consumed, there may be relatively little need for additional generating capacity, much of the vehicle charging can take place during off-peak hours when significant generating capacity is typically idle. Moreover, by flattening the load curve and increasing the utilization rates of existing power generating plants, utilities should be able to spread their fixed costs over a greater volume of power and reduce maintenance costs, perhaps lowering costs for all of their customers.

While adding millions of GEVs as customers is a great opportunity for utilities, it will require them to address several issues. Some utilities will have to upgrade distribution-level transformers to ensure reliable service to homes and other charging locations. Along with investments in smart meters and smart charging software, utilities will need to invest in IT infrastructure to support a range of smart grid applications including GEVs. Further, both utilities and electricity market retailers will need new rate plans to reliably serve GEVs. Regulatory reforms are also required.

Cooperation Recommendations

- Promote the inclusion of GEV-related investment in the utility rate base
- Adjust utility rate structures to facilitate GEV deployment

CONSUMER ACCEPTANCE

New innovations often require many years to become widely adopted in the marketplace. Making a successful entrance into a competitive automobile market established a century ago is no easy task. Traditional gasoline-electric hybrid vehicles have so far failed to overcome the hurdles, accounting for approximately 3 percent of new vehicle sales in 2008. To a degree, hybrids have demonstrated their potential among early adopters and with automobile manufacturers. However, without a change in consumer attitude, widespread consumer acceptance of electrification remains a difficult proposition. The market for these technologies will only reach a “take-off” point if they can offer a compelling alternative to conventional IC engines on either cost or performance grounds.

Cooperation Recommendations

- Establish a guaranteed residual value for used large-format automotive batteries
- Review existing regulations on vehicle warranties
PART THREE ANALYSIS OF THE GOAL

This report sets a national goal for electrification. Specifically, by 2040, 75 percent of the vehicle miles traveled in the United States should be electric miles. In order to meet this goal, grid-enabled vehicles will need to make significant inroads into new light-duty vehicle sales between 2010 and 2020 and then expand that share over the following decades. Because vehicles tend to stay on the road for a decade or more, even very high rates of GEV adoption will take time to penetrate the American fleet of 250 million light-duty vehicles.

Expressing a national goal in terms of “electric miles” acknowledges two key issues. First, expressing the goal in terms of market share or sales penetration alone would not necessarily translate directly to an equivalent oil abatement number. That is, reaching the point where 50 percent of all light-duty vehicles were GEVs would not necessarily reduce LDV oil consumption by 50 percent. This is because different population segments account for varying proportions of total miles traveled. Setting an ambitious VMT target clarifies the notion that GEVs will need to be adopted by all consumer segments, particularly those that account for the highest share of miles traveled.

Second, the transition from a market dominated by IC engine vehicles to one dominated by GEVs will likely incorporate a number of technological solutions within the framework of electric drivetrains. That is, there will surely be an assortment of GEV technologies on the road, including both PHEVs and EVs. An electric mile is any mile in which the vehicle is propelled by an electric motor and not relying on a gasoline engine. Different technologies will have varying ability to maximize electric miles, with pure EVs obviously being the most efficient. Using electric miles as a common measurement, therefore, facilitates the use of a single goal that is applicable over a range of GEVs.

The analysis conducted for this report acknowledges that there will be an evolving mix between PHEVs and EVs. At first, PHEVs achieve a dominant share of total GEV sales, primarily because they present owners with a lower total cost of ownership than pure EVs. Moreover, PHEVs do not have the same range limitations as pure EVs. Over time, as battery costs decline, charging infrastructure is widely deployed, and EV ranges increase, EVs capture the dominant position within the GEV market and the broader light-duty vehicle market as well.

If not managed properly, deploying electric vehicles at this scale could have significant consequences for electricity prices and the reliability of the grid, particularly at the distribution level. Therefore, it will be important to implement public policies that support efforts by utilities to deploy technology, including smart software, to coordinate the vehicle charging process and to include the costs of such equipment in their rate bases. Further, policies that encourage consumers to charge vehicles at night during off-peak hours, while maintaining consumer flexibility, will also be of paramount importance.

Of course, the most substantial obstacle to wide-scale vehicle electrification is the higher cost of grid-enabled vehicles. However, the cost of owning a GEV will come down in the coming years based on the declining costs of batteries, electric motors, power inverters, on-board chargers, and power electronics, among other factors. Analysis presented in this report shows that, based on existing government incentives, PHEVs should already have a lower total cost of ownership than IC engine vehicles. By 2023, total costs of ownership for pure EVs should also be lower than conventional vehicles. By 2020, both EVs and PHEVs offer a value proposition for consumers even without tax credits, and falling battery costs make EVs the best value for most drivers.

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PART FOUR STRATEGIC DEPLOYMENT

In order to achieve deployment of grid-enabled vehicles at a level consistent with the goals of this roadmap, an ambitious federal initiative to establish electrification ecosystems in a number of American cities will be required. An ecosystem is a group of interdependent entities that work or interact together to accomplish a common task or goal. In the GEV context, an electrification ecosystem is a community in which each of the elements necessary for the successful deployment of grid-enabled vehicles is deployed nearly simultaneously in high concentrations. By ensuring that vehicles, infrastructure, and the full network of support services and technologies arrive in well-defined market segments, ecosystems will provide an invaluable demonstration of the benefits of integrated electrification architecture. Electrification ecosystems will:

» Demonstrate Proof of Concept. By demonstrating the benefits of grid-enabled vehicles in a real world environment, ecosystems will make consumers aware of the tremendous potential of electrification.

» Drive Economies of Scale. Electrification ecosystems will allow market participants to take advantage of economies of scale, particularly with regard to charging infrastructure. They will also drive demand for grid-enabled vehicles at a rate that is likely to be far in excess of the rate if the vehicles are simply purchased by early adopters scattered around the United States.

» Facilitate Learning by Doing. Electrification ecosystems will play a feedback role in the GEV innovation process. Data aggregation and concentration of efforts will be informative to new innovation.

Ecosystem cities should be chosen on a competitive basis with an application that mirrors the core components of, for example, an International Olympic Committee bid. Successful bids would ideally be submitted by a coalition of entities in a community reflecting wide support for GEV deployment. Such coalitions should reflect the support of state and local government, the applicable Public Utility Commission, local utilities, large local employers, and others.

FIGURE EJ PHASED DEPLOYMENT

**Phase One Ecosystems**  
A phased process will maximize the effectiveness of the electrification ecosystem concept. Phase one ecosystems should each reach stock penetration rates of 50,000 to 100,000 vehicles by 2013. This level of deployment would place the nation on a path to deploy approximately 700,000 grid-enabled vehicles on the road by 2013, consistent with the national goal of 75 percent electric VMT by 2040. Moreover, in appropriately sized cities, this will represent a significant portion of newly-purchased vehicles. Massing that many vehicles in a limited number of communities will prove that GEVs can work at scale and allow researchers to generate a large enough data set to evaluate GEV usage patterns.

Phase one of the ecosystem deployment strategy is intended primarily as a proof of concept and data collection exercise. The goal is primarily to take advantage of economies of scale in a handful of cities to deploy relatively large numbers of GEVs in order to build consumer confidence and accelerate the learning process. The lessons learned in those communities will help other cities determine how much charging infrastructure is necessary and where it should go, when drivers will charge their vehicles, how much they are willing to pay to charge their vehicles, to what extent their charging patterns will be affected by the price of electricity, and what business models might be most successful.

**Phase Two Ecosystems**  
Phase two of the deployment strategy is intended to jumpstart the wide-scale deployment of GEVs to the levels needed to achieve the goals of 14 million GEVs on the road by 2020 and more than 120 million GEVs on the road by 2030. Therefore, phase two will expand deployment to between 20 and 25 additional cities. At the same time, as the GEV concept is proved, battery costs decline, and infrastructure deployment becomes more efficient, government support in ecosystems can also decline.

Phase two ecosystems should each reach stock penetration rates of 75,000 to 150,000 vehicles by 2018. This level of deployment would place the nation on a path to deploy approximately 7 million grid-enabled vehicles on the road by 2018, consistent with the national goals set out in Part One of the roadmap. By the end of phase two, the nation will be on target to reach Milestone One, in which 25 percent of new light-duty vehicle sales are grid-enabled vehicles.

**Coalition Recommendations**

» In phase two, adjust consumer tax credits for GEVs and standardize them across phase one and phase two ecosystems

» In phase two, adjust tax credits for public charging infrastructure to approximately 50 percent of the cost

» In phase two, adjust financial support to 20 percent of the cost for IT upgrades for utilities or power aggregators to sell power to GEVs
PART ONE
The Case for Electrification

1.1 OVERVIEW
1.2 THE PROBLEM
1.3 THE SOLUTION
1.4 THE TARGET
1.5 NATIONAL IMPERATIVE
1.6 ELECTRIFICATION POLICY
ABSTRACT

The Case for Electrification

The United States is dangerously exposed to a global oil market whose fundamental characteristics all but guarantee increasing volatility and instability. Oil dependence weakens our national security, threatens our economy, and degrades the environment. U.S. oil dependence stems largely from the transportation sector, which relies on petroleum for 94 percent of its delivered energy.

Electrification of transportation—powering our light-duty fleet with electricity—is the best solution available for reducing U.S. oil dependence. Electricity is produced from a diverse range of fuels that are overwhelmingly domestic, and oil has virtually no role in power generation. Today’s generation mix already offers environmental advantages versus conventional combustion engines for transportation, and the increased deployment of renewable generation will only improve this benefit. Finally, the technology to power vehicles with electricity over ranges that meet most drivers’ needs is essentially available today.

Each day, Americans consume nearly 20 million barrels of petroleum—equal to one-fourth of total global oil demand.

In an era of high and volatile oil prices, this level of consumption is extremely costly, both for the economy and the broader national interest. U.S. oil consumption is increasingly a significant driving force behind the nation’s trade imbalances, and erratic oil price movements have contributed to an uncertain business and investment climate for a number of industries, including the automotive sector.

After 150 years of investment and development, the world has probably reached the end of “easy oil.” Today, the U.S. economy is dangerously exposed to a global oil market whose fundamental characteristics will ensure that, at least through the medium term, it is likely to be increasingly volatile and unstable. Growing demand for oil from the developing world, limited access to the reserves owned by national oil companies, and the higher cost of production of those fields that are available to international oil companies all suggest that the threat posed to our economy by our dependence on oil will continue to grow over time.

Oil dependence undermines national security and the conduct of foreign policy by limiting U.S. strategic flexibility, strengthening foreign adversaries, and exacerbating geopolitical competition for resources. It also imposes significant burdens on U.S. armed forces, which must expend enormous military resources protecting the chronically vulnerable global oil production and distribution network while striving to guarantee international access to key oil-producing regions.

Working within the traditional paradigms, though useful on a limited scale, cannot and will not offer the transformative change required to end our nation’s dependence on petroleum. What is required is a new model that should be electrification of our nation’s short-haul ground transportation system.

Electrification offers numerous advantages over the status quo: using electricity promotes fuel diversity; electricity is generated from a domestic portfolio of fuels; electricity prices are less volatile than oil and gasoline prices; using electricity is more efficient and has a better emissions profile than gasoline; using electricity will facilitate reduction of greenhouse gas emissions, and electricity is a low-cost alternative. Moreover, while there is a place in our economy for all fuels, including biofuels, natural gas, hydrogen, and other alternatives, electricity is superior to other practical alternatives to petroleum.

Accordingly, the government should implement policies to actively promote the development and deployment of technology to electrify the light-duty transportation system as part of an effort to reduce the economy’s petroleum intensity.

Last year, President Obama established a goal of getting 1 million GEVs onto the road by 2015. His administration has invested substantial funds from the American Reinvestment and Recovery Act in pursuit of that goal. That investment, however, is insufficient to meet the president’s goal. This Roadmap sets a more ambitious target for electrification that will not only meet the president’s goal, but achieve the greater goal of ensuring that by 2040, 75 percent of the light-duty vehicle miles traveled (VMT) in the United States will be electric miles. As a result, oil consumption in the light duty fleet would be reduced to just 2.0 mbd, compared to today’s level of 8.6 mbd. This represents a significant reduction in U.S. oil dependence, and would meaningfully enhance American economic, environmental, and national security.

1.1 Overview

Modern American life is premised on the assumption that inexpensive oil will always be available to fuel our transportation system. Our vehicles, our jobs, and even the structure of our communities all depend on reliable supplies of affordable oil. Yet growing worldwide demand for oil and tightening supplies strongly suggest that the days of cheap, plentiful oil are over.
1.2 The Problem

The U.S. economy is heavily dependent on oil, particularly in our massive transportation sector. Oil price volatility, primarily driven by geopolitical events beyond our control, has made our current level of consumption unsustainable.

**A Nation at Risk**

The United States is the world’s largest consumer of crude oil and petroleum products, accounting for nearly 25 percent of global oil demand. Approximately 40 percent of U.S. primary energy needs are met by oil, giving it a degree of economic significance unmatched by any other fuel. In 2008 alone, American businesses and consumers spent more than $900 billion on gasoline, diesel and other refined petroleum products. This staggering expenditure represented 6.4 percent of the nation’s total gross domestic product.

Simply stated, our current way of life is utterly dependent on petroleum. Oil makes possible the flexibility and mobility that define our culture and our economy. In 2008, Americans consumed a total of 7.1 billion barrels of petroleum. Seventy percent of that total—nearly 5 billion barrels of oil—was used in the transportation sector. Our cars, trucks, planes, and ships depend on petroleum for energy, and there are currently no substitutes deployed at scale. Approximately 94 percent of delivered energy in the U.S. transportation sector is derived from oil.

If the purchase and consumption of petroleum were largely benign, American oil dependence would be of little strategic importance. However, it has become increasingly clear that our consumption of oil is encumbered with substantial costs, both tangible and intangible. For at least 35 years, Americans and our leaders have known that our addiction to oil weakens our national security and inflicts considerable damage on the economy. More recently, scientific consensus suggests that the environmental costs of oil consumption are also large and growing.

**1.2.1 A Decade of Instability and Rising Oil Prices**

Since 2003, rising oil demand in emerging markets, slow expansion of global production capacity, and persistent geopolitical volatility have combined to generate significant oil price volatility.

Global oil production is increasingly concentrated in the hands of a small number of nations, many of which are hostile to U.S. interests and afflicted by some combination of extreme poverty, rampant corruption, and political instability. Because there is a single global market for oil, these localized factors can have a large impact on the price of oil paid by all consumers. Oil is a fungible, global commodity, and a change in supply or demand anywhere generally affects prices everywhere.

In recent decades, oil price spikes were most often the result of sudden changes in oil supply based on geopolitical crises. For example, between 1978 and 1980, Iranian oil production fell by 72 percent from 5.3 million barrels per day to a new low of 1.5 million barrels per day (mb/d) as the Iranian Revolution and subsequent war with Iraq decimated the domestic oil industry. Though these types of price spikes could inflict significant global economic damage, they were also temporary.

More recently, however, high and volatile oil prices have been the result of factors that should be considered structural as opposed to transitory: Economic growth in developing countries like China and India has added a new component to the world oil demand picture. In total, world demand for oil increased by 11 percent between 2000 and 2008, but fully 100 percent of this growth occurred in developing nations. In 2004 alone, Chinese oil demand increased by 16.7 percent, a striking indicator of rapid economic expansion.

At the same time that global oil demand has been rapidly increasing, oil producers have struggled to keep pace. Output in the world’s most developed nations—the 30 members of the Organization for Economic Cooperation and Development (OECD)—reached a plateau in 1997 and markedly decreased each year after 2002. The most promising, cost-effective resources in countries like the United States, Norway, and the United Kingdom were developed aggressively throughout the 20th century, and new projects have thus far only served to slow the rate of overall decline.

With stable oil supplies on the decline, the world has increasingly been dependent on a limited number of volatile sources to deliver growth in conventional oil output. In particular, oil consumers have bet heavily
on the ability of the Organization of the Petroleum Exporting Countries (OPEC) to expand its production capacity. Together, the 12 OPEC nations control about 40 percent of daily oil supplies and hold 76 percent of conventional oil reserves. The group acts as a cartel, colluding to set production levels in an effort to achieve predetermined price targets.

To be sure, OPEC has abundant, relatively low-cost resources that could be developed. But both the willingness and ability of OPEC to expand production capacity have long been in question. Optimists note that in late 2009, Saudi Arabia completed a five-year, $100 billion program to expand capacity from 10 mbd to 12.5 mbd, a record level. At the same time, however, capacity in Nigeria and Venezuela fell due to domestic political factors, partially offsetting the Saudi gains. These problems are not new, and based on historical precedent they are likely to persist. In fact, decades of underinvestment left OPEC production capacity in 2008 at 34 mbd, slightly less than its 37 mbd level 15 years earlier in 1993.

Regions outside of the OECD and OPEC have also struggled to expand oil production capacity, but for different reasons. States in the former Soviet Union and Africa have become important players in the global market. Large oil discoveries have been made in recent years, by far the largest of which is the 30 billion barrel Kashagan oil field in Kazakhstan. Despite strong growth at the beginning of the decade, however, a range of economic and geopolitical factors has limited the scope of oil production growth in these countries since 2004.

As a result of these factors—rising demand in emerging markets and the inability of suppliers to meaningfully expand production capacity—the global oil market operated on thin margins throughout the period from 2003 to 2008. Spare capacity—OPEC’s surplus production capacity—began the decade at more than 5 million barrels per day. 6.5 percent of daily demand. By mid-2008, spare capacity had dwindled to 1 million barrels per day, only slightly more than 1 percent of daily demand.

In such an environment, even small perturbations can cause massive price swings. A hurricane in the Gulf of Mexico, violence in the Niger Delta, or an oil worker strike in Venezuela can lead to sudden and potentially calamitous swings in the price of oil as markets adjust their expectations about the supply-demand balance and risks to future deliveries of crude oil. This market tightness combined with a period of heightened global instability drove oil prices steadily, almost relentlessly higher for nearly a decade. In 2003, real oil prices averaged $33.75 per barrel. The annual average price rose every year afterward, reaching $75.14 in 2007 and $97.26 in 2008. By 2008, oil prices reached a level that was simply unsustainable throughout the global economy—the point of demand destruction. In general, oil consumption is highly inelastic, but only to a point. As oil topped $147 per barrel, consumer spending began to fall, business activity slowed, and the global economy was shocked to a stall. Around the world, growth in oil demand quickly subsided, and in many nations it retracted. In the third quarter of 2008, oil consumption in the United States declined more than 8 percent compared to the same period in 2007, the largest annual decline since 1980. As a result of falling demand throughout late 2008 and early 2009, OPEC spare capacity was temporarily inflated to its current level of nearly 4 mbd.

Yet, despite the current economic environment, the underlying factors that led to record oil prices in 2008 have not substantially changed. Demand growth for oil products—particularly in the industrialized world—has temporarily subsided, to be sure. But this reduction is not the result of any fundamental change in technology, policy, or infrastructure. Rather, it is simply the result of reduced economic activity during the current downturn. As economic activity resumes, demand for all energy—including petroleum—will also increase, particularly in emerging economies that will continue to require high rates of economic growth to accommodate population growth. Assuming no changes in government policies, by 2030 the International Energy Agency (IEA) expects that world demand for petroleum will increase by 21.2 mbd, or roughly 25 percent compared to 2007 levels. Of this growth, fully 100 percent is forecast to occur in the developing world, with 65 percent expected in China and India alone.
1.2.2 No Free Market Solution

Today's global oil market is far removed from the free-market ideal. Resource nationalism in key oil-producing regions of the world has stunted investment and stalled supply growth.

Oil prices may be a function of the laws of supply and demand, but oil markets do not operate freely. At least 78 percent—and by some estimates as much as 90 percent—of oil and gas reserves are held by national oil companies (NOCs) that are either fully or partially controlled by foreign governments. NOCs often do not have the same incentives as profit-maximizing firms. While a handful of NOCs operate like private firms at the technological frontier of the industry, many function essentially as a branch of the central government, depositing oil revenues in the treasury from which they are often diverted to social programs instead of being reinvested in new projects. This process stunts expansion in production capacity in favor of domestic spending.

As a result of their reserve dominance, NOCs will increasingly determine the fate of world oil production. In order to meet expected demand growth, the International Energy Agency now forecasts that nearly all the growth in future oil supplies will need to come from NOCs, both within OPEC and beyond. By 2030, well over 60 percent of global oil supplies are forecast to originate with NOCs, but only if adequate investments are made in expanding production capacity.

More likely, the status quo trend of constrained supply growth is likely to continue over the long term. Meanwhile, the fraction of global oil reserves that is accessible to international oil companies (IOCs) is growing increasingly complex and costly to produce. In addition to the typical costs for pipelines, tankers, and refineries, IOCs must now invest significant additional capital per barrel of oil produced for specialized drilling equipment, oversized offshore platforms, and advanced upgrading facilities. As a result, the marginal cost of production for a barrel of non-OPEC oil has increased rapidly in recent years. Currently, the break-even price for Canadian oil sands is estimated at between $50 and $80 per barrel. For projects in the Gulf of Mexico, marginal costs are estimated to be $60 per barrel. Promising basins off the coast of Brazil and in the North Caspian near Kazakhstan are even more complex and costly.

With these factors in mind, a strong case can be made that relatively high oil prices are here to stay. Political instability, resource nationalism, and geological challenges will likely continue to constrain oil supply growth for the foreseeable future. Moreover, the recent economic recession—partially triggered by high oil prices—has compounded the problem.

Falling oil prices in late 2008 led to widespread investment deferrals, and it remains to be seen what effect they will have on global production capacity over the medium term. In its 2009 Medium Term Oil Market Report, the International Energy Agency forecast that a strong economic recovery would bring the return of reduced levels of spare capacity and a tight oil market by 2014. Other analysts expect the supply crunch to come as soon as 2011. Regardless of the precise timing, most agree that the clock is ticking.

It remains, however, impossible to forecast with absolute certainty that oil prices will remain high. Advances in technology and ambitious upstream investment programs could keep oil prices closer to their long-run average. More likely, prices could continue to follow a pattern of high volatility—spikes followed by periods of relative calm, consistent with their historical irregularity. In such a scenario, progress in developing alternative fuels and technologies would remain stunted, and the United States could be weakened by petroleum dependence well into the future. It is, therefore, critically important to recognize that even without the expectation of higher oil prices, the costs of U.S. oil dependence have become far too high to sustain. The true cost of oil is largely unrepresented in the price of a barrel on the world market or in the price of a gallon of gasoline at the pump. The external costs of oil dependence are far higher than the prices we pay every day.


23 WEO 2008.

24 WEO 2009.


1.2.3 National Security Costs of Oil Dependence

Oil dependence undermines American foreign policy goals when dealing with oil-producing countries. In addition, the burden of securing the global free flow of oil severely burdens the U.S. military.

The importance of oil in the U.S. economy has given it a place of prominence in foreign and military policy. In particular, two key issues related to oil affect national security. First, the vulnerability of global oil supply lines and infrastructure has driven the United States to accept the burden of securing the world’s oil supply. Second, the importance of large individual oil producers constrains U.S. foreign policy options when dealing with problems in these nations.

A crippling disruption to global oil supplies ranks among the most immediate threats to the United States today. A prolonged interruption due to war in the Middle East or the closure of a key oil transit route would lead to severe economic dislocation. U.S. leaders have recognized this for decades, and have made it a matter of stated policy that the United States will protect the free flow of oil with military force. Still, policy alone has consistently fallen short of complete deterrence, and the risk of oil supply interruptions has persisted for nearly 40 years.

To mitigate this risk, U.S. armed forces expend enormous resources protecting critically vulnerable infrastructure in hostile corners of the globe and patrolling oil transit routes. This engagement benefits all nations, but comes primarily at the expense of the American military and ultimately the American taxpayer. A 2009 study by the RAND Corporation placed the ongoing cost of this burden at between $67.5 billion and $83 billion annually, plus an additional 88 billion in military operations. In proportional terms, these costs suggest that between 12 and 15 percent of the current defense budget is devoted to guaranteeing the free flow of oil.

Foreign policy constraints related to oil dependence are less quantifiable, but no less damaging. Whether dealing with uranium enrichment in Iran, a hostile regime in Venezuela, or an increasingly assertive Russia, American diplomacy is distorted by our need to minimize disruptions to the flow of oil. Perhaps more frustrating, the importance of oil to the broader global economy has made it nearly impossible for the United States to build international consensus on a wide range of foreign policy and humanitarian issues.


1.2.4 Economic Costs of Oil Dependence

The U.S. trade deficit in crude oil and refined products reached $388 billion in 2008—56 percent of the total trade deficit. Moreover, every recession since 1970 has been preceded by an oil price spike.

In a past era, the American oil industry dominated the global oil landscape. We imported little if any oil, and prices rose and fell based on production in Texas. No more. Today, although the United States remains the third largest producer of petroleum in the world, U.S. oil production has fallen dramatically from its peak in 1970 as the size of new discoveries has fallen and the productivity of new wells has declined. America now imports 88 percent of the oil it consumes, at tremendous cost to the current account balance. In 2007, the U.S. trade deficit in crude oil and petroleum products was $295 billion. In 2008, as oil prices reached all-time highs, that figure increased to $388 billion—56 percent of the total trade deficit—and U.S. consumers were left with no alternative but to pay the price.

1 Id., (Table 3.9).

This unprecedented transfer of wealth is of course closely related to national security. With oil prices averaging nearly $100 per barrel, OPEC earned a record $971 billion in net oil export revenues in 2008, a 42 percent increase from 2007. Saudi Arabia earned the largest share of these earnings, $288 billion, representing 30 percent of total OPEC revenues. Based on September 2009 oil price projections, the Department of Energy (DOE) forecast OPEC net export revenues to be $559 billion in 2009 and $675 billion in 2010. Looking forward, OPEC is expected to provide more than half of the world’s oil supplies by 2030, significantly increasing the net oil trade surplus in the Middle East.


DOE, EIA, “OPEC Revenues Fact Sheet,” (October 2008).

Debates over energy security have, in reality, been debates over the American military’s ability to act effectively in a world where its strategic advantage in conventional forces is no longer assured. This has been true for decades, but recent events have only underscored this point.

1 See Appendix B for detail.

Figure 16 illustrates the importance of the Middle East to U.S. oil imports. In 2007, the MENA region was responsible for 39 percent of U.S. crude oil imports, and 52 percent of the imports of gasoline, jet fuel, and diesel. By 2030, the share of oil imports from the region is projected to increase to 40 percent. While other regions, notably Latin America and the former Soviet Union, will also supply more oil to the United States by 2030, the MENA region’s share of U.S. oil imports will remain relatively constant.

Figure 16 World Net Oil Trade, Historical & Forecast

Source: International Energy Agency

15 Id., (Table 3.9).

16 Id.


18 DOE, EIA, “OPEC Revenues Fact Sheet,” (October 2008).
Direct wealth transfer is but one of the many economic costs of American oil dependence. Researchers at the Oak Ridge National Laboratories (ORNL), for example, have studied at least two others. First, significant economic costs stem from the temporary misallocation of resources as the result of sudden price changes. In short, when oil prices fluctuate, it becomes difficult for households and businesses to budget for the long term, and economic activity is significantly curtailed. Second, the existence of an oligopoly inflates oil prices above their free-market cost. As a result, some economic growth is foregone due to higher costs for fuel and other products. ORNL studies estimate the combined damage to the U.S. economy from oil dependence between 1970 and 2008 to be $5.5 trillion in current dollars. For 2008 alone, the cost was nearly $600 billion (see Figure III).

Perhaps most importantly, every recession over the past 35 years has been preceded by—or occurred concurrently with—an oil price spike. In general, recessions are caused by a myriad of factors and are damaging to nearly all sectors of the economy. And yet, oil price spikes tend to exact a particularly heavy toll on fuel-intensive industries like commercial airlines and shipping companies. Additionally, automobile manufacturers tend to suffer disproportionately as consumers dramatically scale back large purchases. But perhaps most important is the effect that oil prices have on consumer spending, which represents about 70 percent of the economy. Stated simply, when consumers have to spend more on gasoline (and heating oil), they have less to spend on everything else.

Volatile fuel prices also tend to hit airlines and shippers hard, because fuel makes up a high percentage of their costs. The U.S. airline industry lost more than $35 billion between 2001 and 2005, almost entirely because of expensive jet fuel that they had not been able to predict or plan for. Worldwide estimated net losses for 2008 were roughly $40 billion, and the International Air Transport Association (IATA) forecast net 2009 losses for the industry at $9 billion.

Similarly, sales of new automobiles can be particularly hard hit. To a large extent, new car sales will decline in a recession, because consumers have less cash to spend and more uncertainty about their personal economic situations. In addition to that concern, which affects all large consumer purchases, consumers might also delay purchasing new cars until they have a better sense of future oil prices and, therefore, how important fuel efficiency will be to their decision. That certainly appears to be the case in the current recession.

In 2007, annual light-duty automobile sales in the United States were approximately 16.1 million units. As oil prices steadily rose throughout 2008, auto sales plummeted. In the closing months of 2008, at the height of the financial crisis, the annualized rate of sales fell to just 9 million units, and two of the three American automotive manufacturers were forced to declare bankruptcy. For the year, auto sales were 13.2 million units in 2008, a decline of approximately 20 percent from 2007. The seasonally adjusted annual rate (SAAR) for 2009 through September is just 10.2 million units, a figure buoyed by high August sales due to the Cash-for-Clunkers program, which brought August sales above a SAAR of 14 million units.
1.2.5 Environmental Sustainability

The transportation sector is the single largest end-use emitter of carbon dioxide in the United States, accounting for 34 percent of 2007 total emissions of CO₂.

Finally, concerns about the environmental sustainability of fossil fuels have grown in prominence in recent decades. The Department of Energy reports that transportation is the single largest end-use sectoral emitter of carbon dioxide in the United States, alone accounting for 34 percent of 2007 U.S. emissions. Energy Information Administration, CO₂—History from 1949, available online at www.eia.doe.gov/environment.html. Total domestic emissions from petroleum—from 1949 to 2007—70 percent of which is used in transport—were 2,580 million metric tons (45 percent of total emissions). At current levels, U.S. oil consumption in the transportation sector is simply inconsistent with even moderate goals for reducing economy-wide emissions of greenhouse gases.

It is important to recognize that curbing emissions is a global issue and that there is not yet an international consensus on a long-term stabilization objective or on the required changes in emissions trajectory to meet such a goal. Nonetheless, international discussions are increasingly centered on a stabilization level that ranges between 450 and 550 parts per million (ppm) CO₂-eq. According to the United Nations Intergovernmental Panel on Climate Change, stabilization at 450 ppm CO₂-eq corresponds to a 50 percent chance of restricting the increase in global average temperature to around 2°C, while stabilization at 550 ppm yields a rise of around 3°C.

The transportation sector will most likely provide the greatest opportunities for early emissions abatement in the United States and elsewhere. Low rates of capital-stock turnover, particularly in the power sector, mean that emissions from facilities that have already been built or are under construction are effectively locked in for decades. This limits the scope for the sector to reduce emissions promptly without large-scale retrofitting or very costly early retirement. In transportation, however, the capital stock is smaller in size, much more numerous, and lifetimes are closer to 10 years instead of 50 years, offering a meaningful opportunity to achieve rapid emissions displacement with better technology.
1.3 The Solution

Electrification of transportation is the best solution for dramatically reducing oil dependence. The electric power sector has substantial advantages over the current petroleum-based fuel system, and vehicles fueled by electricity are far more efficient than the conventional vehicles we drive today.

Despite the magnitude of the challenge and decades of political and policy shortfalls, a solution to America’s oil dependence is emerging. The United States now has the capacity to permanently enhance its national security and safeguard the economy. To do so, however, the nation must choose to commit to a new path: a fundamental transformation of our transportation sector, moving from cars and trucks that depend on costly oil-based fuels to an integrated system that powers our mobility with domestically-generated electricity.

Electrified transportation has clear advantages over the current petroleum-based system. Electricity represents a diverse, domestic, stable, fundamentally scalable energy supply whose fuel inputs are almost completely free of oil. High penetration rates of grid-enabled vehicles (GEVs)—vehicles propelled by electricity stored onboard in a battery—could radically minimize the importance of oil in the United States, strengthening our economy, improving national security, and providing much-needed flexibility to our foreign policy. Simultaneously, such a system would clear a path to dramatically reduced economy-wide emissions of greenhouse gases.

This report focuses on the light-duty vehicle fleet (passenger cars and light trucks with a gross vehicle weight of less than 8,500 pounds) for electrification. A number of automakers are currently investing in light-duty GEV platforms that are competitive with the petroleum-dependent passenger cars and trucks we use today. GEVs offer superior performance in terms of efficiency, fuel costs, and carbon emissions. They also provide drivers with greater torque and acceleration than conventionally-powered vehicles.

It is important to note that this Roadmap’s focus on light-duty vehicles is in no way meant to preclude the transportation sector from using electricity to move freight. 

1.3.1 The Power of Electricity

The electric power sector is a scalable source of energy based on an existing infrastructure. The fuels used to generate electricity are diverse and domestic, and electricity prices exhibit long-term stability.

The primary advantages of electrification derive from replacing petroleum fuels in our light-duty vehicles with electricity. Total U.S. oil demand over the five years from 2004 through 2008 averaged 20.4 million barrels per day.54 Over the same period, oil demand within the aggregate transportation sector averaged 13.9 mb/d.55 However, light-duty vehicles—cars, SUVs and motorcycles—accounted for approximately 8.6 mb/d of total transportation demand. That is, passenger vehicles currently account for roughly 40 percent of total U.S. petroleum demand. Electrification would allow the transportation sector to access a number of strategic advantages of the electric power sector.

ELECTRICITY IS DIVERSE AND DOMESTIC

Perhaps most importantly from an energy security standpoint, electricity is generated from a diverse set of largely domestic fuels, including coal, uranium, natural gas, flowing water, wind, geothermal heat, the sun, landfill gas, and others.56 Among those fuels, the role of petroleum is negligible. In fact, just 1 percent of power generated in the United States in 2008 was derived from petroleum.

An electricity-powered transportation system, therefore, is one in which an interruption of the supply of one fuel can be made up for by others, even in the short term, at least to the extent that there is spare capacity in generators fueled by other fuels, which is generally the case.57 This ability to use different fuels as a source of power would increase the flexibility of an electrified light-duty vehicle fleet. As our national goals and resources change over time, we can shift transportation fuels without overhauling our transportation infrastructure. In short, an electrified transport system would give us back the reins, offering much greater control over the fuels we use to support the transportation sector of our economy.

55 AHER 2008, at 154 (Table 5.3B). Note: Includes ethanol.
57 16 at 201 (Table A.6).

FIGURE 1L U.S. POWER GENERATION BY FUEL

48% Coal
22% Natural Gas
20% Nuclear
6% Hydro
3% Renewable / Other
1% Petroleum

Source: DOE, EIA

FIGURE 1M U.S. TRANSPORT ENERGY BY FUEL

94% Petroleum
6% Other

Source: DOE, EIA
Moreover, while oil supplies are subject to a wide range of geopolitical risks, the fuels that we use to generate electricity are generally sourced domestically. All renewable energy is generated using domestic resources. We are a net exporter of coal, which fuels about half of our electricity. Although we currently import approximately 16 percent of the natural gas we consume, more than 90 percent of those imports were from North American sources (Canada and Mexico) in 2008. We do import a substantial portion of the uranium we use for civilian nuclear power reactors. Forty-two percent of those imports, however, are from Canada and Australia.

**ELECTRICITY PRICES ARE STABLE**

Electricity prices are significantly less volatile than oil or gasoline prices. Over the past 25 years, electricity prices have risen steadily but slowly. Since 1983, the average retail price of electricity delivered in the United States has risen by an average of less than 2 percent per year in nominal terms and has actually fallen in real terms. Moreover, prices have risen by more than 5 percent per year only three times in that time period. This price contrast, which is in sharp contrast to the price of oil or gasoline, exists for at least two reasons.

First, the retail price of electricity reflects a wide range of costs, only a small portion of which arise from the underlying cost of the fuel. The remaining costs are largely fixed. In most instances, the cost of fuel represents a smaller percentage of the overall cost of delivered electricity than the cost of crude oil represents as a percentage of the cost of gasoline. For instance, although fossil fuel prices rose 21 cents-per-Btu basis, the price of uranium delivered in 2006 rose 48 percent over the cost of uranium delivered in 2004, the national average retail price of all electricity sales increased only 17 percent (from 7.6 cents per kWh to 8.9 cents per kWh). The average price of residential electricity rose only 16 percent (from 8.95 to 10.4 cents per kWh). This cost structure promotes price stability with respect to the final retail price of electricity.

Second, although real-time electricity prices are volatile (sometimes highly volatile on an hour-to-hour or day-to-day basis) they are nevertheless relatively stable over the medium and long term. Therefore, in setting retail rates, utilities or power marketers use formulas that will allow them to recover their costs, including the occasionally high real-time prices for electricity, but which effectively isolate the retail consumer from the hour-to-hour and day-to-day volatility of the real-time power markets. By isolating the consumer from the price volatility of the underlying fuel costs, electric utilities would be providing to drivers of GEVs the very stability that oil companies cannot provide to consumers of gasoline.

**THE POWER SECTOR HAS SUBSTANTIAL SPARE CAPACITY**

Because large-scale storage of electricity has historically been impractical, the U.S. electric power sector is effectively designed as an ‘on-demand’ system. In practical terms, this has meant that the system is constructed to be able to meet peak demand from existing generation sources at any time. However, throughout most of a 24-hour day—particularly at night—consumers require significantly less electricity than the system is capable of delivering. Therefore, the U.S. electric power sector has substantial spare capacity that could be used to power electric vehicles without constructing additional power generation facilities, assuming charging patterns were appropriately managed.

**THE NETWORK OF INFRASTRUCTURE ALREADY EXISTS**

Unlike many proposed alternatives to petroleum-based fuels, the nation already has a ubiquitous network of electricity infrastructure. No doubt, electrification will require additional functionality and increased investment in grid reliability, but the power sector’s infrastructural backbone—generation, transmission, and distribution—is already in place.

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59 EPA 2007 at 2.
60 AER 2009 at 74.
61 AER 2009 at 261 (Table 8.10).
63 AER 2009 at 261 (Table 8.10).
64 59.
67 EPA 2007 at 48 (Table 4.5).
68 UMAR 2009, at 1 (Table 5.1a).
69 AER 2009 at 261 (Table 8.10).
70 Id.
ELECTRIC MILES ARE CHEAPER THAN GASOLINE MILES

Operating a vehicle on electricity in the United States is considerably less expensive than operating a vehicle on gasoline. In large part, this is due to the high efficiency of electric motors, which can turn more than 90 percent of the energy content of electricity into mechanical energy. In contrast, today’s best internal combustion engines have efficiency ratings of just 25 to 27 percent. With gasoline at $3.00 per gallon, the operating cost of a high-efficiency IC engine vehicle (10 miles per gallon) is 10 cents per mile. For current pure electric vehicles, assuming an average electricity price of 10 cents per kilowatt hour, operating costs are only 2.5 cents per mile.

Recent research confirms the potential savings of electric propulsion. The Electric Power Research Institute has determined that a compact size plug-in electric hybrid vehicle will use only 160 gallons of gasoline a year, compared to 300 in a traditional gasoline electric hybrid and 400 in a conventional internal combustion engine compact car. With gasoline at $1.85 a gallon, a plug-in hybrid would save its owner $1,000 over the course of the vehicle’s lifetime compared to a conventional vehicle.73

ELECTRIC MILES ARE CLEANER THAN GASOLINE MILES

Vehicle miles fueled by electricity emit less CO₂ than those fueled by gasoline. Several well-to-wheels analyses conclude that even vehicles powered by the full and those fueled by gasoline. Several well-to-wheels analyses conclude that even vehicles powered by the full and


73. Electric Power Research Institute; Natural Resources Defense Council

themselves. If climate change legislation passes and imposes new emissions standards on power plants, their improved emissions profile will also represent an improvement of GEVs’ emissions profile. Finally, it is important to note that, in some parts of the country, baseload nuclear power and/or renewable power can provide a substantial portion of off-peak power. To the extent that GEVs charge overnight in such regions, carbon emissions attributable to their operation would be reduced to perhaps as low as zero.


76. Id. at 7.

77. Id.


81. Id.

82. Electric Power Research Institute; Natural Resources Defense Council

approximately 160 million vehicles, or around 65 percent of the present U.S. light-duty vehicle stock, could be powered solely by existing off-peak generating capacity.78 Grid-enabled vehicles will be plugged into the electric grid for much of the time that they are not on the road. Utilities can optimize the use of these batteries, meeting the needs of all consumers, including motorists, at the lowest possible cost. In short, motorists and the utilities can think of having complementary interests.

Renewable energy will play an increasing role in U.S. power generation. The principal difficulty with wind and solar power is their intermittent nature. GEVs will not only improve national and economic security, they will also act as distributed storage devices for electricity, enabling utilities to even out fluctuating energy production. Vehicle batteries can become storage devices capable of supporting the grid during periods of peak demand. Recent advances in smart metering, online billing, and vehicle-to-grid (V2G) technology enable a revolution in communication between homes, vehicles, utilities, and renewable energy sources. Our electric and vehicle infrastructures will converge, creating synergies and vastly increasing the overall efficiency of our entire energy system.
Coal is the dominant fuel source in U.S. power generation, and domestic resources are abundant. Concern regarding emissions has led to investments in technology to capture and sequester CO2 emissions.

Renewable sources of electricity like wind, solar, geothermal, and hydropower are growing sources of emissions-free domestic energy.

Nuclear power is an emissions-free source of baseload power. Some uranium is imported, but from stable suppliers like Canada and Australia.

Advances in technology have unlocked substantial natural gas resources in the United States. Burning natural gas emits less CO2 than coal or oil.

Because wind and solar power are intermittent, they require augmentation. Today, natural gas turbines often perform this function, but stationary lithium-ion batteries may ultimately prove more cost-effective.

Electricity from America’s diverse set of generation sources is delivered to consumers via a widespread network that already exists today.

30 MI
90% of U.S. vehicle trips are less than 30 miles.

The U.S. transportation system and the electric power sector are completely separate today. The emergence of grid-enabled vehicles offers the possibility to synergize these two systems for the first time. In doing so, the transportation system would access the fuel diversity and price stability of the electric power sector, thus substantially improving U.S. energy security.
1.4 The Target

The United States should set a specific and measurable goal for the widespread deployment of grid-enabled vehicles. Such a target will provide Americans with a clear definition of success and help lawmakers to focus policy efforts over the coming decades. The target should be ambitious but achievable with the right mix of consumer incentives and regulatory stability.

Deploying electric vehicles at scale will require nothing less than a fundamental transformation of mobility for the vast majority of Americans and for the nation as a whole. It will require a sustained political commitment in an era of complex fiscal pressures and fluctuating oil prices. While electrification benefits from the pre-existing network of electricity generation and distribution, some new national infrastructure will have to be constructed to meet consumer charging needs.

Before committing resources to a national undertaking of this scale, it is important to have a sense of how success will be defined and to identify the tools at the nation’s disposal that can drive advancement. A well-defined goal is needed, as are benchmarks by which the nation can measure progress over what promises to be a decades-long effort. Moreover, political leaders need to be clear about the strengths and weaknesses of the existing policy framework and be prepared to concentrate their efforts on minimizing barriers to electrification.

Last year, President Barack Obama established a goal of getting 1 million grid-enabled vehicles onto the road by 2015. Together, Congress and the president have directed substantial funds from the Energy Independence and Security Act (2007) and the American Reinvestment and Recovery Act (2009) in pursuit of that goal. That investment alone, however, is insufficient to meet the president’s target. To be sure, existing electrification programs and funding should be leveraged to their maximum extent. But deploying GEVs at scale will require long-term regulatory stability and consistent prioritization in the near term.

With this in mind, this Roadmap sets a more ambitious target for electrification that will not only meet the president’s goal, but ultimately greatly exceed it.

Before the coming decades, public and private research and development (R&D) efforts may yield significant advancements in a range of energy technologies. Today’s high-risk research may ultimately produce future transportation fuels and electricity generation platforms far superior to anything that policymakers and industry are considering today. Such advancements are not only plausible, they will likely be necessary. The energy sector faces a myriad of challenges in the coming decades. Global primary energy demand is expected to increase by nearly 50 percent between today and 2030. The International Energy Agency recently reported that the world will need to invest $26 trillion (2007 dollars) in energy supply infrastructure in order to meet demand in 2030. For these reasons, it is utterly imperative that public and private entities maintain aggressive efforts to explore a range of energy technology pathways. At the same time, the high costs of oil dependence demand that policymakers in the United States take action today to safeguard economic growth and enhance our national security. Electrification of transportation must be pursued to address these risks, but also offers a balanced technological strategy that will provide maximum flexibility for the power and transportation sectors to evolve in the coming decades. As R&D continues to yield improvements in energy technology, the country must constantly assess breakthroughs and their impact on strategy and policy.

By 2040, 75% of the light-duty vehicle miles traveled in the U.S. should be electric miles.

1.4.1 A National Goal for Electrification

The United States has set ambitious goals in order to advance the national interest in the past. Today, to safeguard national security, the country must commit to a transformed transport sector.

The national goal should be the complete transformation of the light-duty vehicle fleet into one in which grid-enabled mobility is the new standard. By 2040, 75 percent of the light-duty vehicle miles traveled (VMT) in the United States should be electric miles. As a result, oil consumption in the light-duty vehicle fleet would be reduced to just 2.0 mb/d, compared to today’s level of 8.6 mb/d, and it is conceivable that U.S. oil imports could effectively be reduced to zero. Carbon emissions in the transportation sector would be reduced to 601 million tons with today’s generation mix, and 525 million tons with a generation mix that derived 40 percent of its power from nuclear and renewables.

Meeting this goal will be a formidable challenge. It will require aggressive investment in public infrastructure and immediate acceleration of technological development—particularly for batteries—in order to drive down costs. Most importantly, it will require rapid acceptance of grid-enabled vehicles by consumers, measured by high levels of penetration in new vehicle sales. Only by reaching and sustaining these levels can the total vehicle fleet be ‘turned over’ within a reasonable timeframe. Annual light-duty vehicle (LDV) sales in the United States averaged more than 16 million units between 2000 and 2008. Each year, new sales represent just 7 percent of total on-road vehicles.

Today, there are roughly 250 million LDVs on the road in the United States. According to Department of Energy forecasts, by 2030 that figure will rise by nearly 20 percent to 294 million. In 2008, the median lifespan of cars in use was 9.4 years. For light trucks, the figure was 7.5 years.60 More tellingly, a typical car will travel 150,000 miles in its lifetime, and even after 15 years, 35 percent of cars are still on the road.61 These figures only begin to convey the monolithic proportions of the U.S. LDV fleet. They put into sharp relief the challenge: deploying grid-enabled vehicles in quantities sufficient to displace a large fraction of U.S. oil consumption will take decades. How many decades is a matter of how quickly high rates of new vehicle sales can become dominated by GEVs.

FIGURE 10 VEHICLE MILES TRAVELED

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60 Transportation Energy Data Book 2006, Table 3-18 “Median Age of Cars and Trucks in Use, 1970-2008,” at 6-12.
61 Transportation Energy Data Book 2006, Table 3-15 “Car and Light Truck Survivability Rates and Lifetimes Miles,” at 6-16.
1.4.2 Critical Milestones

Specific milestones will assist lawmakers in measuring progress toward widespread electrification. Milestones should take into consideration the number of grid-enabled vehicles sold and on the road in order to assess the competitiveness of the technology.

**MILESTONE ONE**
In order to reach the goal of 75 percent electric miles by 2040, the U.S. light-duty vehicle market will need to have reached a tipping point by 2020. This is defined as the point at which grid-enabled vehicles represent 25 percent of new LDV purchases. The specific technology—plug-in hybrid electric or pure electric—is not as important as the share that such vehicles represent of the new vehicle portfolio. Different GEV technologies will meet different drivers’ needs, but the concept of electrification cannot move beyond a niche application until at least one-quarter of new vehicle consumers are willing to adopt the technology.

Figure 1R notes the required EV and PHEV sales penetration level for 2020 in order to successfully reach Milestone One. Note that even at this level of new vehicle sales, GEVs would represent just 5.3 percent of the entire vehicle fleet, and would displace only about 490,000 barrels per day of petroleum consumption.

However, the importance of reaching Milestone One cannot be overstated. By quickly ramping up to high levels of new vehicle penetration, GEVs can establish a foothold in the light-duty vehicle marketplace, which will allow them to achieve a progressively greater share of the LDV fleet over the period 2020 to 2040.

**MILESTONE TWO**
Beyond 2020, grid-enabled vehicles will need to continue to grow as a share of new light-duty vehicle sales until they surpass 90 percent in 2030. At that point, the rate of penetration will flatten out and run asymptotic to the maximum sales penetration rate, which is estimated to be approximately 95 percent. Over the following 10 years—2030 to 2040—maintaining this sales penetration rate allows total fleet penetration to reach 70 percent by 2040. In this scenario, by 2040, 75 percent of all LDV miles traveled in the United States would be electric.

Figure 1R displays the LDV sales penetration curves for EVs and PHEVs between 2010 and 2040. Milestone Two is achieved in 2030 and the curves flatten out to the goal year, 2040. Figure 1S displays the total LDV fleet penetration that results from the sales penetration rate depicted by Figure 1R. The curve lags sales penetration, but by a decreasing margin over time. At this level, GEVs offset 2040 oil consumption in the light-duty vehicle fleet by 6.2 mbd, or 75 percent compared to the base case.

Source: PRTM Analysis
1.4.3 Assessing the Goal’s Feasibility

Achieving the rate of GEV deployment targeted by the national goal would substantially improve American economic and national security. However, it is important to be clear-eyed about the steps required to accomplish such a goal.

This Roadmap sets an ambitious target for grid-enabled vehicle adoption. Today, there is only one commercially available and highway capable grid-enabled vehicle for consumers in the United States. The internal combustion engine has enjoyed 100 years of market dominance, during which time it has helped propel the United States to the forefront of the global economy and met nearly every need imaginable for U.S. drivers. In the short to medium term, the targets for GEV sales penetration presented here represent the upper bound of industry forecasts. Over the long term, forecasting GEV adoption is highly speculative, but it is nevertheless likely that the sales and fleet penetration targets we have set for 2040 will be well in excess of the upper bound of industry forecasts.

It is, therefore, critically important to distinguish between a goal and a forecast. With appropriate government incentives and a firm long-term commitment, electrified transportation will offer a compelling alternative to the petroleum-based system of today. But what has been set forward here is not a forecast of adoption based on the status quo policy environment. Electrified transport might achieve some measure of competitiveness over the coming decades based on oil prices, environmentalism, and innovative entrepreneurship, but it is unlikely to become the norm in the United States without substantial public investment and transparent political commitment.

It is also the case that the United States may be at a structural disadvantage compared to other nations currently pursuing aggressive deployment of grid-enabled vehicles. Today, there are more than 2,000 electric utilities and 50 state utility regulators in the United States—compared to just one or a handful of utilities and a single regulator in many other nations. Building a coherent regulatory framework and uniform standards across this vast network will be a daunting challenge.

In China, electrification has been identified as a national priority for addressing urgent energy security and environmental sustainability issues. In Appendix One of this Roadmap, an overview of current government policy in China details the attention that GEVs are currently receiving in that nation. However, it is worth noting here that there are only 30 cars on the road for every 1,000 Chinese citizens compared to 844 for every 1,000 in the United States. Americans have a distinct and well-defined perception of the automobile, and we have built much of our country around the concept of mobility. The average person in China has not yet attached any specific value or conception to an internal combustion engine versus an electric drivetrain. Without preconceptions of desired performance or range, Chinese consumers figure to be much quicker adopters of affordable electric vehicles.

The cost of gasoline represents perhaps the greatest challenge to U.S. electrification efforts. High fuel taxes implemented in the wake of the 1970s oil crises have altered European and Japanese perceptions about the affordability of oil. In economic terms, these nations have internalized the external costs of oil dependence, and markets have responded. Consumer demand for highly efficient vehicles is much higher in these regions than in the United States, and on-road fuel efficiency is therefore also higher. Additionally, extensive public transportation options have grown up to further supplant the need for oil. As a result, oil demand in the European Union peaked at 15.9 mbd in 1979 and has oscillated between 13 mbd and 15 mbd since. Japanese demand peaked at 5.8 mbd in 1996 and has steadily declined since.

The relatively low price of gasoline in the United States means that the payback period for a GEV is significantly higher than in other industrialized nations, and the incentive for consumers to adopt the new technology is correspondingly lower. A higher, equitable, and sustained gas tax is arguably the most transparent and direct policy path to assist GEV market penetration, which would under a range of scenarios provide benefits to taxpayers far in excess of the cost. However, the substantial likelihood of a rapid repeal of such taxes in the early years after enactment for political reasons, as well as the political difficulties of enacting a gas tax increase at a level that would have a dramatic impact, argues for a GEV deployment plan that assumes gas taxes at the current level.

Despite these structural challenges, electrification of transportation can succeed in the United States. In order for electrification to deliver on its full promise, however, the United States must commit to grid-enabled vehicles as the tactical core of a comprehensive oil abatement strategy. In sum, the federal government must choose electrification as a dominant national strategy for improving energy security.

Fueling 75 percent of VMT with electricity by 2040 will place the nation on a path to stronger economic growth, improved competitiveness, and enhanced security. But this will not happen unless the government decides to help make it happen.
1.5 National Imperative

For electrification to deliver on its full promise, the U.S. must commit to GEVs as the tactical core of a comprehensive oil abatement strategy. This may raise issues of government intervention in the marketplace. However, the total costs of oil dependence are so overwhelmingly damaging to the national interest that an alternative pathway is urgently needed.

WHY GOVERNMENT SHOULD MAKE A CHOICE

The notion of committing to electrification as the core of the nation’s efforts to reduce oil dependence raises an important question: should government choose a specific technology path? In light of the significant costs of American oil dependence, action is clearly needed. Two basic options exist for lawmakers. The first is to minimize the external costs of oil dependence. This could be accomplished with significantly higher fuel prices, which in turn would drive consumer demand for alternative technologies, a choice lawmakers have been unwilling to make since the rise of OPEC. The second option is to provide support for an alternative technology.

Higher fuel prices could help to spur technological development in the American automotive industry. As noted earlier, this strategy has had a meaningful development in the American automotive industry. The second option is to provide support for an alternative technology.

There are specific reasons that electrification of transportation deserves concentrated government support. As noted above, electrification has a range of advantages over the current petroleum-based system that will markedly improve American energy security. But it is also the case that electrification is a more sound strategy to fundamentally transform our transportation sector than any other existing alternative. Moreover, the investments required to spur widespread adoption of grid-enabled vehicles will likely generate spillover effects that will improve the electric power sector, already an integral part of the American energy system. Finally, electrification of transportation represents the next great global manufacturing industry, with the potential to bolster economic growth and create American manufacturing jobs.

1.5.1 Electrification is Superior to Alternatives

Meeting U.S. energy needs in the future will require a balanced portfolio of fuels and technologies across all sectors of the economy. Electrification can transform the light-duty fleet and sharply reduce oil dependence.

Current federal policy provides support to a range of fuels designed to displace petroleum as the dominant fuel in the U.S. transportation system. Electrification, though, offers the fuel diversity, price stability, and emissions benefits needed to meaningfully increase U.S. energy security. Instead of scattered, inconsistent federal support for a wide variety of alternatives, what is required is a coherent, focused strategy designed to radically drive down oil consumption in the light-duty fleet. Part of this strategy must be the acknowledgement that other alternatives, while having value, cannot ultimately revolutionize America’s light-duty fleet and end oil dependence.

BIOFUELS

Over the past several years, a number of policies have been put in place to spur production of biofuels—most notably corn ethanol—in the United States. Biofuels represent 5 percent of U.S. marketed fuel. Most biofuels consumed in the United States are produced domestically, which has a positive impact on the trade deficit and helps to create jobs. Moreover, because they represent an additional source of liquid fuel, biofuels have also helped the global oil market increase total liquid production capacity in recent years. Therefore, whatever progress is made towards the deployment of grid-enabled vehicles in the medium term, biofuels will have an important role to play in helping to meet global demand for energy. Advanced biofuels will also play a role in offsetting oil consumption in the shipping and aviation industries.

However, biofuel prices tend to track oil price volatility closely. This is because the market price is determined by the marginal price of adding another barrel of liquid fuel, and the extra barrel comes from the global oil market. Therefore, when gasoline rises to 84 per gallon, so does ethanol. And when the price of gasoline falls below the marginal cost of producing ethanol, production of ethanol declines.

NATURAL GAS

Domestic natural gas supplies are plentiful, and recent advances in the recovery of natural gas resources from unconventional reservoirs like shale gas, coal bed methane, and tight gas sands have led to widespread consensus that undiscovered technically recoverable reserves are now well in excess of 1,000 trillion cubic feet (TCF).86 These factors have generated considerable interest in expanding the role of

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86 In fact, biofuels may sell at a slight discount even after adjustment for its lower energy content to account for the fact that drivers using biofuels will have to refill their tanks more frequently imposing some degree of tax concessions on the driver.
88 Department of Energy, Energy Information Administration, Natural Gas Issues and Trends, at 34 (Table 2)(1999).
of natural gas in the U.S. energy mix in general and the transportation sector in particular.

However, depending on a single fuel for transportation would not appreciably alter the fundamental problem with the existing paradigm. The advantages of fuel diversity provided by electrification are critical from an energy security perspective. At the same time, using natural gas in the light-duty fleet would require a significant expansion of distribution and refueling infrastructure. Electrification would also require infrastructural upgrades, but of a very different—and significantly less substantial—nature.

Nevertheless, natural gas could be used successfully in fleet vehicles, particularly those that can be centrally refueled, including taxis, buses, specialized harbor and airport vehicles, and refuse-collection vehicles. There are also a number of other high-value applications for natural gas in the current U.S. energy system, and the benefits of any expansion of natural gas use must be weighed against its use in other sectors. The most efficient use of natural gas is in large-scale, dispatchable electricity generation for baseload, intermediate, and peak-load plants and to firm up intermittent renewables. In fact, if the electrification from 1,000 cubic feet of natural gas burned in a current generation power plant were used to fuel an electric vehicle, it would provide enough energy to travel 457 miles. The same 1,000 cubic feet burned in a current generation natural gas vehicle would only provide enough energy to move 224 miles.89

**HYDROGEN**

Like GEVs, hydrogen-powered vehicles are electric drivetrain vehicles whose electricity is obtained from a fuel cell instead of a battery. In the sense that both drivetrain vehicles whose electricity is obtained from hydrogen fuel cells to power electric drivetrain vehicles. For hydrogen vehicles may be a successor or supplement to battery-powered electric vehicles.

Commercialization of hydrogen-powered vehicles, however, faces several obstacles that are far more significant than those facing battery-powered grid-enabled vehicles. First, the cost of hydrogen fuel cells is currently in excess of the cost of a comparable battery cell. Second, reliance on hydrogen would require the construction of an entirely new infrastructure to distribute it to consumers. At the same time, there is no clear ability to manufacture sufficient quantities of hydrogen to fuel the automotive fleet. And perhaps the largest obstacle to the development of a hydrogen-fueled light-duty fleet is the fact that hydrogen itself is much more expensive than electricity, and likely always will be.

Given the commonality between the vehicle designs, and the possibility of converting grid-connected electric vehicles to hydrogen fuel cell vehicles by replacing batteries with fuel cells, electrification of the light-duty vehicle fleet is not incompatible with the deployment of hydrogen fuel cell vehicles at some point in the future. Whether we ultimately move from batteries to fuel cells to power electric drivetrain vehicles will depend on fuel cell development, their relative efficiencies, and their cost.

**Grid-enabled vehicles will require access to public charging equipment and will frequently interface with the electric power sector. These requirements present the United States with an opportunity to invest in a 21st century transportation infrastructure.**

Electrification may also present the United States with the opportunity to invest in a 21st century transportation infrastructure. Advanced infrastructure networks are essential to achieving sustainable economic growth and development over the long term. Infrastructure is a national priority that not only ensures global competitiveness, but also can help countries meet environmental challenges. Ensuring the resilience of national infrastructure is also vital to long-term national security. Transportation, communication and energy infrastructure have provided a platform for more than a century of rapid progress in the United States. However, without adequate and appropriate infrastructure investment, American industries will soon struggle to compete in the global marketplace.

The United States has in the past launched grand infrastructure projects that proved vital to the future health, growth, and stability of the economy. The transcontinental railroad in the 1860s, the interstate highway network in the 1950s, and the electric power grid throughout the 20th century are a few key examples. In each of these cases, Americans benefited by enabling and supporting transportation and industrialization across the country.

Today, years of delayed maintenance, chronic underfunding and lack of modernization have left Americans with an outdated and failing infrastructure that is unable to meet their needs. This endangers the future prosperity of the nation and has a direct effect on economic competitiveness. The current estimates suggest that the United States will need to invest $75 billion over the next five years to update electric generation and transmission infrastructure alone.89 Though power demand is expected to rise more than 23 percent by 2030, only incremental progress has been made since 2005.90 Efforts at reinforcing the energy grid through further investment in generation, transmission and distribution have been stymied by local opposition and an onerous permitting process.

In this context, the construction of a national electrified transportation network can be thought of as the cornerstone of an intense effort to modernize both America’s electrical grid and its transportation sector. Widespread use of electric vehicles will require the substantial deployment of public charging infrastructure along highways and in cities. It will also require enhancing the intelligence, robustness, and flexibility of the electric power sector, particularly at the distribution level. This kind of massive infrastructure project has the potential to once again fundamentally transform our transportation system.

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1.5.3 Opportunity Costs

Stringent CO₂ emissions standards and high fuel prices have contributed to rapid developments in the global GEV industry. The United States faces the very real risk of being left behind in the next global industry.

In addition to the direct costs of failing to address U.S. oil dependence, there are less direct but equally substantial costs associated with failure to move aggressively to support electrification. In particular, the United States is currently on a path to be at best a second-tier participant in the emerging global market for GEVs and their component parts. Throughout the electrification value chain, new markets are rapidly developing in Europe and Asia—in battery technology in particular—and the United States is likely to forfeit the income, manufacturing capacity, jobs, and economic growth associated with these markets if the status quo approach remains in place.

Ingrained structural advantages and favorable public policies in Asia and much of the industrialized world have laid the groundwork for electrification, and the global marketplace is developing rapidly. Meanwhile, the lack of a long-term regulatory framework supporting electrification has arguably already been costly for the U.S. economy. Of the top eight producers of lithium-ion batteries in the world, accounting for 88 percent of the market, none are headquartered in the United States—all are based in East Asia.99 Currently, no large-format batteries are manufactured and assembled in the United States at scale. While the global market for advanced batteries was only $900 million in 2008, Deutsche Bank recently forecast the global market for large format lithium-ion batteries to reach $10 to $15 billion by 2015.100 By comparison, the market for lithium-ion batteries in consumer products—laptops, cell phones etc.—is currently estimated at roughly $7 billion annually.

In fact, the consumer electronics industry could potentially be a harbinger of the fate of the automotive industry. Unwilling to make the large investments required to develop manufacturing capacity that offers small returns, U.S. businesses simply allowed almost all consumer electronics production to migrate to Asia. The electric vehicle, with its high electronics content and expected leaps in connectivity looks substantially more like a consumer electronics product than cars ever have before. It is not unreasonable to envision a scenario where Asian firms quickly begin to dominate this industry as well.

As the rest of the world pursues electric vehicles, U.S. industry faces the very real danger of being left behind. Part of U.S. automakers’ hesitancy may simply be the financial requirements of a transition to GEVs. As the domestic OEMs struggle to gain viability after two bankruptcies, the capital to re-tool an entire industry is largely unavailable. Yet, the United States can ill afford to lose another entire industry. A 2002 study estimated the value of the U.S. automotive value chain at $452 billion.101 This study did not include the compounding value of all the tertiary service industries that rely on the automotive industry for their health. Although the costs associated with developing a vibrant electric vehicle industry present an obstacle, the cost of doing nothing, at the risk of giving up the domestic auto industry, is even higher.

The global market for large format lithium-ion batteries could reach $10 to $15 billion by 2015.102

92 Deutsche Bank, “Electric Cars: Plugged In,” at 6 (June 8, 2010).
96 Peters (database), available at www.presidency.ucsb.edu/ws/?pid=6329, last accessed on October 22, 2011.
97 At the program’s conclusion, the Government Accountability Office (GAO) found that very little potential existed for widespread EV commercialization and argued that congressional funding should be focused solely on battery research and development.106
98 Id. at 26.
100 Id. at 26.
101 Id.
103 Id.
104 Id. at 26.
105 Id. at 26.
106 Id.
107 Id.
108 Id. at 26.
109 Id.
110 Id.
111 Id.
112 Id.
113 Id.
eral government to engage in a massive demonstration program—such as that intended by the bill—before the required improvements in batteries for such vehicles were developed.104

CALIFORNIA’S ZERO EMISSIONS VEHICLE MANDATE AND THE EVI

General Motors’ EV1, the most well-known of a number of electric vehicles that appeared on California’s roads in the late 1990s, was the result of the Zero Emissions Vehicle (ZEV) Mandate of 1990, in which the California Air Resources Board (CARB) required vehicle manufacturers to sell a certain percentage of vehicles with zero emissions by 1998 if they wished to sell any cars at all in California.105 The failure of this program remains the subject of much controversy. What is clear, however, is that despite some apparent consumer demand among niche Californian early adopters, the program unambiguously failed.

The 1990 ZEV mandate by CARB was actually just one provision within a large and complex package of rules called the Low Emission Vehicle and Clean Fuels regulation, later known as LEV.106 CARB defined a “zero emissions vehicle” as one from which no tailpipe pollutants were emitted from the car’s powertrain.107 Brown, Mark B., The Civic Shaping of Technology: California’s Electric Vehicle Program, Science, Technology, & Human Values, Vol. 6, No. 1., at 25 (2001).

Through public policy, the U.S. was able to reduce the oil intensity of the economy by 35% from 1972–1985.

The initial requirement of 2 percent ZEVs in 1998 would rise to 5 percent in 2001 and 10 percent in 2003.108

Inspired by GM chairman Roger Smith’s speech following the demonstration of the all-electric Impact, regulators hoped that this ramp-up would result in the market taking off with no further regulatory assistance required after 2003.109

In response to the mandate, the federal government and major automakers formed the United States Advanced Battery Consortium (USABC) in 1991. Increased federal funding and a matching industry share created a rich program for battery development, with short-term goals for meeting California’s mandate and long-term goals for designing lithium-based batteries. In 1993, USABC was folded into the Partnership for a New Generation of Vehicles (PNGV).110

However, at the time that ZEV mandates were being implemented, battery cost and power remained a substantial obstacle. In 1990, lithium batteries were the only commercial possibility, but they had an energy density of only about 25 Wh/kg (versus up to 150 Wh/kg for today’s lithium-ion batteries). The existing prototypes, such as the Ford-GE EFX-1, had maximum ranges of around 100 miles and could not exceed speeds of 60 miles per hour.111

GM launched its GEV deployment through a 50-vehicle PreView Program between 1994 and 1996. Despite reports that GM hoped the test would reveal little interest in electric cars, advertising in the Los Angeles and New York City areas received an overwhelming response, with more than 10,000 calls by volunteers in each area.112 In total, 20,113 in 11 cities experienced a 2-week test drive. With an 80-mile range, air-conditioning, radio, and a 4-speaker stereo system, the vehicles met the needs of most drivers. The consumer feedback was considered extremely positive, with 80 percent of participants satisfied with the range of their electric vehicles.113 Concern tended to be over cost rather than range.114 In 1996, GM began leasing the EVI at select Saturn dealerships in Arizona and California.115

Other car companies quickly followed suit with electric light-duty trucks and SUVs, including the Ford Ranger pickup, the Honda EV Plus, the Toyota RAV4 EV, the Nissan Altra EV, the Chevrolet S-10 compact pickup, and the Chrysler EPIC minivan.116 In 1998, GM replaced the EVI’s lead-acid battery with a nickel metal-hydrode battery, increasing the car’s range to 160 miles. Despite long wait lists for the vehicles, only 800 EVIs were made available for leasing in California and Arizona.117 Arizona offered free registration for electric vehicles and credits bringing the lease payments down to about $640, compared to $480 in Los Angeles.118 By 2000, there were a total of around 2,300 electric vehicles on the road in California.119

Though most owners of the vehicles charged at home, in 2000 there were 400 public charging stations with 700 individual chargers. These were viewed as important to consumer acceptance, and all were funded by the government and electric utilities. A few private actors began to get into the business, as well, such as Costco. CARB identified the lack of uniform standards for equipment as the project’s largest problem, in part because the automakers were unwilling to cooperate to standardize the charging process, so the cars made by different automakers charged at different voltages and used incompatible plugs.120

Despite the infrastructure set backs, a 2000 CARB Staff Report concluded that “California has made sig- nificant technological progress toward its zero emis- sion objectives...illustrating that ZEVs can be built and deployed. There are a variety of attractive ZEV platforms. Also, their respective characteristics meet a wide range of market applications including fleets, small businesses and private commuting. While elec- tric vehicle range is limited and recharging times are

104 John T. Woolley and Gerhard Peters (The American Presidency Project [online]). Santa Barbara, CA: University of California (Updated: Gerhard Peters (database)), available at www.presidency.ucsb.edu (last accessed on October 22, 2009).


FIGURE 1V U.S. ELECTRIC VEHICLE TIMELINE

1800 Alessandro Volta creates the first electric cell
1821 Michael Faraday invents electro-magnetic rotation—the principle behind the electric motor
1897 First commercial application of electric vehicles—automobiles are powered by electricity
1900 38 percent of American automobiles are powered by electricity
1920 A decade of gasoline-powered dominance signals the end of the first electric vehicle heyday
1800–2015

120 Id.
125 California Air Resources Board, California’s Zero-Emission Vehicle Program, Public Policy Institute of California, Vol 3 No. 4, (Sept. 2007).
126 Bedsworth, Louise Wells and Margaret R. Taylor, “Learning from the First and Second Goals of the Partnership for a New Generation of Vehicles (PNGV),” in Improving Hybrid-Electric Vehicles (HEVs) competitive with conventional vehicles. Propelled by California’s ZEV decision, DOE in 1993 combined all existing programs into the Partnership for a New Generation of Vehicles (PNGV). Despite the technological challenges, the DOE-USCAR work laid the foundation for influential market players, including major Japanese companies, to develop today’s batteries. Though no new funding was appropriated, the program was unprecedented in presenting a public-private partnership with a coherent set of strategic goals for massively improving fuel efficiency. Seven federal agencies, including the Department of Defense, collaborated with DOE. The government actors would focus on the basic, more long-term R&D, while the automakers (USCAR) would work on bringing technologies to rapid deployment. Other partners included national laboratories, universities and automotive suppliers. The program had three stated goals:

1. Improve American automotive manufacturing competitiveness;
2. Rapidly introduce new technology developed by PNGV research and development into retail vehicles; and
3. Produce prototype midsize sedans rated at 80 miles per gallon (mpg) by 2004.

The first and second goals were achieved quite successfully. A review board determined that while USCAR did improve manufacturing capabilities, the automotive suppliers experienced a greater effect, particularly in producing lightweight materials at lower cost. PNGV efforts reduced the cost of lightweight aluminum, magnesium, and glass-fiber reinforced polymer components to well under half the cost of steel, which—along with the invention of carbon foam and near-frictionless carbon coating—dramatically reduced vehicle weight and improved efficiency. The researchers invented and demonstrated a number of clean-diesel technologies and improved the efficiency and power-to-weight ratio of power electronics while reducing their costs 86 percent. This enabled the DOE to release a new ZEV mandate in 2009.

long, ZEVs are in everyday use in many different cir- cumstances across the state. All evidence and testi- mony points to the fact that those who are using today’s EVs are very pleased with their performance. In 1996, the ZEV guidelines were revised. Requirements for 1998 were eliminated in exchange for 10 percent ZEV sales in 2003. The revised stan- dards allowed hybrid, natural gas and “low speed vehi- cles” (LSVs), which are closely related to golf carts and intended for neighborhood use, to contribute to the program’s goals. Finally, after further objections from various stakeholders, a U.S. District Court judge issued an injunction in 2001 preventing amendments to the ZEV mandate. CARB could only respond by delay- ing ZEV requirements. Over the next decade, these standards would continue to evolve. In the latest 2008 ZEV revisions, CARB voted to require production of 25,000 ZEVs by each manufacturer between 2012 and 2014, a number which can be reduced if more PHEVs are made available. The requirement for ZEVs, however, ended in 2003, with more than 4,400 GEVs having been deployed in California since 1996. GM is reported to have simply given away over a thousand golf cart-like vehicles to meet the mandate. The ZEV mandate was revolutionary in envi- ronmental public policy in that it sought to simultane- ously change vehicle technology and consumer behavior without substantial federal or state financial support. As in 1976, electric vehicle technology and national sentiment were both prepared for the ZEV mandate. Today, however, the situation is different. Just after testifying to Congress about his company’s need for a financial bailout in late 2008, Rick Wagoner, the longtime GM CEO, said in an NPR interview that discontinuing the EV1 as well as the larger focus on electric powertrains and fuel economy was his “biggest mistake.”

PARTNERSHIP FOR A NEW GENERATION OF VEHICLES

The ZEV mandate was the direct impetus for the Department of Energy’s largest electric vehicle program to date. At the same time as California was implementing its mandate, DOE was funding a number of private firms and industry groups, most importantly the United States Advanced Battery Consortium (USABC), a pub- lic-private research program for building batteries for electric vehicles. USABC was a partnership between DOE and USCAR, an association of Ford, General Motors, and DaimlerChrysler. In 1992, DOE decided that advanced battery technology, systems engineering and power electronics were sufficiently developed to make hybrid-electric vehicles (HEVs) competitive with conventional vehicles. Propelled by California’s ZEV decision, DOE in 1993 combined all existing programs into the Partnership for a New Generation of Vehicles (PNGV). Despite the technological challenges, the DOE-USCAR work laid the foundation for influential market players, including major Japanese companies, to develop today’s batteries.

Though no new funding was appropriated, the program was unprecedented in presenting a public-private partnership with a coherent set of strategic goals for massively improving fuel efficiency. Seven federal agencies, including the Department of Defense, collaborated with DOE. The government actors would focus on the basic, more long-term R&D, while the automakers (USCAR) would work on bringing technologies to rapid deployment. Other partners included national laboratories, universities and automotive suppliers. The program had three stated goals:

1. Improve American automotive manufactur- ing competitiveness;
2. Rapidly introduce new technology developed by PNGV research and development into retail vehicles; and
3. Produce prototype midsize sedans rated at 80 miles per gallon (mpg) by 2004. The first and second goals were achieved quite suc- cessfully. A review board determined that while USCAR did improve manufacturing capabilities, the automotive suppliers experienced a greater effect, particularly in producing lightweight materials at lower cost. PNGV efforts reduced the cost of lightweight aluminum, magnesium, and glass-fiber reinforced polymer compo- nents to well under half the cost of steel, which—along with the invention of carbon foam and near-frictionless carbon coating—dramatically reduced vehicle weight and improved efficiency. The researchers invented and demonstrated a number of clean-diesel technologies and improved the efficiency and power-to-weight ratio of power electronics while reducing their costs 86 percent.
 aluminium was incorporated into the 2000 Lincoln LS, used in production lines. For example, lightweight requirements of the goal.135

134 National Research Council, Energy Research at DOE: Was It Worth It?, President George W. Bush, with speaker of the house Nancy Pelosi (2nd

Goal three had many components, including meet-

137 Gravatt, Claude C., “Testimony before the Committee on Commerce,

141 Id. at § 136.

The Energy Independence and Security Act of 2007

EISA is, perhaps, best-known for directing the

147 The White House, “President Obama Announces National Fuel

145 Blanco, Sebastian. “Officially, Official: Ford Gets $5.9b from DOE in

Asks President for Help Creating Green Jobs and Cars of the Future in

142 Blanco, Sebastian, “Fisker gets $528.7 million loan from U.S. DOE

2009.142 It should be noted, however, that though the

136 Separately, the three USCAR partners had announced in 2000 plans for at-

scale light truck and SUV hybrid-electric production by 2004.143 However, in 2003 the Bush administration transformed the program into FreedomCAR, which conducts R&D in high-risk and long-term technolo-

gies like advanced hydrogen fuel cells (although some battery research continues).144 The PNVG program can claim some direct responsibility for the release of

hybrid vehicles by the Big Three in the mid 2000s, but these vehicles have not been as efficient as hoped.

107 Id.

126 106

was for each company to create production prototype
cars by 2004. The report detailed that all three com-

panies were in planning stages.108 Separately, the three

USCAR partners had announced in 2000 plans for at-

scale light truck and SUV hybrid-electric production by 2004.109 However, in 2003 the Bush administration transformed the program into FreedomCAR, which conducts R&D in high-risk and long-term technolo-
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hybrid vehicles by the Big Three in the mid 2000s, but these vehicles have not been as efficient as hoped.

The Energy Independence and Security Act of 2007

The Energy Independence and Security Act of 2007 (EISA) was an important piece of legislation with respect to promoting GEV deployment. EISA established a Near-Term Transportation Sector Electric Program and authorized $95 million per year in grants between 2008 and 2013, with an emphasis on large-scale electrification projects.111 A second program, the Plug-in Electric Drive Vehicle Program, further authorized DOE to disburse $90 million per year between 2008 and 2012 in grants to states and localities to encourage the use of plug-in electric drive vehicles or other emerging electric vehi-
tles.112 EISA also authorized $25 billion in loans for Advanced Vehicle Manufacturing Facilities to be allocated to companies wishing to establish or re-equipping plants to produce EV components.113 The first approxi-

mately $8 billion of these loans was awarded in June 2009 to Ford, Nissan, and Tesla for $5.9 billion, $1.6 billion, and $465 million respectively. An additional $529 million went to Fisker Automotive in September 2009.114 It should be noted, however, that though the majority of this award money will be used for vehicle electrification, significant portions of it, especially the amounts allocated for Ford, will also be used for other advanced fuel-saving engine technologies, including direct injection, turbo, and advanced transmissions.115 More than 70 other applicants submitted propos-

als for the loan program, and $17 billion of loan money remains available (as of October 2009).116 The Department of Energy, which is responsible for the management of the loan distribution process, has not indicated when further awards may be announced.

EISA is, perhaps, best-known for directing the Department of Transportation and the Environmental Protection Agency to establish new fuel economy standards. The law calls for a 40 percent increase in fleetwide fuel economy in new vehicles between 2010 and 2025 and an additional fleet average from 25 miles per gallon to 35 miles per gallon.117 In May 2009, President Obama announced his intent to further strengthen the new fuel economy standards, requiring overall fleet fuel efficiency for all domestically sold passenger cars to reach 39 miles per gallon by 2016, up from 27.5 miles per gallon today. Light trucks and sport utility vehicles will have to achieve 30 miles per gallon, up from 23.1 miles per gallon today.118 It is likely that some form of increased hybridization and electrification will be needed to meet such standards; however, the standards alone are not sufficient to drive significant production of grid-enabled vehicles.

146 American Recovery and Reinvestment Act of 2009


150 Id.
manufacture advanced batteries and packs for hybrid and electric vehicles. The four next largest grants, three of which are also based in Michigan, were EmergDel, General Motors Corporation, a Dow/Kokam joint venture, and LG Chem.151

The largest infrastructure piece of the grant announcement was an award that went to the Electric Transportation Engineering Corp. (eTec), the charging infrastructure arm of RCOality, to work with Nissan to demonstrate 5,000 of Nissan’s 100-mile range LEAF model EVs and deploy roughly 13,000 chargers in pilot programs in five U.S. regions (Portland, Salem, Eugene and Corvallis, OR; Seattle, WA; San Diego, CA; Phoenix and Tucson, AZ; and Nashville, Chattanooga, and Knoxville, TN).152

The LEAF, manufactured in Smyrna, Tennessee, had already received $1.6 billion under the Advanced Technology Vehicle Manufacturing program. The new funding—which, combined with matching shares from regional pilot participants, adds up to nearly $200 million—will support what Nissan describes as the largest GEV demonstration project ever undertaken, and represents an important stepping stone to larger, more comprehensive demonstration projects employing multiple automakers.153 Nissan has announced that the vehicles will be sold in late 2010 and 2011.154

ARBA also revised electric vehicle tax credits for U.S. consumers. Under the new law, U.S. residents who purchase GEVs will be able to claim a base tax credit of $2,500 for a vehicle with a battery of at least 5 kWh and representing an important stepping stone to larger, more comprehensive demonstration projects employing multiple automakers.155 Nissan has announced that the vehicles will be sold in late 2010 and 2011.156

The provisions within ACES that deal with vehicle electrification represent an important step forward. Beyond simply providing additional funding to automakers and greater incentives to consumers, the bill begins to outline a process for deploying electric vehicles in high concentrations. However, the provisions are not tied to any specific goal for vehicle penetration or future oil abatement. Moreover, the bill stops short of committing to electrification as a dominant strategy, instead increasing government support for a range of technologies, including biofuels. This speaks to the fundamental lack of national commitment to electrification. America’s approach today is haphazard and unfocused, without strategic goals to guide policy either in Congress or in the relevant executive departments. Without aggressive and coordinated government policy, GEVs will only marginally penetrate the U.S. market over the next decade.


The flurry of federal funding for clean energy projects comes on the heels of state action. Many states with populations supportive of policies that are designed to mitigate greenhouse gas emissions have independently sought to regulate stationary sources of pollution through projects like the Northeast’s Regional Greenhouse Gas Initiative, the first mandatory, market-based carbon-trading forum. Federal iner-tia has also prompted many states to try to regulate mobile emissions sources. Meanwhile, some states have begun to establish low carbon fuel standards, a purportedly technology-neutral way to reduce greenhouse gases.157

Congress has also begun the process of limiting CO2 emissions. In July 2009, the House passed the American Clean Energy and Security Act of 2009 (ACES),158 which, if enacted, would implement a nationwide cap-and-trade program. Such a program, though it may offer benefits in terms of carbon abatement, is unlikely to significantly affect petroleum use. Even assuming a CO2 permit price of $70 per ton, the carbon content of a gallon of gasoline would at most reflect an additional 10 cents above baseline forecasts between 2010 and 2020 and an additional 16 cents between 2020 and 2030.159 These increases are insufficient to compel consumers to purchase more-efficient vehicles.160 The bill does authorize the Department of Transportation in collaboration with the EPA and DOE to set motor vehicle emis-sions standards commensurate with its CO2 goals.161 These standards would most likely be significantly more aggressive than currently proposed standards, and would, therefore, provide long-term support for highly efficient, low-emissions vehicles.

In addition to emissions requirements, ACES directly addresses GEVs by calling for an Electric Vehicle Infrastructure Plan.162 Provisions within the bill would require utilities to submit a plan for supporting plug-in electric vehicles, including measures to support battery exchange, fast charging, and other elements. State regulatory authorities would be required to ensure that public charging infrastructure is interoperable with a range of vehicle technologies and to consider measures for allowing utilities to recover costs associated with their plans. The bill would also require the Secretary of Energy to prepare a plan to place grid-enabled vehicles in a number of regions, and would double the amount authorized under the AVTM to $850 billion.163

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162 Source: DOE, EIA
Ensuring that GEVs have access to a reliable network of public charging infrastructure is a key challenge to early adoption.
Core Challenges

The successful deployment of GEVs faces a range of challenges. Early GEV batteries will have limited range, may take hours to charge, and will add significantly to vehicle cost. Vehicle charging infrastructure is non-existent, and consumers may hesitate to accept new technology.

Yet, each of these challenges can be overcome to achieve widespread, large-scale deployment of grid-enabled vehicles in the near future. Policy support and innovative business models will drive down battery costs and work to deploy adequate charging infrastructure. The electrical grid reaches most corners of the nation, and only upgrades to the last few feet of wire are required to deploy vehicle chargers in mass. The electric power industry has the capacity to generate and transmit most of the power that will be needed to charge GEVs, certainly in the early to middle stages of deployment. Over the long term, smart-grid technology will manage vehicle-to-grid interface while enhancing the overall consumer experience.

2.1 Overview

Despite the progress currently being made in the global electric vehicle market, substantial barriers to widespread vehicle adoption still exist. Overcoming these barriers will require innovative business models and the support of effective public policy.

Batteries & Vehicles

Ongoing battery research is concentrated on developing new chemistries and assessing the performance of batteries under different usage conditions. The focus of much of the battery industry is on producing batteries with high energy and power at a cost most consumers will find compelling. A range of generic estimates for current battery costs centers on $600 per kWh. The long-term goal for most market participants is closer to $200 per kWh. The primary drivers of battery cost are high material costs and lack of scale. Battery performance is significantly impacted by the charge cycle and temperature, among other factors.

Charging Infrastructure

Deploying electric vehicles at scale will require the construction of a network of charging infrastructure, both public and private (home). The costs for public Level II electric vehicle supply equipment (EVSE) are highly dependent upon location, but currently range up to $5,000 per unit. Level III chargers will be less prevalent, as they will be used for fast charging, but are significantly more expensive. The ability for EVSE and charger owners to recoup these costs will depend on utilization rates and whether vendors are allowed to charge a premium for charging. Entrepreneurship and innovation will surely develop models for profitable operation, but in a country as geographically diverse and as large as the United States, it is difficult to imagine a scenario in which substantial government investment would not be required to assist in laying the backbone of the GEV charging network.

Electric Power Sector

Managing the interface between the grid—power generation, transmission, and distribution—and the vehicles presents additional complexities. In moving from oil to electricity, we must be deliberate in ensuring the reliability of the U.S. power system. Failure to do so would simply trade one economic vulnerability for another. The current regulatory framework may be inadequate to support widespread GEV adoption, and a set of standards for everything from plugs to outlets to charging stations will be required to ensure uniform operability.

Consumer Acceptance

There remains the question of whether enough consumers will ever be willing to accept the demise of the internal combustion engine and the transition to electricity. The payback periods for GEV ownership will need to be dramatically—and permanently—reduced. And yet, policies designed to discourage oil consumption via price incentives are controversial and politically charged.
2.2 Batteries & Vehicles

GEVs trace their roots to today’s familiar hybrids, but represent a significant advancement in efficiency. Therefore, a great deal of current attention is focused on developing grid-enabled vehicles that meet consumer needs. Most such efforts are dedicated to commercializing advanced batteries that provide the power and range expected by drivers.

HYBRID TECHNOLOGY: A BRIEF HISTORY

The battery technology for the next generation of vehicle electrification traces its roots to today’s more familiar gasoline-electric hybrid vehicles (HEVs). These vehicles rely on a conventional internal combustion (ICE) engine, but supplement certain functions with power from an on-board battery. How much work the battery does depends on its size and the configuration of the drivetrain. In general, the more energy the battery is capable of delivering, the greater the gasoline fuel savings.

HEVs have already enjoyed commercial success as a result of government incentives and high oil prices, though they still only represent a small fraction of total auto sales and an even smaller fraction of vehicles on the road. Hybrids broke into the automotive market at the turn of the century with the introduction of the Honda Insight and the Toyota Prius. The Honda Insight was first sold in the United States in 1999 and incorporated a mild hybrid system. The first generation of the Honda Insight was sold through model year 2006. After a brief hiatus, the brand was re-launched in 2009 for the 2010 model year. The current version of the Insight is the most inexpensive hybrid vehicle available in North America.

The Toyota Prius has arguably been the most successful hybrid vehicle in the United States and helped to firmly cement Toyota’s image in this country as the market technology leader. The Prius was first marketed in the United States in 2001 and was the first production implementation of a full hybrid system. The Prius, like most full hybrids, utilizes two electric motors during operation. The first is essentially a bolstered starter motor and generator that controls the start/stop functionality of the gas engine and the charging of the battery. The second motor can power the vehicle, typically at low speeds, and works in tandem with the ICE during acceleration and at highway speeds. The second motor also performs the regenerative braking energy conversion.

In 2009, Toyota introduced the third generation of the Prius, pricing it competitively with the Honda Insight. In Japan, the demand for the new Prius overwhelmed Toyota with reports of up to six-month order backlogs. In August 2009, the introduction of the new Prius in the United States coincided with government incentives for purchasing efficient vehicles (Cash for Clunkers), which helped push worldwide Prius sales to their highest mark since the beginning of the 2008/2009 recession.

Since the introduction of the Prius and the Insight, Toyota and Honda have each sought to leverage their basic hybrid drive configuration in several other vehicle models. Examples include the Honda Accord and Civic hybrids; the Toyota Camry hybrid; and the Lexus LS600H, RX 450h, and HS 250h models.8,8

After the Japanese automakers’ initial success with their hybrid programs, a number of U.S. and European automakers quickly followed suit. Early on, Ford introduced a hybrid version of the Escape. Later, the company added the hybrid Ford Fusion to its lineup.8,8

GM soon developed a hybrid architecture, dubbed the “two-mode hybrid.” Being late to the game meant GM had to take on the massive hybrid research and development cost in a relatively short time span.8 As a result, it chose to enter into a hybrid development partnership with DaimlerChrysler and BMW in order to help defray those costs.8 The partnership ended with a slew of new vehicle introductions for the 2008 and 2009 model years, including the Chevrolet Silverado and Tahoe hybrids; the Cadillac Escalade hybrid; the GMC Sierra and Yukon hybrids; the Saturn Vue hybrid; the Dodge Durango hybrid; the Chrysler Aspen hybrid; the Mercedes M-Class hybrid; and the BMW X6 hybrid. GM also developed a mild hybrid system similar to the Honda hybrid drivetrain that was utilized in front-wheel drive sedans such as the Saturn Vue and Chevrolet Malibu hybrids.

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Ultimately, however, it is important to place the commercial success of HEVs in context. Even with the dynamic marketplace surrounding hybrids and the billions of dollars poured into the development of these systems, up-front costs for the vehicles and fluctuating oil prices have prevented large scale adoption. In the United States, hybrids have never surpassed 3 percent of new vehicle sales, and currently represent less than 1 percent of total light-duty vehicles on the road.

Moreover, from an energy security standpoint, HEVs are inherently limited. Because they still depend heavily on an ICE engine for propulsion, HEVs have an upper bound on fuel savings, regardless of the driving patterns of consumers. Considered in this light, HEVs are simply a means of deploying technology to increase the efficiency of conventional vehicles. Nevertheless, traditional hybrids will continue to play an important role in meeting fuel-economy requirements as well as driving scale production of key components shared between HEVs and GEVs.

TECHNOLOGICAL STEP CHANGE: PLUGGING BATTERIES INTO THE GRID

Grid-enabled vehicles represent a step forward from HEVs. By drawing power from the electric grid via charging, GEVs are able to incorporate larger batteries that allow the electric drivetrain to power the vehicle over longer distances at all speeds without using gasoline. In other words, the GEV concept introduces the ability to fully substitute for petroleum in the transportation sector, in theory achieving 100 percent gasoline fuel efficiency with certain important exceptions.


FIGURE 2A OIL PRICES AND HEV SALES, U.S., HISTORICAL

Source: DOE, EIA, SAFE Analysis
Today's familiar hybrid-electric vehicles offer improved efficiency over traditional internal combustion engine automobiles. However, by incorporating a larger battery and drawing electric power from the grid, plug-in hybrids and pure electric vehicles offer a step change improvement in vehicle efficiency.

**FIGURE 2b**

**Vehicle Configurations**

**INTERNAL COMBUSTION ENGINE VEHICLE**

- Engine
- Transaxle
- Fuel System

**HYBRID-ELECTRIC VEHICLE (HEV)**

- Engine
- Transaxle
- Electric Motor
- Battery
- Fuel System
- Charger

**PLUG-IN HYBRID ELECTRIC VEHICLE (PHEV)**

- Transaxle
- Electric Motor
- Battery
- Fuel System
- Plug & Charger
- Generator

**FULL HYBRID (POWER-SPLIT SYSTEM)**

- Efficiency gains of 25 to 40 percent
- Larger battery provides enough power for autonomous driving at low speeds
- Smaller motor acts as generator to charge the battery

**MILD HYBRID (PARALLEL SYSTEM)**

- Efficiency gains of 15 to 20 percent
- Battery provides additional power during acceleration; powers the A/C and other systems during idling
- Regenerative braking charges battery

**HYBRID ELECTRIC VEHICLE SYSTEMS**

**FULL HYBRID (POWER-SPLIT SYSTEM)**

- Efficiency gains of 25 to 40 percent
- Larger battery provides enough power for autonomous driving at low speeds
- Smaller motor acts as generator to charge the battery

**Plug-In Hybrid Electric Vehicle Systems**

**PHEV (SERIES HYBRID SYSTEM)**

- Only electric motor provides torque to wheels
- IC engine serves only to augment the battery after depletion
- Uses no gasoline when battery is sufficiently charged
- Charges battery through grid connection and regenerative braking

**PHEV (POWER-SPLIT SYSTEM)**

- Both the motor and IC engine can provide torque to the wheels
- IC engine provides torque when required (blended mode)
- Charges battery through grid connection and regenerative braking

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- Charges battery through grid connection and regenerative braking
The earliest efforts to develop GEVs focused on pure electric vehicles (EVs). EVs do not contain an IC engine or gasoline fuel tank. In fact, pure EVs do not require a number of the components common to conventional vehicles, and therefore are in principle a far more simple technology.

Because EVs do not incorporate an IC engine, however, their range is limited to that which can be derived from the energy contained in the battery. Once the battery is depleted, pure EVs must recharge before further use. This limitation has historically been viewed as a substantial drawback for consumers, particularly in the United States. With an HEV or a traditional IC engine vehicle, consumers are confident that as their fuel level drops, there is ample refueling infrastructure in place to fill their tank when needed. Further, when they do need to refuel, they know it will only take a few minutes. An EV driver today would have essentially no public refueling infrastructure available. Moreover, even if they were to happen upon an opportunity to plug in, current infrastructure would require them to spend several hours charging before being able to continue their trip.

Because of these technological and structural obstacles, the current iteration of vehicle electrification has seen the emergence of the plug-in hybrid electric vehicle, or PHEV. The PHEV increases the size of the standard HEV battery, adds a plug to charge the battery, and maintains the use of an IC engine. A PHEV can be configured in power split or series format. A series drivetrain powers the vehicle strictly using the electric motor, which derives power from the battery. The battery is charged either with power from the grid (through the plug) or with power from the IC engine via a generator. The power split configuration simply adds a direct connection between the engine and the wheels. This gives the IC engine the potential to power the vehicle in conjunction with the electric motor or independently.

Despite its retention of an IC engine, a PHEV is capable of pure electric driving at full range of normal speeds over substantial distances. In a typical PHEV configuration, when the vehicle’s battery is fully charged, it will operate in pure electric mode. During all electric operation, the vehicle operates in charge depleting mode, drawing down power exclusively from the battery. Either at a maximum speed (where the electric motor cannot alone maintain the vehicle’s speed), or after the battery reaches a minimum state of charge, the internal combustion engine will activate, propelling the vehicle in a traditional hybrid mode. This operation is typically referred to as charge sustaining mode.

A variation on this basic PHEV configuration would be to blend IC engine torque with battery power for certain functions during charge depletion. The vehicle would still rely heavily on the electric drivetrain for torque at speeds and acceleration rates higher than would be the case in a traditional HEV and would, therefore, still draw down the battery’s state of charge. However, the blended use of an IC engine during charge depleting mode would allow for a smaller, less costly battery.

Though a number of OEMs have announced plans to introduce PHEVs in 2010, there are currently no plug-in hybrids commercially available in the United States. For several years, Ford has been carrying on demonstration projects with several utilities, most notably Southern California Edison, using a fleet of Escape plug-in hybrids.11 Toyota has placed a small number of Prius plug-in hybrids with various fleets in 2009 and plans to increase that number annually as a precursor to volume production.12 Several third parties have been offering conversion kits that will change a traditional hybrid into a plug-in hybrid. These conversions are typically available only for the Prius and carry a price tag of up to $15,000, far more than an owner is ever likely to recoup in gasoline savings.13

**BEYOND HYBRIDIZATION: PURE ELECTRIC MILES**

Beyond HEVs and PHEVs are pure electric vehicles, or EVs. Over the long term, pure electric propulsion is likely the better technological platform, regardless of the target market. Pure EVs are simpler to produce and less cost-intensive than PHEVs, because they do not require the redundancy of both an IC engine and electric motor. They are powered solely by an electric drivetrain featuring a battery and an electric motor. The only highway-capable, commercially available EV sold today in the United States is the Tesla Roadster. However, most major automotive manufacturers and countless small start-up automakers are promising a number of EV introductions over the next several years.

Ultimately, an EV that meets all consumer requirements—range, convenience, etc.—at cost parity to a comparable conventional vehicle would make the notion of PHEVs obsolete. Yet a number of important challenges stand in the way of making such vehicles practical for most consumers. The costs for a pure EV are likely to prevent widespread adoption at today’s battery prices, particularly without more aggressive government support. Moreover, deploying adequate infrastructure to support pure EVs could be a daunting challenge without the appropriate public policies and regulatory framework.

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2.2.1 The Battery

The battery is a core component in a GEV. Lithium-ion batteries provide requisite energy and power, but add significantly to vehicle cost. Raw materials like lithium are abundant, especially if recycled. Improvements in battery performance are still needed.

No obstacle to GEV adoption has been as formidable as the development of battery technology. In short, batteries have never been able to compete with the tremendous energy density of petroleum fuels. Converted to a kilowatt hour (kWh) basis, 10 gallons of gasoline contain approximately 360 kWh of usable energy.14 However, the low efficiency of current generation IC engines means that only around 72 kWh of this energy is actually used.15 And yet, matching even half of that energy with a large-format automotive battery has historically been either impossible or so costly (more than $1,000 per kWh) that it made little practical sense.

The last several years, however, have seen enormous strides in battery technology, substantially lowering cost and increasing range potential. This rapid progress has enabled the design and manufacture of grid-enabled vehicles that can compete with the performance and convenience of gasoline-powered cars. Improvements in battery performance can be grouped into at least five categories: power, energy, safety, life, and cost. These categories were adopted by the United States Advanced Battery Consortium in 2007 as the key indicators for setting battery development goals and measuring progress. In general, it is challenging to achieve high levels of success across all categories, though that will ultimately be required for widespread consumer acceptance.

Power

Power is the rate of energy transfer, measured in kilowatts. For GEV batteries, power is the rate at which energy can be delivered from the battery to the wheels.

Energy

For GEV batteries, energy is used as a metric to measure storage capacity. Higher energy batteries allow the vehicle to remain in charge depleting mode for greater distances (all other things being equal). Energy capacity is measured in kilowatt hours (1 kWh is equivalent to 1 kilowatt provided for 1 hour).

Safety

Because large-format automotive batteries store energy and contain some volatile chemicals, safety is an important consideration. Most batteries rely on some form of chemical reaction in order to discharge electricity. Short circuits, overcharging, high heat exposure, and high impact collisions all have the capacity to damage batteries. Performance under these conditions varies by battery system design (cells, mechanical, electronics and control software) but commercialized batteries will need to perform safely under both typical and extreme driving conditions.

Life

With use over time, battery performance can substantially degrade across all performance metrics, including energy, power, and safety. Calendar life is simply the ability of the battery to withstand degradation over time, and is generally independent of use. More importantly, cycle life measures the number of times a GEV battery can be charged and discharged before energy and power capacity fall. Cycle life, in turn, varies by the type of cycle—deep or shallow.

Cost

The cost of GEV batteries will ultimately determine their level of adoption. Cost varies by manufacturer based on chemistry technology, and other factors like labor and capital costs. The current industry-wide average is $600 per kWh, with a number of individual companies achieving lower costs.

The Evolution of Battery Chemistries

For decades, the traditional automotive battery has been based on lead acid chemistry. Although these batteries are significantly heavier than other battery chemistry types, certain characteristics made them very attractive in conventional internal combustion engine vehicles. Lead acid batteries, when compared with other secondary batteries, have the ability to provide very high currents for a short duration, which is an ideal feature for starting an IC engine (the primary responsibility of traditional automotive batteries). Additionally, lead acid batteries are relatively inexpensive, on the order of $100 to $200 per kWh. However, the drawbacks of the lead acid battery, notably its lack of energy density, its short duration of available power, and its weight, led automakers to look for better alternatives upon the advent of hybrid and electric vehicles.

The first chemistry that replaced lead acid in automotive applications was nickel metal hydride (NiMH). NiMH batteries are superior to lead acid batteries in almost every category except for cost. Though more expensive, they offer far better energy density and, therefore, are much lighter for a given amount of required energy. NiMH batteries were used on the previous generation of plug-in vehicles, including the GM EV1, the Toyota RAV4-EV, and the Ford Ranger EV, all sold in California under the original Zero Emissions Vehicle (ZEV) mandates.

NiMH batteries continued to be used when HEVs were introduced and can be found in almost all hybrid vehicles currently in production, including the Toyota Prius, the Honda Insight, the Ford Escape Hybrid, the Ford Fusion Hybrid, and the Chevrolet Malibu Hybrid.

Although much of the focus recently has shifted to the development of lithium-ion batteries, some NiMH production capacity and use in HEVs is likely to persist over the short term. In September 2009, for example, Toyota announced that after extensive testing and
development of lithium-ion batteries, it would continue to exclusively use NiMH batteries in its range of traditional hybrid vehicles.\(^{16}\) As plug-in hybrids begin to arrive on the market, most manufacturers will use lithium-ion based batteries. Lithium-ion batteries, constructed using the lightest metal in the periodic table, promise far better energy density and power density, enabling very large batteries with long ranges to be placed in vehicles while minimizing the weight and size burden that NiMH or lead acid batteries would necessitate. The vast majority of automotive battery research initiatives and vehicle production programs worldwide are focused on some type of lithium-ion battery chemistry. Lithium-ion, however, is an umbrella term that incorporates several competing battery chemistries, all vying for a niche in the electric vehicle market.

### Power and Energy

Regardless of chemistry type, battery design generally requires a trade-off between the two fundamental characteristics that govern the battery’s performance: power density and energy density. In an electric vehicle, power density can be thought of as the characteristic that provides rapid acceleration, and energy density relates to the length of charge depleting operation. Simply put, power density answers ‘How quick?’ and energy density answers ‘How far?’

All battery chemistries have a theoretical boundary that ranges from higher power densities and lower energy densities to lower power densities and higher energy densities. Lead acid batteries have a maximum theoretical energy density of around 25 watt-hours per kilogram (Wh/kg) and power density of up to 200 or 300 watts per kilogram (W/kg). Nickel-metal-hydride batteries, in comparison, can achieve maximum energy densities ranging from 50 to 75 Wh/kg with associated power densities of approximately 10 to 1000 W/kg.

Lithium-ion batteries are attractive because they deliver superior performance in both power and energy density, allowing them to achieve a much higher weight to performance ratio than either of their predecessors. Lithium-ion battery chemistries can achieve theoretical energy densities from 50 to 175 Wh/kg and power densities of 10 to 10000 W/kg. However, as research into energy storage and lithium-ion chemistries has steadily progressed, some laboratory results suggest that it may be possible to surpass even these boundaries. Stanford scientists published research in August 2009 claiming energy density of up to six times greater than the previously mentioned limits.\(^{17}\) Later, in September 2009, Toyota researchers in partnership with Tohoku University claimed energy storage of up to 10 times greater than current batteries.\(^{18}\)


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**FIGURE 2D BATTERY PERFORMANCE PER TECHNOLOGY**

Source: PRTH, SAFE Analysis
effective batteries by forcing manufacturers to over-
specify battery capacity.

Temperature
Batteries need to be kept cool while in use, not com-
pletely unlike the current function of a cooling circuit
in internal combustion engines. Although this is a
relatively straightforward design issue, a great deal
of current research is dedicated to developing cost-
effective, efficient technologies for cooling batteries
derogation.

Unlike conventional engines, however, lithium-ion
batteries are also impacted by ambient temperature
conditions when they are sitting idle, which is what
most vehicles do more than 90 percent of the time.
Consistent exposure to high ambient temperatures
can have a negative impact on battery performance
and life. According to one recent analysis, raising the
average ambient air temperature experienced by a
lithium-ion battery over its lifespan from 20°C to 30°C
could cut in half the amount of time it takes for the bat-
tery to lose 30 percent of its power density.21 However,
until there is sufficient data from large numbers of real
vehicles in the field, no one knows exactly how batter-
ies will perform across all consumer use cases.

BATTERY COST
Because battery cost will be central to GEV competi-
tiveness, a number of current automotive battery ini-
tiatives are focused on driving down those costs. The
United States Advanced Battery Consortium (USABC)
has established multiple cost targets for automotive
grade lithium-ion batteries. (USABC is funded by both
the United States Council for Automotive Research
and the Department of Energy.) The goals they have
established are intended to enable plug-in vehicles
that are competitive with ICE engines in cost and
performance.

For PHEVs with a 40-mile charge depleting range
and driven with the drastic difference in price between
gasoline and electricity, an EV driver would not be
able to recoup this price difference over the life of the
vehicle. Current government incentives (an EV with
a 30 kWh battery would qualify for the full tax credit
of $7,500) would accelerate the payback period to eight
years, still longer than most consumers will be willing
to wait. Beyond 2012, falling battery costs and govern-
ment incentives could make a pure electric vehicle
more economically sound, but the payback period
would still be seven years.22

With battery prices at $600 per kWh, a PHEV offers a
better value proposition to the consumer than either
an EV or a conventional IC engine vehicle, but only
when government subsidies are available. A 16 kWh
battery will cost $9,600, but will qualify for the full
ARRA tax credit. Therefore, based on the existing
tax incentives, the incremental, additional upfront
vehicle costs for a 16 kWh PHEV are about $2,100.
Based on the lower cost of fuel over the lifetime of the
vehicle, it is already economically rational for consum-
ers to purchase a PHEV.

WHAT ARE THE DRIVERS OF BATTERY COST?
Raw materials
Lithium-ion batteries consist of an anode (negative
electrode), usually graphite, and a cathode (positive
electrode), which is some compound of lithium, most
often a derivative of lithium carbonate (Li2CO3) or
lithium hydroxide (LiOH). A variety of chemicals
exist, however, each with its own advantages and
disadvantages in terms of power, energy, and safety.
Nickel and cobalt are most often used with lithium in
form cathodes. Cathodes are the largest single con-
tributor to battery cost, and together with the anode
and electrolyte, account for more than 40 percent of
Up until 2009, the final price of the battery pack20


VARIABILIZATION: WHO SHOULD
OWN THE BATTERY?

RISK MITIGATION AND COST
INDUSTRY

Although these price targets are important, they
are clearly aggressive, and there are still substantial
obstacles to achieving them. In research published
in May 2009, USABC detailed a number of existing
batteries that meet their cycle life, specific power dis-
charge, and power density goals. But these batteries
are still far from meeting specification in temperature
operating range, energy density, and, arguably most
importantly, production price.

A range of current industry-wide estimates place
the current (2009) production cost for lithium-ion
batteries at roughly $600 per kWh.23 Admittedly, this
is a broad generalization that ignores production vol-
ume, chemistry type, vehicle type, and pack size. A
number of companies have indicated that they have
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ance of estimates indicate that $600 per kWh is a
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Battery demand is expected to grow rapidly, however, and is exclusively driving an annual 7 percent increase in overall lithium demand each year. This growth has historically been mostly due to laptops and cell phones. It is useful to note that an electric vehicle requires as much as a hundred times more lithium than a laptop. Deployment of electric vehicles at the large scale proposed in this report will necessarily entail massive increases in lithium demand, at least initially. As demand increases, both supply and recycling capacity will increase as well. Investing early in recycling capacity will offset the need for ‘virgin’ lithium production and prevent dependence on imports from just a few countries. Today, because lithium demand and prices remain low, almost none of the lithium used in consumer electronics is recycled.27 It is important to avoid exchanging a dangerous dependence on a finite and foreign resource for another, and skeptics have raised the concern that relying on lithium-ion batteries would be doing precisely that. Modeling work at Argonne National Laboratory, however, concluded that there are plentiful lithium supplies, especially if recycling is considered. The Argonne analysis estimates bullish U.S. and global growth curves for electric vehicle penetration with four possible lithium-ion battery chemistries. The researchers found that in 2030, vehicles would require about 28,000 tons of net incremental lithium production, approximately equal to total production today. The need for new material rises until around 2035, at which point it begins to fall as sufficient recycled supplies account for a large fraction of new demand.28

The amount of lithium required, of course, will depend on the extent of market penetration and the size of the typical battery. The Argonne National

**FIGURE 2G**

Lithium: Global State of Play

**MAJOR LITHIUM PRODUCERS**
- **China**
- **Australia**
- **Canada**
- **Brazil**
- **Zimbabwe**
- **Argentina**
- **Chile**
- **United States**

**MAJOR LITHIUM RESERVE HOLDERS**
- **Bolivia**
- **Chile**
- **Argentina**
- **Brazil**
- **Canada**
- **Australia**
- **Zimbabwe**

Total identified world lithium resources stand at around 13.4 million tons, according to USGS. Reserve estimates must be understood in the context of demand, which has thus far required only the cheapest and most accessible lithium to be developed. Further, unlike oil, lithium is recyclable. Though not currently economical, once the vehicle fleet is electrified it may be economically to reuse 100% of the lithium and other metals in batteries.

**CHINA**
China is ramping up production from its brine pools in Tibet and Qinghai, discovered in the early 2000s.

**RUSSIA**
Lithium production was discontinued in the 1990s, and Russia’s reserves are unknown and unexplored.

**CANADA**
Historically Canada supplied its spodumene concentrate to ceramic and glass, but in 2019, one Canadian mine commenced production of lithium carbonate, which is used in batteries.

**BRAZIL**
Brazil’s lithium deposits are in the process of being developed, and its active production facility is in a large evaporite deposit.

**ARGENTINA**
The third main lithium carbonate producer besides China and Chile, Argentina is currently developing a second brine operation.

**BOLIVIA**
The largest known lithium deposits, by far, are held in the Uyuni desert in Bolivia, though they have yet to be commercialized for political reasons.

**ZIMBABWE**
Zimbabwe is the seventh largest producer of lithium, and has the ninth largest reserve base.

**UNITED STATES**
The largest consumer of lithium compounds at about 1.2 million metric tons in 2008, and the leading producer of value-added lithium-based products. The only active production facility is in a large evaporite deposit.

**AUSTRALIA**
The second largest producer of lithium, Australia’s resources are mostly in the form of spodumene and used for non-battery applications.

**Source:** USGS
Laboratory researchers point out, however, that high demand and increased production will create a larger supply of recoverable material and that many other predictions have excluded recycled lithium.29

Indeed, one of the principal characteristics distinguishing lithium from petroleum is its recyclability. Once an oil or natural gas molecule is combusted in a vehicle’s engine, its energy potential is gone forever—hence the term, “non-renewable resource.” Lithium is not a non-renewable resource. Instead, it is a storage device. Once a vehicle battery has exceeded its useful life, it can be used for another application, like stationary power storage, that does not have the performance requirements of automotive grade batteries. When a battery finally is discarded, smelters can likely recover the metals, and lithium can subsequently be extracted and reused. Toxco, an Ohio-based company, currently recycles lead-acid and nickel-metal hydride batteries. In August 2009, the Department of Energy awarded Toxco a $9.5 million grant to expand its facility to recycle lithium-ion batteries as well.30

This reveals a fundamental reason that lithium is so valuable: it is unique among the elements because once its energy potential has been released, it can be almost completely recovered and revalued. Batteries are like the engines in conventional vehicles, their energy potential is gone forever—hence the term, “non-renewable resource.” Lithium is not a non-renewable resource. Instead, it is a storage device. Once a vehicle battery has exceeded its useful life, it can be used for another application, like stationary power storage, that does not have the performance requirements of automotive grade batteries. When a battery finally is discarded, smelters can likely recover the metals, and lithium can subsequently be extracted and reused. Toxco, an Ohio-based company, currently recycles lead-acid and nickel-metal hydride batteries. In August 2009, the Department of Energy awarded Toxco a $9.5 million grant to expand its facility to recycle lithium-ion batteries as well.30

A variety of other metals are used in electric vehicles, including cobalt, graphite, nickel, manganese, phosphorus, copper, and hard carbon. Nickel has long been used in a variety of sectors, especially for stainless steel production. Nickel-metal hydride is currently the chemical of choice for hybrid-electric vehicle batteries. Nickel is used in some lithium-ion based cathodes as well. Though its price has fluctuated over the years, there is little concern about nickel resource depletion. Extensive reserves are spread throughout the world: Australia, Canada, and Russia hold dominant shares.

Cobalt is used along with lithium in some cathode chemistries. The vast majority of the world’s cobalt reserves are held in Zambia, the Democratic Republic of Congo, and China. Cobalt’s price tends to vary along with that of copper, with which it is usually mined in association. Though cobalt has been identified as a potentially scarce automotive component, such concerns are largely unfounded, with reserves of around 71 million tons, a reserve base of 13 million tons, and substantially more identified deposits, all production levels of 7.8 million tons per year, and rising. As a result of rising prices, some analysts have been forecasting a cobalt shortage and potential Chinese monopolistic manipulation. The United States also holds substantial reserves, but has opted to import Chinese supplies since the 1990s due to cost. One company, Molycorp, plans to reopen a significant U.S. mine at Mountain Pass, California.

Rare-earth elements are recyclable, though at substantially greater cost than lithium or cobalt, because the amounts of rare earth used in any given product are often inconsequential. Some companies are investigating recycling opportunities, such as recovering waste during magnet grinding and polishing at the automotive OEM level. Without action to ensure a sufficient global supply of rare earth metals, supplies could tighten by 2012, particularly if wind turbine demand increases dramatically. Over the longer term, however, exploitation of known deposits, discovery of new sources (e.g., Russia, Africa), and improved recycling capability will likely suffice to meet demand regardless of the degree of GEV penetration.
other lithium-ion battery chemistries, this chemistry is known to have average power and energy density, long life, and good thermal stability. The chemistry choice itself is typically more expensive, but the thermal stability reduces the need for control circuitry, making full battery packs price competitive. This is the chemistry being pursued by Massachusetts-based A123 Systems as well as China-based BYD.

The other major domestic automotive lithium-ion battery producer, Indiana-based EnerDel, is pursuing lithium titanate. Generally, this chemistry is considered to have lower power and energy density potential than its rivals with similar costs.

Beyond these leading chemistry types, significant research is being conducted on the next generation of chemistries, promising better performance, life, and cost. For example, manganese titanate offers superior power and energy density, though its life characteristics are uncertain.

Another primary driver of battery cost is the size of the battery pack. Naturally, the total cost for a large EV battery pack will be significantly more than a smaller PHEV pack. However, as the packs get larger, the per kWh price falls, and therefore an EV battery pack is actually cheaper on a per kWh basis.

Lack of scale

A main contributor to battery cost is lack of production volume, or scale. A plant that is capacitized to produce 10,000 battery packs per year as opposed to 100,000 will have battery costs that are approximately 60 percent to 80 percent higher.31 Manufacturing scale offers one of the largest cost savings for battery packs. This would be especially true if batteries were standardized. In August 2009, Ford executives called for standardization of battery types for this very reason.32 Achieving large numbers of production of common battery types has the potential to drive costs down faster than many of the research initiatives currently underway. Previously, in June 2009, GM global battery systems engineering manager Joe LoGrasso made a similar appeal, suggesting that a convergence of cell formats may be a prerequisite to commercial success.33

In a May 2009 Department of Energy review, research was presented that indicated using current materials and current processing technology, scaling up to 500,000 units per year would drive the cost of PHEV packs down to $363 per kWh, nearly achieving the goals outlined by the USABC.34 Additionally, the research indicated other possible manufacturing developments that could push that price down to meeting the USABC targets. This research indicates that lack of domestic scale is one of the largest contributors to the dearth of affordable plug-in vehicle batteries.

As of 2009, there is little installed manufacturing capacity for lithium-ion batteries, and the overwhelming majority of production activity is currently centered in Asia. In the coming years, however, U.S. production capacity has grown up directly next to the production facility. Similarly, GM will be assembling the battery packs for their upcoming EV production in Smyrna, TN at an adjacent battery production facility. Similarly, GM will be assembling the battery packs for the Chevrolet Volt at a plant in Brownstown Township, MI, not far from the Volt’s Póletown assembly plant in Hamtramck, MI. Therefore, there are good economic arguments for the development of a strong domestic battery industry as an enabling factor for minimizing the cost and increasing the competitiveness of domestically produced electric vehicles.

2.2.2 Electric Motors

The efficiency of the electric motor as compared to an IC engine is the primary reason that GEVs are more efficient than traditional vehicles. Advances in electric motors will continue to improve the cost effectiveness of GEVs.

The high efficiency level of grid-enabled vehicles is largely due to the capabilities of electric motors. Whereas traditional internal combustion engines have efficiency ratings between 20 and 30 percent, electric motors can already turn as much as 90 percent of the energy in electricity into mechanical energy. This high level of efficiency is the driving force behind the reduced energy consumption and lower emissions of GEVs.

The motors and power electronics needed for production of all electric vehicle types are not as critical to achieving cost parity for consumers as are the batteries. However, the investment into research and development of these components is no less critical to the success of GEVs. As these vehicles begin to come to market in large numbers and production capacity increases, there are opportunities for cost reductions due to scale and design efficiency improvements.

5
33 GM Urges Convergence on Li-Ion Battery Formats,” Greent Car Congress, (June 9, 2009), Available at www.greencarcongress.com/2009/06/ gm-20090609-hahoe.html
2.2.3 OEM Production Format/Supply Chains

Today, only a handful of grid-enabled vehicle models exist globally. While a number of automakers have announced plans to produce GEVs, the ability of manufacturers to scale up production quickly will be a key challenge to electrification.

In order to produce high numbers of plug-in vehicles, many traditional components will have to be redesigned. The suppliers of these parts will be required to invest in new production capacity, something that is a difficult proposition for the strained domestic automotive parts industry.

Many of the subsystems in traditional internal combustion powertrains are belt driven. That is, the power to run the subsystem is derived from a belt that is connected to the engine. Typical belt-driven components are water pumps and power steering pumps. However, electric vehicles do not accommodate belt driven components, so the vehicle subsystems must be electric.

Although a conversion from belt-driven to electrically-driven vehicle systems is relatively straightforward, the historical preponderance of the belt drive system has been a prime driver of cost increases. When it comes to the cost of plug-in vehicle drive-train components—including motors, power electronics, and accessory drive systems—the supply chain is largely in place and being developed. As in the case of batteries, the largest hurdle for these components to achieve acceptable cost targets will be scale.

The scale that can be achieved in the automotive supply base will depend on the demand created by each automaker’s plug-in vehicle development strategy. A typical vehicle platform is replaced every five to seven years. If auto manufacturers were to adopt a plug-in vehicle strategy, but were to roll out grid-enabled vehicles incrementally on this lifecycle basis, it would take two decades, at best, to turn over their product portfolio from predominantly IC engine-based vehicles to predominantly GEVs. This approach would ensure a long wait for suppliers throughout the value chain to achieve the scale needed to dramatically reduce cost. Meanwhile, these suppliers would be strapped with the large investments they made in order to produce products and manufacturing capacity for electric vehicles.

However, the automakers would also face the quandary of high investment costs if they attempted to roll out GEVs any faster. Since the technology behind vehicle electrification is transformational rather than incremental, the expected research and development costs for a new plug-in vehicle platform—as compared to the costs for another incremental improvement to an IC engine vehicle platform—will be much larger and nearly impossible to finance for simultaneous large portions of the product portfolio. Compounding this investment need are the associated costs of retooling the entire manufacturing process chain to produce the new products. The Department of Energy’s $8 billion loan to Ford, Nissan, and Tesla—though seemingly large—are really only sufficient to develop and re-tool factories to produce three models of electric vehicles, a relatively tiny number compared to the several hundred vehicle models on the market in 2009.

GEVs will move beyond the current petroleum-based refueling system. This will enhance energy security, but will also require thoughtful investment in charging infrastructure. Overnight charging at home will obviate some of the need for public charging, but—especially at the outset—accessible public charging facilities will be of critical importance in order to increase consumer confidence. Level II EVSEs will support routine charging. Level III chargers will provide fast convenience charging as well as charging for vehicles that are travelling beyond the charge-depleting range of their batteries without stop to top-off charges. Moreover, market participants will need to determine how best to ensure access to overnight electric vehicle supply equipment for consumers without dedicated private parking spaces. In sum, three key points are clear: First, some amount of public and private charging infrastructure will be necessary to support widespread deployment of GEVs. Second, the costs for constructing a public charging network will be substantial. And third, while consumers will not buy vehicles in the absence of charging infrastructure, private companies will be hesitant to build recharging spots with out assured demand.
2.3.1 Understanding Charging

The vehicle charger is the device that connects the vehicle to the electrical grid and through which the vehicle’s battery is charged. Efforts to standardize chargers, already underway, will be important to ensure network interoperability.

The term “charger,” as it is used in common parlance when referring to electric vehicles, is a bit of a misnomer. For Level I and Level II charging, the actual charger is located on the vehicle itself. The device that the vehicle connects to is referred to in the technical literature as electric vehicle supply equipment, or EVSE. Level I EVSEs are unique cord sets that integrate the EVSE and its required safety functionality into a box connected in-line with the cord, and which can plug into a traditional 110 volt plug with a dedicated 15 amp circuit. Level II EVSEs need to be mounted and wired to an electrical panel at 220 volts.

Several safety issues will require the use of EVSEs instead of simple cords that connect an outlet to a vehicle. Properly designed EVSEs will ensure that vehicles are properly connected and grounded before power begins to flow; they will prevent a driver from pulling away while the vehicle is still plugged in; and for batteries that have out-gassing, they will necessitate proper ventilation for charging.

In addition to the safety concerns, EVSEs will, depending on their level of intelligence, ease the integration of plug-in vehicles into the grid and offer consumer benefits. Simple EVSEs can control charging start time. More complex units enable variable charge control based on pricing or grid loading; process user identification and payment; handle vehicle-specific metering; enable vehicle diagnostic reporting; and in the future will control vehicle-to-grid capacity; among many other novel, and as yet unimagined, functions.

There are different levels of charging based on the power available. The charging levels in the United States are governed by a specification published by the Society of Automotive Engineers (SAE), a professional organization that is responsible for developing a wide range of automotive standards. The specification, entitled J1772, defines Level I and Level II charging as well as the interface between the vehicle and the EVSE. Level I charging is specified for the NEMA outlet that most Americans are familiar with—the traditional home plug. This charging is relatively low, with a maximum of 120V and 12A. At 1.8 kW, a 30 kWh battery in a pure EV could take 15 hours to charge, depending on its initial state of charge. Smaller PHEV batteries would, of course, take less time, with the Chevrolet Volt specified to take approximately eight hours to charge at Level I.

Although Level I charging may be a sufficient solution for many PHEV owners, the lengthy charge times are necessitated by the much larger EV batteries that are necessitated by the much larger EV batteries will likely convince most consumers to opt for higher power Level II charging. Level II charging is specified at between 208 and 240 volts (the voltage used in many homes by electric clothes dryers, electric ovens, or well pumps). With the higher power used in Level II charging, EVSEs will have to be permanently mounted.

There are different levels of charging based on the power available. The charging levels in the United States are governed by a specification published by the Society of Automotive Engineers (SAE), a professional organization that is responsible for developing a wide range of automotive standards. The specification, entitled J1772, defines Level I and Level II charging as well as the interface between the vehicle and the EVSE. Level I charging is specified for the NEMA outlet that most Americans are familiar with—the traditional home plug. This charging is relatively slow, with a maximum of 120V and 12A. At 1.8 kW, a 30 kWh battery in a pure EV could take 15 hours to charge, depending on its initial state of charge. Smaller PHEV batteries would, of course, take less time, with the Chevrolet Volt specified to take approximately eight hours to charge at Level I.

Although Level I charging may be a sufficient solution for many PHEV owners, the lengthy charge times are necessitated by the much larger EV batteries that are necessitated by the much larger EV batteries will likely convince most consumers to opt for higher power Level II charging. Level II charging is specified at between 208 and 240 volts (the voltage used in many homes by electric clothes dryers, electric ovens, or well pumps). With the higher power used in Level II charging, EVSEs will have to be permanently mounted.

Though Level II EVSEs are specified for charging at between 12 and 80A, in practice, few vehicles will be able to charge at the maximum amperage rating, most vehicles are being designed to accept a Level II charger at no more than 30A. Automakers are presumably making a trade-off between customer preferences on charging times and the cost and weight associated with larger capacity chargers. For example, the Nissan LEAF, with a 24 kWh battery pack, is expected to take between four and eight hours to charge with a 240V supply.

It should be noted that Level I and Level II charging utilize the same connector interface to the vehicle. The plug that actually plugs into the car is unchanged between the levels. What is different is how those plugs are connected to the grid.

SAE has defined direct current (DC) fast charging, commonly referred to as Level III charging, as well. Designed for commercial applications, these chargers range from 30 kW to 250 kW with the goal of a complete charge in less than 10 minutes. Level III chargers will be significantly more expensive than Level I or II chargers and are expected to be available at commercial charging establishments. As an example, a Level III charger operating at 50 kW can fully charge a 24 kWh battery in approximately 25 minutes and could cost between $25,000 and $50,000. This happens to be about the same as the cost of a typical gas station pump. Fast charging rates will likely not be limited by the details of the standard, but rather by grid infrastructure capability and the tolerance of the battery chemistry.

In addition to the specifications defining the physical connectors, interfaces, and power levels, SAE is also developing specifications that will govern the communication between vehicles and the grid. These publications are also still being written as of October 2009.
2.3.2 Charging at Home

For drivers with access to a dedicated outlet, the most convenient time to charge their GEV will be overnight at home. This will place minimal strain on the grid and offer other important benefits as well.

The underlying assumption in the charger specifications being developed is that the vast majority of plug-in vehicle charging will take place at owners’ homes. Most vehicles sit idly overnight at homes, which could provide ample opportunity to supply consumers with the charge levels required for using their PHEVs or EVs.

Important shortcomings of home charging will need to be addressed before grid-enabled vehicles can be widely adopted, however. First, most consumers would probably prefer the convenience of Level II charging in their homes. However, a large percentage of homes will require the installation of a 220 volt plug in their garages or parking shelters. This installation is an additional cost that will extend the payback period for GEVs. Current estimates for Level II installation at home suggest a range from $500 to $1,500 if an electrical panel upgrade is not needed, and around $2,500 if an upgrade is required.35

Perhaps of greater concern is the fact that not every household has access to a dedicated parking space. For consumers who currently rely on street parking, overnight home charging will be a more difficult proposition. Existing data suggests that this will be a particularly significant impediment to GEV adoption in the Northeast, the South, and generally in inner cities.


FIGURE 2I

**Housing Unit Characteristics, 2005**

<table>
<thead>
<tr>
<th>Type of Housing Unit</th>
<th>Share of Occupied Housing Units</th>
<th>% with Garage or Carport</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction (less than or equal to 4 years)</td>
<td>5.5%</td>
<td>79.3%</td>
</tr>
<tr>
<td>Manufactured/Mobile Homes</td>
<td>6.4%</td>
<td>30.3%</td>
</tr>
<tr>
<td>With Physical Problems</td>
<td>5.7%</td>
<td>37.9%</td>
</tr>
<tr>
<td>All Other</td>
<td>82.4%</td>
<td>65.8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Geographical Location</th>
<th>Share of Occupied Housing Units</th>
<th>% with Garage or Carport</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>18.7%</td>
<td>49.0%</td>
</tr>
<tr>
<td>Midwest</td>
<td>22.9%</td>
<td>72.0%</td>
</tr>
<tr>
<td>South</td>
<td>36.5%</td>
<td>54.8%</td>
</tr>
<tr>
<td>West</td>
<td>21.9%</td>
<td>77.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Location</th>
<th>Share of Occupied Housing Units</th>
<th>% with Garage or Carport</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSA - Central City</td>
<td>29.2%</td>
<td>53.7%</td>
</tr>
<tr>
<td>MSA - Suburbs</td>
<td>48.5%</td>
<td>68.1%</td>
</tr>
<tr>
<td>Outside MSA</td>
<td>22.3%</td>
<td>60.4%</td>
</tr>
</tbody>
</table>

Source: EERE, Transportation Energy Data Book

**FIGURE 2J**

**Home Charging Configuration**

GEV owners will typically install an EVSE device in their garage, carport, or near their dedicated overnight parking spot. A Level II charger, operating at 220 volts, can be mounted on the wall of a garage, plugged into an existing 220 volt outlet or wired directly into a home’s electrical panel.

The EVSE may be submetered so that electricity used to charge a vehicle may be subject to different rates. A submeter could also be integrated into an EVSE or even the vehicle. The cord will run from the EVSE to a J1772 standard plug, allowing any vehicle to charge at any Level I or II charger.
### 2.3.3 Public Charging

Reliable access to a network of public charging equipment will provide GEV owners with confidence and flexibility. Especially in the early stages of GEVs and batteries, consumers will likely demand the ability to recharge frequently.

As important as access to home charging will be for achieving high rates of GEV deployment, public charging is arguably even more important for moving past the very early stages of GEV adoption. There are at least two reasons for this:

- First, drivers are accustomed to using the ubiquitous gasoline infrastructure developed over the last 100 years. Inability to do so will generate significant hesitancy for most consumers and will hinder adoption of electric vehicles. This hesitancy is most often termed “range anxiety,” and obviously applies to the very early stages of GEV adoption. There are at least two reasons for this:
- First, drivers are accustomed to being able to fill up using the ubiquitous gasoline infrastructure developed over the last 100 years. Inability to do so will generate significant hesitancy for most consumers and will hinder adoption of electric vehicles. This hesitancy is most often termed “range anxiety,” and obviously applies to the very early stages of GEV adoption.

- Second, as most drivers will be inclined to plug in each time they return home. For a large percentage of drivers, this will be at the end of the work day. Pilot testing carried out by the Idaho National Laboratory largely confirms the notion that, in the absence of accessible public recharging equipment, consumer charging tends to the hours between 6:00 pm and 10:00 pm. Figure 2K displays charging and driving patterns for nine converted Toyota Prius vehicles operating in five states during January and February 2008. Despite the extremely small scale of testing, the exercise confirms that while driving is spread throughout the day, charging is concentrated in the evening.

Two distinct issues arise in such a ‘home only’ charging pattern. First, concentrating charging to a few hours has the potential to place heavy strain on the electric power sector, particularly at the local distribution (transformation) level. A number of emerging smart grid applications could mitigate this risk, but it would be preferable to spread charging somewhat more evenly. Second, because PHEVs will generally have smaller batteries than pure EVs, it is conceivable that they will need to be charged somewhat frequently in order to obtain the fuel-economy benefits of all-electric driving. In both cases, access to a reliable network of public charging equipment will enhance the operability of grid-enabled vehicles.

### Figure 2K: Pilot PHEV Charging and Driving Patterns

![Charging vs. Driving Patterns](source: Idaho National Laboratory)

#### 2.3.4 Public Charging: Who Will Pay?

Financing public charging infrastructure is a challenge. In the absence of access fees, which make GEVs less cost effective for the user, it is unclear how the charging infrastructure can be built.

The need for public infrastructure is obvious and was reflected in the Department of Energy’s grant to companies to deploy public EVSEs in several regions. This grant has shown its willingness to fund the first $100 million of infrastructure, but the next $10 billion is less likely, especially since the federal government has not yet declared public charging infrastructure to be a national priority.

GEV advocates have suggested that private firms should install public charging infrastructure wherever consumers may need it. However, what has not been reliably demonstrated is a profitable business model that would encourage anyone in the private sector to invest in the installation of such a network. In order for plug-in vehicles to be economic for consumers, they need to be able to charge their vehicles inexpensively; in fact the only way to recover the cost of an expensive battery is to defray it over time with comparatively cheap electricity. This may serve as an upper bound on the price consumers are willing to pay to charge their vehicles. The readily available substitute of home charging also places an upper limit on what consumers will be willing to pay—and private entities therefore could charge—for public charging on a regular basis. This may be why large domestic electric infrastructure providers such as Eaton and GE have only hesitantly ventured into this market or avoided it altogether.

Firms today are selling Level II public EVSEs for around $2,000 to $3,000. A single EVSE charging at 5 kW per hour could in theory provide 120 kWh of electricity per day (or 43,800 kWh per year) to GEVs. Given that they will not be used continuously, however, the true amount is likely to be considerably lower. Average retail electric prices in the United States vary substantially by region, but the U.S. average is approximately 10 cents per kWh (as of October 2009). If an operator were to charge a premium of 10 percent, they would receive revenues (less overhead) of just $438 per year. For average installed costs of $1,875, the payback period would be five years—and this assumes continuous (and obviously unrealistic) use of the charge point.

More realistically, if it is assumed that Level II charge station owners can recoup a 20 percent margin on the cost of electricity consumption, that any individual charge station is utilized 20 percent of the time, that there is a nominal cost of maintenance, and—very generously—that we can ignore the cost of installation,
then the payback period on the investment in a single charge station exceeds 25 years. Increasing utilization provides some relief, but a station would have to exceed 10 percent utilization to reduce the payback to less than 10 years, and the owner must still pay the cost of installation, which can run more than the cost of the charger itself.

Level III chargers provide drivers with a fast charge, filling in minutes a battery that would take hours to charge at Level I or II rates. Level III chargers, however, are significantly more expensive than Level II chargers and constitute a more significant instantaneous load per charge. Therefore, they must be located in commercial areas. Just as with Level II public EVSEs, it is unclear how one could install and recoup the cost of a Level III charger, as the higher price it would charge makes a GEV less economic. Nevertheless, drivers will certainly need fast chargers and will be willing to pay extra for them.

The only real question is how much and how to develop a profitable business model around them. Some have suggested that private firms will choose to install chargers not for the monetary reward, but as an incentive to lure customers to their business or to offer perquisites to employees. This may hold true in the near term, but we have seen this reasoning in action with stations installed at hospitals, city halls, private retailers, and even a McDonald’s. Relying on this model of deployment, however, will almost certainly result in a network that is in no way efficiently designed. Instead of placing chargers where consumers need them most, such a system would result in an irregular, undefined, and unevenly distributed network that will do little to ease drivers’ range anxiety.

Further, depending on such a model would be short-sighted when looking forward to a future with widespread vehicle adoption. Though retailers or employers may be convinced to give away electricity to GEV owners while vehicle volumes are small, when the country reaches a high penetration of plug-in vehicles, and the electricity demand for an entire parking lot becomes more costly, most rational firms will refuse to continue to assume that burden without some direct monetary benefit.

Some may point to utilities to provide charging infrastructure, and this may be a viable alternative, but a few problems must be overcome first. Utilities currently cannot add the cost of chargers to their rate base; such a cost would therefore degrade their margins. Nonetheless, some utilities, such as Southern California Edison and Portland Gas and Electric, have taken on the burden of installing small demonstration projects of charger networks. But again, these demonstration projects are far from the necessary infrastructure needed to support widespread-scale adoption of EVs, and it is unlikely that any utilities will be willing to accept this cost burden unremunerated.

Even if utilities were permitted to allocate the cost of charger purchase and installation into their rate base, the impact of this decision has the potential to impact public perceptions of GEVs. Plug-in vehicles—with their initial high price tags and with higher-end vehicles like the Tesla Roadster occupying the public mindset—may be viewed early on as the domain of the affluent. When the rate base is borne by all consumers, even the poor, the inclusion of charging infrastructure into pricing could be interpreted as the poor subsidizing the luxuries of the wealthy.

The most obvious way to drive down infrastructure costs, certainly initially and likely thereafter as well, is to take advantage of economies of scale. There are at least four significant opportunities with respect to the deployment of charging infrastructure. First, public advanced billing schedules and to control the chargers information technology equipment in order to support constrained routes they had previously driven. The TEPCO exercise raises an important issue. For pure electric vehicles, it is widely assumed that a pervasive network of public charging infrastructure will be needed to satisfy consumer demands for refueling. Such a network would be designed to allow concerns about battery range and make consumers more comfortable about purchasing an EV. However, as consumer confidence grows, it is entirely possible that Level II EVSE or Level III charger utilization rates will be lower than expected. Given the cost of the charging units, it will be important for all stakeholders to think carefully about how best to deploy infrastructure and in what quantities.
2.4 Electric Power Sector

The deployment of GEVs represents an enormous opportunity for the electric power sector to establish an entirely new category of customers. While much of the infrastructure is in place to meet GEV needs, utilities will have to upgrade their information technology, replace some transformers, and seek innovative regulatory treatment so that they can serve this new business.

GEVs represent an enormous opportunity for the nation’s electric utilities and power marketers. Light-duty vehicles are the largest portion of the most significant sector of the economy that is reliant primarily on some form of energy other than electricity. Utilities and power marketers should be eager to convert the LDV fleet to electricity, in whole or in part. The nation currently consumes about 4.1 trillion kWh of electric power each year. If 150 million light-duty GEVs each consume 8 kWh of power a day, that would represent an additional 440 billion kWh of power consumed each year. Depending on the manner in which that power is consumed, there may be relatively little need for additional generating capacity; much of the vehicle charging can take place during off-peak hours, when a significant portion of the nation’s generating capacity typically is idle. Moreover, by flattening the load curve and increasing the utilization rates of existing power plants, utilities should be able to spread their fixed costs over a greater volume of power and reduce maintenance costs, perhaps lowering costs for all of their customers.

Yet, while the potential of adding millions of GEVs represents a great opportunity for utilities, it also requires them to address several challenges. Utilities will have to invest in new IT infrastructure and develop new rate plans to facilitate the addition of GEVs to their customer base. They also will have to upgrade distribution level transformers to ensure the reliable delivery of power to homes and other locations at which drivers recharge electric vehicles. Regulatory reforms are also required. Addressing these challenges, however, is well within the capabilities of most utilities, and payoff for the utilities and the nation will be significant.
2.4.1 Hardware

While charging, GEV power demand can rival that of an average U.S. home. To reliably serve large GEV volumes in the short to medium term, the electric industry may need to upgrade neighborhood transformers. The nation’s electrical system is comprised of generating plants, transmission lines, and distribution lines and equipment. Electric power is produced at generating plants, typically at relatively low voltages. It is then stepped to higher voltages for transmission over high voltage lines that carry large volumes of electricity with minimal line losses to the general areas where electricity is consumed. The transmission network connects to the distribution network at substations that use transformers to reduce the voltage for distribution to communities and neighborhoods. Shortly before electricity is delivered to consumers, additional transformers reduce the voltage further (in the case of residential customers, to 220 volts). The last transformer on the network in a residential area typically serves between five and 15 homes.

Electricity is different from other commodities in that it cannot be stored easily or economically in any appreciable quantities. It must be generated, transmitted, and distributed the very moment it is needed. Accordingly, the electric delivery system must operate in a nearly perfect balance in which the volume of power being generated must match the volume of power being consumed at every moment. If too much power is being generated, the frequency of the power on the grid will rise above acceptable limits; if too little, the frequency will fall.36 Shortages or surpluses of power at any given moment, depending on their size and location, can lead to instability in the system, culminating in blackouts that have the potential to cascade across large regions as generators disconnect from the system. Because electricity is delivered almost at the speed of light—186,000 miles per second—problems can occur quickly, before anyone can intervene to stop them. (The August 2003 outage, for instance, cascaded from Ohio to New York in minutes.)37

The entire system must be constructed with the capability to generate and deliver power at the level required during the periods of greatest demand. In fact, to meet reliability requirements, American utilities maintain substantial generation capacity, or margin, over forecast peak. In 2008, utilities had a capacity margin of between 12 and 20 percent during peak demand.38 The system, therefore, rarely operates at its maximum capacity (and even when it hits peaks, it does so for only short periods of time). Most systems experience both daily peaks and seasonal peaks. Daily power consumption tends to peak late on weekday afternoons when significant numbers of people are still at work and as many others start arriving home. Seasonal peaks tend to occur in the summer (due to air conditioning load) and the winter (due to heating load). The highest peak periods overall tend to be late in the afternoon on hot summer days. Yet, even on days on which demand nears system capacity, it falls sharply overnight as people go to sleep and temperatures drop.

The result is that for much of the time, the electrical system has significant volumes of excess generating capacity. Much of this spare capacity can be used to generate electricity to charge GEVs. In fact, the system has sufficient generating capacity to charge vehicles for the early and medium stages of deployment. Likewise, there is sufficient transmission and distribution capacity to deliver electric power to vehicles for charging, with two important exceptions.

First, the last transformer through which electricity moves prior to being delivered to residential customers reduces the voltage to 220 volts. These transformers typically serve between five and 15 homes, often with a relatively small margin of excess capacity. While GEVs are plugged in and actually charging, they represent a significant power draw for most U.S. homes. A Level II charger operating at 220 volts on a 15 amp circuit is expected to draw 3.3 kilowatts of power, a load that is similar to the average load in a typical home. In other words, the addition of a GEV to a circuit is roughly the equivalent of adding a substantial portion of another house’s worth of load to the circuit. (On a 30 amp circuit, a Level II charger can draw 6.6 kW of power, far exceeding a typical...

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36 Frequency is the number of complete alternations or cycles per second of an alternating current. It is measured in Hertz. The standard frequency in the US is 60 Hz. In some other countries the standard is 50 Hz.


home’s average load.) While it is true that much vehicle charging would take place overnight—when loads in homes are typically low—it is generally understood by the industry that plugging one or more GEVs into a single circuit could exceed the transformer’s limits, causing it to fail and resulting in a loss of power for customers served by that transformer. This concern has been confirmed by research at the Electric Power Research Institute.34

In order to support the reliability of the electrical grid in a GEV ecosystem, utilities will have to take steps to ensure that they can deliver power over the last few feet of power lines from the neighborhood transformer to a home. Upgrading neighborhood transformers should be a routine system upgrade for any distribution utility. Moreover, rates for distribution services are regulated in every state by public utility commissions (PUCs); the costs of such distribution level infrastructure are typically incorpo-

rated into a utility’s rate base and recovered from their customers subject to PUC approval. There is nothing unique about this type of upgrade; utilities should be able to perform them without undue trouble.

In a study conducted by EPRI, plugging in just one PHEV to charge at 220 volts overloaded 36 of 53 transformers examined during peak hours and five of 53 transformers during off-peak hours. It is, therefore, important to identify where GEVs are parked and charged so that utilities can be prepared to make the upgrades necessary to maintain reliable service. Utilities can make educated guesses regarding where GEVs will be parked, especially in the early deployment, based on socioeconomic status of their customers. Some utilities have, for instance, already identified the location of HEVs in their service territories, and assumed that HEV owners will be among the first purchasers of GEVs. While such an assumption may make sense, it will not be helpful once GEVs expand beyond the universe of early adopters. What will be required is a more systematic approach to identifying the residential charging locations of GEVs.

Several different approaches are possible. States could require that GEV purchasers provide dealers with an address where a home charger will be used so that the dealer may provide the information to the local utility. GEVs will be identifiable by their VIN numbers; therefore, state departments of motor vehicles could provide to local utilities the address at which GEVs are newly registered. Ultimately, the means by which notification occurs is of less importance than the fact that it actually occurs. While no action is necessary now, if utilities are unable to address this challenge on their own, state or federal assistance could be necessary.

The second issue facing utilities is that, in addition to the deployment of Level I and Level II charging facilities, Level III fast-charging facilities will also be deployed. Such facilities will be capable of charging a battery at a fast rate, such that a fully discharged 30 kWh battery could be charged to 80 percent of capacity in 10 minutes. In order to “push” that much power through the charger so quickly, they will require three-phase power, a higher grade of electric power generally limited to heavy load use. Utilities will have to work with commercial fast-charging stations to ensure that those facilities have sufficient power to operate without affecting the reliability of their neighbor’s electric power supplies. Such upgrades are routine, and their cost should largely be attributable to the commercial facilities on whose behalf they are constructed.

Utilities need to upgrade their IT infrastructure in order to help manage demand from GEVs is the use of price signals. Utilities will need the capability to either bill GEV customers subject to a rate schedule different than other customers, or to offer them time-of-day pricing. By charging high rates during periods of peak demand and low rates during off-peak hours, utilities can help shift load from peak to off-peak times. With 40 million smart meters expected to be deployed in the United States by 2015, the metering infrastructure to support GEVs will already be in place for many consumers. However, beyond the smart meter, utilities will still need the IT infrastructure to allow for communication with grid-enabled devices, allowing cus-

In many cases, utilities will need to upgrade transformers to support GEVs.


Utilities will need to upgrade their IT infrastructure so that they and other market participants (such as electric market retailers or EV network operators) can manage the vehicle charging process as well as to facilitate billing for electricity used in vehicle charging. Whereas charging vehicles during off-peak hours is a potential boon to utilities, the capability to utilize existing spare capacity can only work with IT infra-

structure that allows the utility (or other market par-
ticipants) to turn vehicle chargers on and off in order to help shape the system’s load. Not only do utilities not want everyone to plug in their GEV during peak hours, they also will need to ensure that the vehicles do not all begin charging at the same time. Given that an average EV with a 30 kWh battery may take only five hours to charge (with a Level II charger at 6.6 kWh), and an average PHEV with a 16 kWh battery may take less than three hours to charge, utilities and network operators will want to allow customers to schedule vehicle charging during off-peak hours to benefit from advantageous pricing and to maintain as steady a load as possible. They can also ensure that vehicles on the same transformer charge at different times in order to reduce the likelihood of overloading a particular transformer. In some instances, utilities may also be able to initiate charging to take advantage of the availability of renewable resources.

Among the tools that utilities will need to use in order to help manage demand from GEVs is the use of time-of-day pricing. In order to access advanced billing using time-of-day pricing, customers to provide to local utilities the address at which GEVs are parked or charged in order to manage demand for electricity and take full advantage of the energy storage capabilities of GEVs, utilities will need to upgrade their IT infrastructure.
2.4.3 GEVs and the Smart Grid

The eventual deployment of smart grid technology is a key milestone in the ability of utilities to manage GEV interface with the power sector. A responsive and intelligent grid will also serve to enhance the GEV experience.

The ability to control the GEV charging process and the flexibility to offer innovative rate structures for electricity would only be possible with the development of a ‘smart grid.’ Moreover, these functions only represent a small portion of smart grid capabilities.

The smart grid is a system that delivers electricity from utilities to their customers using digital technology to save energy, reduce costs, and enhance system reliability. On the supply side of the equation, smart grid applications will enhance reliability of the transmission grid, help integrate renewable transmission into utilities’ generation portfolios, improve the quality of power, and improve the efficiency of grid operations. On the demand side of the equation, smart grid technology will help customers adjust their consumption of power, perhaps on an appliance-by-appliance basis, in order to better manage utilities’ load curves, reduce emissions, lower costs, and enhance reliability.

One aspect of the smart grid involves customers’ use of smart meters that not only measure the power consumed, but also the time at which it was consumed and perhaps the appliance that consumed it. In theory, smart meters could also provide real time price signals to consumers. When combined with simple customer interfaces, smart meters could be used to encourage consumers to adjust their consumption of electricity in a manner that reduces costs and enhances system-wide reliability without reducing consumer utility. Part of the challenge faced by utilities and consumers is how to identify a model that takes advantage of smart grid technology in a way that promotes efficiency of the electric power system while providing consumers with flexibly and lower cost power.

Given its immense promise, the Department of Energy recently awarded $3.4 billion to accelerate deployment of the smart grid, with DOE-funded projects ongoing in 49 of 50 states. To the extent that this infrastructure is deployed, utilities or power market players will have the ability to charge different rates for power at different times of day, more closely aligning rates to the cost of the services provided. Eventually, different billing rates for power consumed by different appliances or at different places (in the case of a GEV, a mobile appliance) could be implemented.

As noted above, the smart grid systems to support GEVs represent but a small part of smart grid technology. However, most smart grid technology is interrelated. The IT platform that is needed to interact with GEVs should be based on the same protocols and principles as other smart grid applications. Ultimately, GEVs have the potential to become an iconic symbol of the smart grid, and GEV-related investments in smart grid technology should be made with the same objectives of enhancing consumer experience and control over their energy usage.

The public and private sectors have committed $8.1 billion to smart grid technology in 2009.

2.4.4 Regulatory Reform

Deploying grid-enabled vehicles at scale will place some additional burden on utilities. While much of this can be managed with investment in new grid hardware and smart grid technology, key regulatory barriers will need to be minimized.

The electric power industry has a long history of government regulation. Some of the practices that are common today will have to be adjusted to accommodate the deployment of GEVs. It is useful, however, to first understand the nature of current regulations in order to understand how they should be altered.

While the utility industry is extremely capital intensive, the marginal cost of serving each additional customer is generally low. In general, a single utility can serve customers more efficiently than multiple utilities, because adding a new customer generally increases revenues while lowering the average cost of serving each customer. Economists refer to this as a ‘natural monopoly.’ Although they may be the most efficient means to serve customers, natural monopolies can engage in monopolistic behavior and earn monopoly profits. Government, therefore, often chooses to regulate natural monopolies, which accept regulation in exchange for a guaranteed rate of return on their capital investment. In the utility industry, retail electricity rates and terms of service for service provided by private or investor owned utilities have historically been regulated by state public utility commissions (PUCs).

Through the 1970s, the system of government regulation of utility rates existed without much attention or fanfare. Though PUCs could disallow the inclusion of expenses in rate bases on which utilities earned government-sanctioned rates of return, costs had been declining over the long term and there was little controversy. The development of nuclear power plants, which were extremely large capital investments, represented a significant break from the status quo.

Cost overruns in the nuclear industry, exacerbated by changes to plants under construction at the time of the accident at Three Mile Island, exceeded $100 billion for the first 75 plants. State regulators refused to pass all of the costs along to utility customers, finding that some costs at plants were imprudently incurred, and that in some instances construction of the plants altogether was imprudent. Nevertheless, taxpayers and ratepayers bailed out the industry to the tune of more than $200 billion in cost overruns for existing plants, and several utilities failed as the result of their investments in nuclear power. This experience led to a sense of conservatism in which utilities were reluctant to make innovative investments; if they succeeded, their rates of return were limited by government regulation, but if they failed, the costs were borne by their shareholders.

As utility rates rose, regulators began looking more closely at new investments in generation and transmission capacity. Rather than routinely approving plans for new facilities, utilities were often challenged to demonstrate why it was not more efficient to encourage conservation than to build more capacity. At the same time, concern was growing about the environmental consequences of energy consumption, placing further pressure on utilities to promote conservation. Today, several states have passed renewable portfolio standards that require the use of certain types of alternative power generation technologies, which typically are more expensive than traditional power generated from coal, natural gas and existing nuclear power plants. As these mandates require the generation of more power from alternative sources, prices are likely to rise to reflect their higher costs.

In the current regulatory environment, utilities are left with two primary challenges related to the deployment of GEVs. First, it is critical that utilities have some assurance that their investments in GEV-related technology will not be treated as ‘imprudent’ by utility regulators. Second, rate structures may have to change in order to both accommodate GEVs and to help integrate their power consumption into utility load curves.
### 2.4.5 Vehicle to Home and Grid

Vehicle-to-home and vehicle-to-grid technologies promise much for the future, but are likely several generations away from mass deployment. Issues more central to deploying GEVs must first be addressed.

In addition to the prospect of using electricity to serve as the primary or exclusive source of power for GEVs, GEVs also present the opportunity to deliver power stored in their batteries back to the electrical grid. Reversing the flow of power from the vehicle to the grid—as called V2G applications—offers the opportunity to provide ancillary services to the grid whenever vehicles are plugged in, to use electrical power stored in vehicle batteries to provide power to the grid during periods of peak demand, and to assist in the integration of intermittent renewable resources into the electrical system. These applications hold out significant promise for the future. If, for instance, 1 million fully-charged GEVs with an average battery capacity of 16 kWh were discharged at the rate of just 2 kWh, they could supply the grid with 2,000 MW of power for a period of up to two hours. In this example, GEVs would provide the power equivalent of two nuclear power plants while retaining 75 percent of their charge. The ability of GEVs to perform this function could reduce the need to rely on peak power plants.

Despite their promise, however, V2G applications are still many years away from practical application; they are unlikely to appear before the third or fourth generation of GEVs. Prior to the deployment of V2G applications, homeowners (or automakers) would have to install bidirectional chargers, utilities would have to develop the software to control the process in real time, and all participants in the system would have to understand the effect that such practices would have on battery life. As explained earlier, increasing the frequency of charge and discharge cycles can have a significant effect on battery life. It seems unlikely that consumers and automakers would want to risk shortening battery life; applications that might harm batteries beyond their primary responsibility of powering a vehicle would be disfavored until there is a much better understanding of their effect. Nevertheless, as the technology progresses, it is likely that V2G applications will develop and become an integrated part of the nation’s electrical system, enhancing system reliability, contributing to the reduction of power plant emissions, and lowering system costs.

![FIGURE 20 PEAK VS. NON-P EAK CHARGING](image-url)

**PEAK VS. NON-PEAK CHARGING**

**NON-P EAK LOAD / EVENING**

GRID TO VEHICLE & SECOND LIFE BATTERY BACKUP

**PEAK LOAD / MIDDAY**

SECOND LIFE BATTERY AND VEHICLE TO GRID (V2G)

**SECOND LIFE BATTERY BACKUP**

2.5 Consumer Acceptance

Almost a decade since their introduction, penetration rates for gasoline-electric hybrid vehicles are still less than 3 percent of vehicles on the road. More technologically advanced grid-enabled vehicles will need to overcome a number of consumer hurdles in order to reach much higher penetration rates.

New innovations have often required many years to become widely adopted in the marketplace, and hybridization has thus far been no exception. Despite the introduction of the first mass-produced hybrid vehicle, the Toyota Prius, into the U.S. market in 2000, sales of gasoline-electric hybrids accounted for only 2.8 percent of new light-duty vehicle sales in 200846 and less than 1 percent of the total U.S. LDV stock.47 PHEVs and EVs have yet to make any noticeable impact, with higher volumes not expected until later in 2010.

Experts on innovation highlight five key characteristics that are vital to the diffusion of any new technology. They are:

1. Advantage over the incumbent
2. Compatibility with the needs of potential adopters
3. Complexity
4. Trialability; and
5. Observability of the benefits to current non-adopters.48

The diffusion of hybrid vehicle technology has so far been hampered by aspects of all of these characteristics. In some cases, there are genuine weaknesses to current technology; in others, they are merely perceived. HEVs and GEVs, for example, actually require less maintenance than traditional combustion engine vehicles,49 yet surveys have highlighted higher maintenance costs as one of the single greatest concerns among consumers considering the purchase of a hybrid-electric vehicle.50

Much recent study and analysis has gone into uncovering the reasons why consumers purchase HEVs. Among early adopters, the primary reasons for considering the purchase of a hybrid include lower fuel costs and better fuel economy, fewer emissions, and reducing U.S. dependence on foreign oil.51 In fact, even those who were not considering purchasing HEVs believe these features to be major benefits of the technology. There are initial indications that consumer attitudes towards PHEVs are positive as well. A recent survey revealed that 48 percent of prospective U.S. consumers would be “extremely” or “very” interested in purchasing a PHEV with a single-charge, 40 mile range. Of those interested, almost half said that they would be willing to pay 5 to 10 percent more than a traditional IC engine vehicle.52 Of course, some of the major societal benefits (or positive externalities) are not always ‘felt’ directly by individual consumers, giving them less incentive to switch to GEVs. Largely leaving aside consumer marketing with respect to issues of environmental and national security benefits, the value of the other positive features of GEV adoption must be more adequately communicated to consumers in a way that they understand.

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46 “A Decade After First Prius, Toyota’s Hybrid Sales Pass 1M,” USA Today (June 7, 2009).
52 Id. at Slide 9.
2.5.1. Identifying the Pitfalls of GEV Acceptance

As with any new technology, expanding consumer adoption alongside the incumbent is a critical and difficult challenge. Investment payback and vehicle range are particularly important issues for GEV consumers.

**RETURN ON INVESTMENT**

Today, due in large part to the cost of batteries, a significant price premium exists on both PHEVs and EVs. For consumers, grid-enabled vehicles hold out the promise of a lower total cost of ownership compared to IC engine vehicles. That is, sharply reduced fuel and maintenance costs eventually payback the GEV battery premium over the life of the vehicle. Current battery prices, however, make the value proposition somewhat tenuous. Even after accounting for the maximum federal tax credit of $7,500, the payback period today would be roughly eight years for an EV and five years for a PHEV. Without federal tax incentives, the payback period for today’s GEVs is beyond the life of the vehicle—approximately 12 years for an EV and 10 years for a PHEV.48 Of course, innovative business models and some companies’ lower production costs will have an impact on the length of the payback. But from an industry-wide perspective, the costs for pure EVs make the value proposition somewhat unclear for consumers. For a PHEV, incorporating the tax credit makes the value proposition somewhat more obvious. And yet, despite the fact that a payback might be fully attainable over the useful life of the vehicle, research suggests that buyers expect product efficiency improvements to pay for themselves in the first three years or less.49 Moreover, other studies have shown that buyers rarely estimate the present value of fuel savings as part of a decision to purchase a new vehicle.50 Thus, first adopters are typically over-valuing the expected benefits of these vehicles (or more likely deriving utility from other vehicle features and uses that offset these losses).

Particularly in the context of consumer acceptance, these issues highlight the potential importance of alternative methods of battery financing. Long payback periods assume the continuation of the traditional ownership model whereby the consumer buys the vehicle and all its components from a dealer or manufacturer. However, alternative models certainly exist, and a number of GEV market participants are currently focused on deploying approaches like battery leasing to the nascent GEV market in order to address consumer acceptance issues based on the return-on-investment challenge.

Better Place, mentioned earlier, has proposed a network operator model wherein the company would assume the cost and risk of battery ownership. Consumers would purchase the vehicle, minus the cost of the battery, and essentially pay a subscription fee based on mileage. By subtracting the cost of the battery from a pure electric vehicle, the value proposition becomes compelling for nearly all consumers. How such a network operator would interface with automotive OEMs remains an important question, as does the degree of standardization required across the vehicle and supporting infrastructure.

Finally, an additional component to the consumer’s value proposition relates to the cost of home recharging equipment. One recent survey suggested that 79 percent of consumers would be interested in investing in a Level II outlet for their home. Their willingness to pay, however, was found to be out of line with industry expectations.51 A 2008 study at the Idaho National Laboratory found that Level I charging in a house or apartment would range from $823 to $878 per charger, and Level II chargers would cost between $1,520 and $2,146.52 Modeling estimates conducted for this Roadmap suggest that once installation is occurring at scale, stable costs for home recharging devices will decline substantially.

**PERSONAL AND SOCIETAL BENEFITS**

A wheel-to-wheels analysis of greenhouse gas emissions by the Natural Resources Defense Council (NRDC) has shown significant, measurable benefits exist if PHEVs begin to displace IC engine vehicles in the U.S. LDV fleet. For their reference case, NRDC estimates that by 2050, annual greenhouse gas emissions will be reduced by 161 million metric tons. Under higher fleet penetration and lower emissions scenarios, they predict the reduction could be almost four times as large.53 These are measurable benefits to society, but they are essentially impossible to incorporate into a purchase decision for a consumer buying a vehicle today. Unsurprisingly, while most consumers may recognize that these benefits exist, they do not value them highly when making a vehicle purchase. The final decision is based on the consumer’s perceived advantages or disadvantages. This is not to say that buyers are ignorant. Far from it, the problem appears to be that no one as yet has successfully measured and monetized the externalities associated with GHGs. While mass media is useful for increasing awareness and initial knowledge of GEVs, most people depend mainly on the subjective evaluation provided by other consumers who have already purchased (or not purchased) a GEV.

In surveys, consumers considering a PHEV purchase offer decreasing U.S. dependence on foreign oil (62 percent), lower emissions (55 percent) and environmental benefits (70 percent) as key motivating factors.54 Not one of these gives a noticeable or tangible benefit to the buyer. Even better fuel economy—at 90 percent, the most popular response—in practice as a valid reason for buying GEVs because at current prices the fuel savings are insufficient over the average lifespan of the vehicle to cover the increased level of investment.55 These more abstract features have been enough to attract only the most willing consumers. This helps explain why the penetration rate of gasoline-electric hybrid vehicles currently available in the market have shown very slow growth since their introduction a decade ago. Of total new car sales, HEVs made up 1.6 percent in 2006, 2.3 percent in 2007 and 2.8 percent in 2008.56

Battery financing models could drive down upfront battery costs for consumers.

48 IVT Analysis.
49 M. Kutcher, National Renewable Energy Laboratory, “Consumer Views on Transportation and Energy,” at 18 (Table 4.2.3) (Third Ed. 2006).
51 48 Percent of Consumers Interested in Purchasing a Plug-In Hybrid vehicle, According to New Survey from Pike Research,” Reuters (September 8, 2009).
54 Bayer, supra note 6, at 16.
55 Omotoso, supra note 6, at n.d.
56 Tax incentives may, however, alter this payback calculation.
2.5.2 Consumer Preferences for Vehicle Utility

Divergence from the traditional model of automobile ownership and established consumer preferences for vehicle range, refueling, characteristics and performance have the capacity to affect the rate of GEV penetration.

**VEHICLE BASE RANGE**

The Department of Energy estimates that most EVs will travel between 100 and 200 miles before recharging. Today, the numbers being presented by automakers suggest that the earliest models to reach the market may be near the lower end of that range. For example, the Nissan LEAF is rated to travel 100 miles on a full charge, and the Ford Focus BEV will only achieve 75 miles. In contrast, some conventional IC engine vehicles can reach 500 miles or more on a single tank of gasoline. While these numbers are far apart, a look at historic vehicle usage patterns suggests that the difference is somewhat immaterial for the typical driver. Very few trips as a proportion of the total are beyond the limits of even today’s electric vehicles, let alone the average daily travel per driver was 32.7 miles in 2001, grew just under 2 percent since 1995, and was considerably shorter than the electric vehicle ranges that we are seeing proposed by manufacturers today. Additionally, in cities and suburban areas where it is anticipated that demand for PHEV and EV technologies will develop most rapidly, average daily travel distances per driver are up to 25 percent shorter than in rural areas. Even in rural areas, however, the average trip is approximately 40 miles, well within the range of today’s GEVs.64

Still, range anxiety on the part of consumers remains a substantial challenge for GEV adoption. People are simply afraid that in the event of an emergency, their vehicle will be incapable of travelling the long distances required, or that they will be unable to get the necessary recharge along the way. Despite the fact that data on consumer habits shows that drivers only rarely travel very long distances, when asked their opinions, they express unease over range.

Since the 1980s, the average vehicle trip length has risen steadily; in 2001, it reached 8.87 miles.65 Over the same time period, the number of trips taken per household has grown by 46 percent, to around six trips per day.66 In fact, the number of daily vehicle trips with sufficient energy to go to work, out to dinner and get the necessary recharge along the way. Despite the fact that data on consumer habits shows that drivers only rarely travel very long distances, when asked their opinions, they express unease over range.

As shown in Figures 2R and 2S, 57 percent of trips are shorter than six miles and just 9.8 percent are in excess of 30 miles.67 In addition, more than 90 percent of all trips, are less than 30 miles.68 Nationwide,

**FIGURE 2R SHARE OF VEHICLE TRIPS BY TRIP DISTANCE**

**FIGURE 2S SHARE OF VEHICLE TRIPS TO WORK BY TRIP DISTANCE**

**FIGURE 2T AVERAGE DAILY MILES DRIVEN (U.S.)**

**FIGURE 2U AVERAGE NUMBER OF HOUSEHOLD TRIPS PER DAY AND AVERAGE VEHICLE TRIP LENGTH**

67 S. Davis, S. Diegel & R. Boundy, DOE, Office of Transportation, “Transportation Energy Data Book 2008,” at 8-15 (Figure 8.5).
68 Source: DOE, EERE, Transportation Energy Data Book (2009).
Driver concerns over trip length bring us to a final issue: the great American road trip, and other long-distance journeys. The United States is a vast country. The distance from New York to San Francisco is more than 2,900 miles, Seattle to Miami is almost 3,500 miles, and a drive across Texas alone tops 800 miles. While trips like these are obviously rare in an age of air travel, every year more than 2 billion long-distance trips are made by personal use vehicles—representing more than 90 percent of long-distance trips.69 With such trips averaging 400 miles, clearly refueling is an important issue for any vehicle technology. Today, there are well over 150,000 gasoline stations in the United States, each with multiple pumps, and fewer than 1,000 electric charge points.70 But even if a recharging network were ubiquitous, fully charging an electric vehicle at a Level II EVSE takes far longer than filling a tank with gasoline. Addressing this challenge will require the deployment of Level III fast chargers, which should be able to charge a vehicle in a matter of minutes rather than hours, or battery swapping networks.

The development of PHEVs and extended range electric vehicles (E-REVs) attempts to address these concerns by providing the consumer with an operational model less removed from the norm. In addition to the presence of an electric motor, these vehicles continue to make gasoline-powered driving available, thereby extending range (to as much as 300 miles in the case of the Volt, for example). As mentioned earlier, we anticipate that as battery technology becomes more advanced, manufacturers and drivers will be able to transition away from PHEVs and E-REVs toward EVs.

**OPERATIONAL CONSISTENCY**

After more than a century of automobile development, refinement and use in the United States, vehicle ownership and operational norms are well established. To many potential consumers, the behavioral transformation required in the switch to EVs must seem daunting. This is completely understandable. Not only are vehicle interfaces, refueling processes, and service requirements different, they are also something of a mystery.

Penetration of GEVs and even HEVs is simply so low that many consumers do not know enough about them to seriously consider a purchase.71 If GEVs become more widespread, standard financing methods are likely to be used. However, some have suggested a variety of ownership models, including ones in which the battery is not owned by the car buyer. It could be that these models are used simply to aid the widespread introduction of EVs and PHEVs by sharing risk across the parties involved and reducing driver liability. It is unknown if a culture of ownership in the United States may make business models like these less palatable to new car buyers. Until one or more business models are established as viable, consumer reluctance will continue.

Furthermore, new car sales are estimated to top out at just over 10 million units in 2009. Used car sales, in contrast, are expected to reach 40 million.72 One study estimated that the typical American owns a car for only six years.73 Another study estimates that vehicles are kept for up to four years across all income levels, while drivers above the 30th income percentile are likely to change cars after two years.74 But no resale market currently exists for GEVs. The result is another disincentive—for both secondary buyers (lower income) and primary buyers and first sellers (higher income)—to adoption.

Finally, the actual process of refueling is long ingrained in drivers’ behavioral patterns. With pay-at-pump options today, IC engine vehicle owners can refuel and pay in just a few minutes. The greater the shift away from this model, the more complex it will be for the consumer and the slower the rate of GEV adoption. The amount of time it takes to recharge a vehicle battery varies. It depends in large part on the battery’s state of charge and how much energy the vehicle battery holds. In mid-2003, the California EPA Air Resources Board (CARB) noted that it took two to five hours to charge most EVs that are ¼ to ¾ full, and from four to eight hours to fully charge an EV from empty.75 By comparison, as depicted in Figure 2V, a

GEV features must meet or surpass the features that traditional IC engine vehicles provide if they are to succeed in the marketplace.

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70 Omotoso, supra note 6, at Slide 8.


72 California Air Resources Board, “Fact Sheet: Battery Electric Vehicles.”

73 California Air Resources Board, “Fast-Show: Battery Electric Vehicles.”
2008 study by the Idaho National Laboratory found that the charge times for mid-size PHEV-10s, PHEV-20s and PHEV-40s were between 3.6 and 14.5 hours for Level 1 charging. More recently, Tesla Motors has developed a home charging system for its EV Roadster with a charging rate of 56 miles per hour; this system can fully recharge the vehicle in less than four hours.

**VEHICLE PERFORMANCE**

Between 1978 and 1985, fuel economy standards for passenger cars rose from 18.0 miles per gallon to 27.5 miles per gallon. In the years that followed, and despite technological advances that made further improvements in fuel economy increasingly possible, they remained almost unaltered until 2007. Moreover, higher profit margins and weaker CAFE standards for pickup trucks and SUVs encouraged OEMs to shift focus toward larger vehicles that get fewer miles per gallon than those they functionally displaced.

As a result, the mix of new vehicles sold has changed dramatically over the past 20 years. In 1983, SUVs accounted for just 2.9 percent of new LDV sales. In 2007, they accounted for 27.0 percent of LDV sales, representing the largest segment of the LDV market. This trend towards larger and more powerful vehicles may have also contributed to shifting consumer attitudes towards smaller cars. One recent study carried out in California concluded that a negative social stigma against more fuel-efficient vehicles exists. Automobiles with good fuel economy were often associated with being “cheap,” “light,” and “small.” In fact, here again the issue of perception versus reality emerges. Because electric motors deliver torque to the wheels at much higher rates than conventional drivetrains, the driving experience for EVs is likely to be at least as good, if not better than, that of an IC engine vehicle.

Variety of models is another factor in eventual consumer adoption of EVs. Consumers will ultimately demand vehicles of all shapes and sizes. In 2009, there were just 28 HEVs commercially available in the United States. No EVs or PHEVs are yet available to the mass market. Clearly if a consumer is looking for an SUV in particular, he or she has many more options if purchasing a traditional IC engine vehicle. Some car manufacturers have recognized this particular consumer need, and a number of larger vehicles are now available on the HEV platform, including the Ford Escape Hybrid, the Chevrolet Silverado 15 Hybrid, the Cadillac Escalade Hybrid and the Toyota Highlander Hybrid.

Through decades catering to many types of buyers, car companies as a whole now provide suitable vehicles for essentially anyone who requires one, and in many instances the buyer has a variety of options to choose from, each competing mostly over branding, servicing contracts, quality perception, add-ons and other luxuries. Features like noise output, style and appearance, including vehicle communications interfaces, give the consumer utility. In fact, back in the late 1980s and early 1990s, when researchers quantified things such as comfort, freedom, flexibility and mobility into monetary terms and then surveyed drivers about their preferences, they found that drivers believed electric vehicles had a desirability of between $10,000 and $16,250. GEV features must meet or surpass the features that traditional IC engine vehicles provide if they are to succeed in the marketplace.
POLICY RECOMMENDATIONS

Batteries & Vehicles

Establish tax credits for installing automotive grade batteries in stationary applications to help drive scale
Discussion: To promote the manufacture of automotive grade lithium-ion batteries, Congress should establish a tax credit for the purchase of automotive grade batteries for stationary uses. Lithium-ion batteries are technologically suitable for use in stationary applications, including residential backup power and power storage for intermittent electricity sources like wind and solar power. However, because of the extremely high levels of durability and production quality required for automotive use, automotive grade batteries are likely to be too expensive for stationary uses.

Still, the lack of scale in vehicle battery production is a primary impediment to driving down costs throughout the industry, and incremental demand from the electric power sector and other stationary applications could help expand battery supply chains across a number of inputs. By expanding the existing vehicle tax credit to include incremental kWh of battery capacity installed, Congress would significantly expand the market for automotive grade lithium-ion batteries and help develop the scale of production needed to reduce the cost of GEVs.

Establish loan guarantees for retooling automotive assembly lines
Discussion: In order to reach the goals put forward in this report, GEVs will need to become an increasingly significant portion of new U.S. vehicle sales over the next 10 years. Even as battery technology advances, infrastructure is deployed, and consumer attitudes shift, the demands on automotive original equipment manufacturers (OEMs) to retool facilities will be daunting.

Currently, the cost to retool an automotive assembly line with an annual capacity of 100,000 vehicles is estimated at approximately $500,000,000. These are non-trivial costs, especially in a time of economic instability. In order to enable the industry to reach the scale required to deploy electric vehicles in large numbers, additional federal assistance for retooling and other capital outlays will be necessary. Any automotive OEM with U.S. facilities should be eligible.

Offering loan guarantees is the most cost effective way to leverage federal dollars. Congress should provide the Department of Energy with $10 billion to support loans up to $100 billion for automotive retooling to manufacture GEVs, including electric drivetrain components and final assembly. This amount is a sufficient volume of loans to support the eventual development of capacity to manufacture approximately 13 million GEVs annually by 2020.

Charging Infrastructure

Modify building codes to promote GEV adoption
Discussion: Department of Transportation data indicates that the average vehicle spends as much as 75 percent of its time parked at home, including all overnight hours. For that reason, there is near universal agreement that each GEV will need a charging device at home for overnight charging. In many instances, homeowners do not have a 220 volt outlet in their garage or accessible to their driveways; a professional electrician would be required to install a 220 volt line and recharging equipment. Doing so could be costly, depending on the difficulty of running a wire from a home’s electrical panel to the garage.

To simplify this process, homebuilders could place lines in new garages and carports when homes are first built (or perhaps during certain renovations), significantly lowering the cost of adding EVSE later. Building codes should be modified to require that newly constructed homes and multi-family units have 220 volt outlets installed in garages or, at a minimum, have conduits installed that will facilitate the later installation of 220 volt lines.

Generally speaking, building codes are developed by independent standards organizations and implemented by states or cities. Congress has, however, required states and local governments to implement certain provisions into their building codes to obtain eligibility for certain government programs. In this instance, Congress should limit the applicability of tax credits for GEVs to cars registered in states (or localities) that have incorporated the wiring requirements discussed above into their building codes. Such a requirement will facilitate the eventual deployment of GEVs by lowering the cost of installing GEV charging infrastructure.
POLICY RECOMMENDATIONS

Electric Power Sector Interface

Promote the inclusion of GEV-related investment in the utility rate base
Discussion: As a result of their experience, utilities may be skittish about significant investments to support the deployment of GEVs which may or may not be deployed. Utilities may be concerned that if they make such investments and GEVs are not deployed in sufficient numbers, utility regulators may later determine that the investments were not prudent and disallow those costs.

Some will oppose a federal requirement regarding what is traditionally an area of state regulation. If, however, the nation is to treat oil dependence as a national problem, its resolution cannot be left in the hands of state utility regulators. In the event that state regulators do not move to allow incorporation of the technology needed to support GEV deployment in utilities’ rate bases, Congress, should establish a minimum level of utility investment in GEV-related technology upgrades that state regulators must approve, and that once approved cannot later be disallowed on the grounds that the investments were imprudent.

Adjust utility rate structures to facilitate GEV deployment
Discussion: Where necessary, public policy and regulations should be adjusted to support development of separate rate structures and billing options for service providers to develop new business models that maximize benefits for GEV owners. Utilities will need to establish time-of-day pricing for power used to charge vehicles to encourage off-peak charging or create other innovative tariffs for the sale of power to change GEVs to help manage load. State utility regulators should encourage utilities to experiment with such rate structures in order to improve utility operations and offer service providers, network operators and consumers a greater value.

Establish a guaranteed residual value for used large-format automotive batteries
Discussion: The lifecycle characteristics of lithium-ion batteries remain a subject of intense research. However, most current analyses suggest that even as automotive batteries reach the end of their useful life in a GEV, substantial opportunities exist for secondary applications. Enabling consumers to capture the residual value of automotive battery purchases could significantly offset the higher upfront cost of purchasing a grid-enabled vehicle.

Unfortunately, the monetary value of automotive batteries for secondary applications is highly uncertain today. In general, this is because markets simply have not developed any experience with the performance of batteries in these applications. Over time, as the first generation of GEV batteries enters the market, a value will surely be derived. If nothing else, the recycling of battery raw materials alone will generate a notional return on investment for consumers. More likely, battery values will be well in excess of the recycling value as their use in the electric power sector and secondary vehicle markets drive demand. In the meantime, however, markets are likely to undervalue lithium-ion batteries due to their inability to assess the risk of an unknown technology. This problem will be particularly challenging for promoters of battery leasing, because understanding the residual value of the leased item is critical in establishing the cost of a lease.

Therefore, Congress should authorize the DOE to establish a program to guarantee residual value for large-format automotive batteries. Compared to the uncertainty of battery research and development, establishing a minimum residual value would effectively buy down the cost of batteries immediately. Moreover, while the ultimate cost of such a program is dependent on the actual residual value of batteries, it holds out the possibility of not imposing any meaningful costs on the government assuming the actual residual value is higher than the minimum guarantee.

Review existing regulations on vehicle warranties
Discussion: Consumers and policymakers may need to consider a new approach to vehicle warranties as they relate to grid-enabled vehicles. Business models like battery financing can help de-risk the value proposition of GEVs for consumers, but they also raise important questions about the ultimate responsibility for guaranteeing performance over the life of the battery.

Current regulations that require manufacturers to warranty components for the expected life of the vehicle may hinder the earliest efforts to develop cost-effective batteries by forcing manufacturers to overspecify battery capacity. Further, the anticipated acceleration of technological innovations in the battery industry could make each iteration of batteries obsolete within several years. Traditional warranty rules could slow the pace of technological diffusion.

The National Academies should review existing regulations on vehicle warranties and make policy recommendations with regard to GEVs.
PART THREE

Analysis of the Goal

3.1 ASSESSING THE TARGET

3.2 TOTAL COST OF OWNERSHIP

The High Five Freeway Interchange, Dallas, TX. Before grid-enabled vehicles fill America's highways, they will need to present consumers with a compelling value proposition.
3.1 Assessing the Target

A specific and measurable target is a vital precursor to a successful implementation strategy. By setting and committing to a goal of electrifying 75 percent of the vehicle miles traveled in the light-duty fleet by 2040, the government will put the United States in a strong position to significantly reduce its dependence on oil.

3.1.1 Vehicle Miles Traveled

Expressing a national goal in terms of “electric miles” acknowledges two key issues. First, expressing the goal in terms of market share or sales penetration alone would not necessarily translate directly to an equivalent oil abatement number. That is, reaching the point where 50 percent of all light-duty vehicles were GEVs would not necessarily reduce LDV oil consumption by 50 percent. This is because different population segments account for varying proportions of total miles traveled. Setting an ambitious VMT target clarifies that notion that GEVs will need to be adopted by all consumer segments, particularly those that account for the highest share of miles traveled.

Expressing the goal in terms of VMT also addresses a technology issue. That is, the transition from a market dominated by IC engine vehicles to one dominated by GEVs will likely incorporate a number of technological solutions within the framework of electric drivetrains. There will surely be an assortment of GEV technologies on the road, including plug-in hybrids, extended range electric vehicles, and pure electric vehicles. From a broad perspective, it makes little difference which technology is dominant at any given time, because each one has the capacity to operate in

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</table>

an all-electric charge depleting mode. An electric mile is simply any mile in which the vehicle is propelled by an electric motor or, for miles traveled in PHEVs or E-REVs, the total miles traveled multiplied by the percent of total power provided by electricity from the grid. Using electric miles as a common measurement, therefore, facilitates the use of a single goal that is applicable over a range of GEVs.

An examination of data regarding VMT also reveals the extent to which existing GEV technology can already meet the needs of most drivers. Figure 3A presents data from the Bureau of Transportation Statistics’ 2001 National Household Survey. The data indicates that drivers who travel on average 40 miles per day or less account for 71 percent of total vehicle miles traveled. While PHEVs and E-REVs will effectively have unlimited range (subject to the availability of gasoline) and can inherently meet the needs of any driver, the earliest model GEVs will have the capability to operate primarily on electricity, enabling drivers to obtain the benefits of driving under electric power to a large extent. Figure 3B presents data from the American Fuel and Petrochemical Manufacturers showing how the number of miles traveled multiplied by the percent of total power provided by electricity from the grid decreases with range anxiety.

3.1.2 A NOTE ON TECHNOLOGY

As discussed in detail in Part Two, PHEVs and E-REVs utilize both an electric drivetrain and certain components of a traditional internal combustion engine vehicle. At a minimum, E-REVs maintain the use of a fuel tank and a down-sized IC engine as a generator to charge the battery. Some PHEVs will also incorporate alternative components of a traditional drivetrain into a gasoline-electric hybrid drivetrain.

The dual system approach is designed to address a specific issue: range anxiety. Because liquid fuel power is available to charge the battery, PHEVs and E-REVs will be able to operate well beyond the charge-depleting mode of the battery, and owners can refill their tanks at any traditional gas station. In other words, PHEVs and E-REVs are not solely dependent on access to public electric vehicle supply equipment to charge their batteries. However, the dual system approach is also cost intensive. In essence, expensive components from two different drivetrains are used to manufacture a single hybrid gasoline-electric vehicle. As long as battery prices are high, the hybrid gasoline-electric powertrain system is cost-effective, because EVs require much larger batteries that entail higher upfront costs for consumers. As battery prices fall, however, an inflection point will be reached where pure EVs are not only less expensive but also less costly than PHEVs or E-REVs.

Moreover, as battery range improves, public electric vehicle supply equipment becomes more commonplace, and Level III chargers are deployed, the range anxiety issue associated with pure EVs will likely dissipate. For these reasons, this analysis assumes that PHEVs will maintain a significant share of total GEV sales early in the adoption cycle, but that EVs gradually replace PHEVs as the dominant platform.

3.1.3 ELECTRIC VEHICLE ADOPTION RATES

In order to reach the goal of 75 percent electric VMT by 2040, grid-enabled vehicles will need to make significant inroads into new light-duty vehicle sales between 2010 and 2020 and then expand that share over the following two decades. In part, this is due simply to the massive stock of light-duty vehicles in the United States—by 2008 there were approximately 250 million cars and light trucks on the road. New vehicle sales have fluctuated based on economic conditions, but before the recent recession annual sales were averaging approximately 15 million vehicles. At the same time, the total number of vehicles on the road has been growing along with the total population. The total number of motor vehicles in the United States increased from 155.8 million in 1980 to 188.8 million in 1990. By 2000, the figure increased to 221.5 million. In other words, new vehicle sales are not necessarily replacing an older vehicle. In fact, available data suggests that cars and light trucks tend to stay on the road for many years. Figure 3D displays the survivability rate for light-duty vehicles by vehicle age. After 15 years, more than 30 percent of cars and 40 percent of light trucks are still on the road. Admittedly, the number of miles traveled tends to decline along with vehicle age. Nonetheless, the extremely long life of light-duty vehicles is an important factor that directly affects the rate at which new technologies can achieve high rates of adoption in the aggregate vehicle fleet.

Based on these factors, this Roadmap has identified two tangible milestones by which the nation can measure progress toward meeting the ultimate VMT goal in 2040.
Milestone One
By 2020, at least 25 percent of new vehicle sales are some form of grid-enabled vehicle. (As discussed earlier, it is likely that at this early stage, PHEVs will be the dominant technology.) Reaching this level of sales penetration will require important progress in the years between 2010 and 2020, and appropriate government incentives will be instrumental in catalyzing the market.

The rate of sales penetration envisioned in Milestone One translates into a fleetwide penetration rate of just 5 percent. However, the importance of reaching Milestone One is the trajectory on which it sets the GEV market. That is, only by quickly moving up the adoption curve can GEVs begin to make significant inroads into the broader light-duty vehicle fleet in a reasonable timeframe.

Milestone Two
By 2030, grid-enabled vehicles become the dominant technology for light-duty vehicles. Approximately 90 percent of new vehicle sales are based on an electric drive train, and EVs have overcome PHEVs and R-REVs as the dominant GEV platform. Grid-enabled vehicles are 40 percent of the total number of light-duty vehicles on the road in the United States.

Beyond 2030, as grid-enabled vehicles maintain a dominant share of new vehicle sales, their rate of penetration in the broader fleet increases. By 2040, approximately two-thirds of the U.S. vehicle fleet is some form of GEV.

3.1.4 Expected Oil Abatement
The rates of adoption outlined above translate into significant reductions in oil consumption. By 2030, oil consumption in the light-duty fleet is 4.2 mbd compared to 8.2 mbd in the base (status quo) case. By 2040, light-duty oil consumption falls to just 2.0 mbd, a reduction of 6.0 mbd compared to the base case. Over the cumulative period from 2010 to 2030, electrification of transportation would eliminate more than 29 billion barrels of U.S. oil consumption valued at $3.7 trillion ($2007).

3.1.5 Electric Vehicle Supply Equipment
To support the GEV adoption rates commensurate with the goal, substantial investment in charging infrastructure—both public and private—will be required. Essentially all owners of grid-enabled vehicles will require dedicated access to a charging unit for overnight charging. Moreover, in order to minimize range anxiety, facilitate longer trips, and provide convenience for consumers, some amount of public charging infrastructure will also be required.

As discussed in Part Two of this Roadmap, the exact number of public charging units is unclear. During the early stages of adoption, when range anxiety is highest and familiarity with GEVs is low, it is likely that investment in public charging equipment will need to be more intense. Over the long-term, as consumers gain experience and comfort with vehicle reliability and state-of-charge, deployment of public electric vehicle supply equipment can be more targeted.

For the purposes of this analysis, we have assumed the reference case ratio of public chargers to GEVs presented in Table 3j. This ratio was then applied to the penetration rate of GEVs required to meet the national goal. The annual number of public charger installations is displayed in Figure 3j. The annual cost of those units is presented in Figure 3i. Each of the three cases assumes a standard attrition rate of 10 years.

3.1.6 Electric Power Sector
The nation can accomplish this aggressive goal without imposing a significant burden on the electric power sector. Because central station power plants and electric motors are much more efficient than internal combustion engines, approximately 124,000 Btu of gasoline (in a car that achieves 24 mpg) can be displaced by approximately 21,000 Btu of electricity (in a car that achieves 4 mpkWh), reducing the nation’s overall energy demand. Moreover, as explained earlier in the report, the electric power system is built to meet peak demand and has significant excess capacity during most hours of the year.

Figure 3K presents the U.S. average load curve associated with the GEV volumes envisioned by this

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3.2 Total Cost of Ownership

While upfront costs for GEVs are currently high, battery costs will fall as technology advances, as more vehicles are produced, and as economies of scale are achieved. Over time, the use of electricity as a propulsion fuel will reduce the cost of owning, operating, and maintaining a GEV so that it is more cost effective than a conventional vehicle.

3.2.1 BATTERIES

The most substantial obstacle facing grid-enabled vehicles today is cost. Based on an industry-wide survey, the current average lithium-ion battery production cost is roughly $600 per kilowatt hour. This is a largely generic average that ignores both chemistry and variable factors of production, such as labor costs (a battery manufactured in China will be less expensive than one manufactured in the United States). For a pure electric vehicle with a 30 kWh battery, therefore, today’s battery costs equate to $18,000 in battery cost alone. For a PHEV with a 16 kWh battery, the incremental battery cost is $9,600.

These upfront costs are a significant capital outlay for most consumers. Existing government tax credits entitle consumers to tax credits for both PHEVs and EVs. Specifically, the minimum battery size of 5 kWh qualifies for a base credit of $2,917. Each additional kWh of battery size qualifies for an additional $417 up to a maximum credit of $7,500. The credits are currently designed to be phased out once a manufacturer reaches 200,000 qualified vehicles sold.

To be sure, the existing federal incentives can go a long way toward reducing battery costs. Yet, even vehicles that qualify for the full credit will require a higher capital outlay by early GEV adopters. Therefore, it is impossible to imagine that GEVs will reach significant levels of market penetration in the absence of falling battery costs. For the purposes of this Roadmap, we have assumed the battery cost profile depicted in Figure 3M below.

3.2.2 OTHER VEHICLE COMPONENTS

In addition to the battery, both PHEVs and EVs will require additional vehicle components not found in traditional IC engine vehicles. In particular, these include an electric motor, a power inverter, an on-board charger, and more robust powertrain electronics.
specifically designed for GEVs. These components add to the cost of grid-enabled vehicles, though the cost of each of these components is expected to decline over time. For the purposes of this analysis, we have assumed the cost profiles presented in Figure 3N.

At the same time, GEVs will not include a number of components that are traditionally found in IC engine vehicles. PHEVs will have a downsized combustion engine and reduced transmission costs. EVs will avoid many of the costs of traditional IC engine vehicles. However, by utilizing smaller batteries and downsizing many of the powertrain components, PHEVs will be less expensive in terms of upfront costs than pure EVs. (Of course, this assumes the traditional vehicle ownership model remains intact, which may or may not be the case.)

Combining the cost of the battery with the net effect of vehicle component costs yields the expected incremental cost curves depicted in Figures 3P and 3Q. For the EV, we have assumed a 30 kWh battery and for the PHEV a 16 kWh battery. The battery cost curve depicted in Figure 3M is assumed. Through 2020, the effect of ARRA consumer tax credits is also depicted.

### 3.2.4 OPERATING COST

Over the life of the vehicle, both PHEVs and EVs will provide consumers with substantial cost savings, particularly in terms of fuel. Operating a vehicle on electricity in the United States is considerably less expensive than pure IC engines. (Of course, this assumes the traditional vehicle ownership model remains intact, which may or may not be the case.)

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A GAS TAX COULD SPEED GEV ADOPTION IN THE UNITED STATES

The primary challenge that GEVs will need to overcome if they are to penetrate the market significantly and not be relegated to a niche market is their high upfront cost, much of which is attributable to the cost of the battery. This challenge is exacerbated by relatively low gasoline prices in the United States. The average gasoline tax in the United States is 47 cents per gallon—18.4 cents of which is a nationwide federal tax. Fuel taxes in many other developed countries are significantly higher. In the United Kingdom, for example, the rate is equivalent to $3.28 per gallon, almost 20 times as large as in the United States. Because the price of gasoline is much higher in most other developed countries, GEVs are much more cost competitive as compared to traditional IC engine powered vehicles. In most other developed countries, GEVs will have a lower total cost of ownership than IC engine powered vehicles almost from the moment they hit the market.

Fuel price volatility also acts as a disincentive for American drivers to switch to more fuel efficient vehicles because experience suggests that high prices are unsustainable. Consider the volatility in 2008, when average gasoline prices reached more than $4.30 per gallon in mid-summer. By October 2008 they had fallen back below $3 per gallon and before the end of the year were less than $2 per gallon—a drop of more than 50 percent in less than 6 months. In countries where gasoline taxes are higher, however, volatility was considerably less as prices tended to fluctuate between $7 and $9 per gallon. The expectation of American drivers that high prices are unsustainable reduces the economic incentive to invest in efficiency. Therefore, even in periods of rising or high prices, American drivers may be uninterested in moving into more efficient vehicles.

Economists and political observers from Thomas Friedman on the left to N. Gregory Mankiw and Charles Krauthammer on the right have argued that a higher gasoline tax would help the United States to accomplish a number of national goals, including reducing oil dependence and lowering carbon emissions.

A higher, equitable, and sustained gas tax is arguably the most transparent and direct policy path to assist GEV market penetration, which would under a range of scenarios provide benefits to taxpayers far in excess of the cost. However, the substantial likelihood of a rapid repeal of such taxes in the early years after enactment for political reasons, as well as the political difficulties of enacting a gas tax increase at a level that would have a dramatic impact, argue for a GEV deployment plan that assumes gas taxes at the current level.


We assume electricity prices vary by peak and off-peak. Peak charging rates are assumed to be significantly higher than off-peak, reaching nearly 20 cents per kWh in 2030. Electric motor efficiency increases by slightly more than 20 percent between 2010 and 2030.

These estimates yield the operating costs depicted in Figure 3S. Annual energy savings from reduced gasoline consumption are highest for EVs, which use no gasoline. By 2030, annual gasoline savings for EV drivers reaches nearly $2,000. It is assumed that 75 percent of the miles traveled by PHEVs will be electric miles.

Electricity consumption offsets the savings from reduced gasoline consumption. Annual energy costs are slightly lower for EVs than for PHEVs, but are steady at roughly $325 throughout the forecast period. As electricity prices vary by peak and off-peak, reaching nearly 20 cents per kWh in 2030. Electric motor efficiency also increases, partially offsetting the high cost of energy. For PHEVs, annual electricity costs are slightly lower than for EVs, because these vehicles will still rely on gasoline for an estimated 25 percent of VMT. Therefore, total PHEV energy savings are less than those for pure EVs.

**FIGURE 3S COMPARISON OF GEV OPERATING COSTS**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel &amp; Maintenance Savings</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

*Source: PRTM Analysis*

3.2.5 TOTAL COST OF OWNERSHIP

Total cost of ownership (TCO) combines the full cost structure of grid-enabled vehicles for consumers. That is, the total cost reflects the initial capital outlay for a GEV and the expected lifetime operating costs. TCO is presented as operating costs per mile. To assess the market viability of PHEVs and EVs, it is useful to compare the total cost of ownership for GEVs to conventional IC engine vehicles. For this analysis, we include the cost of one dedicated (home) charging point. We also assume the battery profile and other component cost structures discussed above in this section. Other key assumptions are presented in Table 3T.

**FIGURE 3T ADDITIONAL ASSUMPTIONS**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Driving Distance (mi/year)</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Vehicle Life (years)</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>PHEV CD Usage (% of miles driven)</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>Charging Power (kW)</td>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Charging Efficiency (%)</td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td>Off-Peak / Peak Charging Mix (% Off-Peak)</td>
<td>80%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Private Infrastructure Investment Requirements ($/user)</td>
<td>700</td>
<td>350</td>
<td>300</td>
</tr>
</tbody>
</table>

*Source: PRTM Analysis*
Plug-in Hybrid
Figure 3U presents the TCO analysis for PHEVs through 2020. Incorporating the ARRA consumer tax incentives, PHEVs already present a compelling value proposition for consumers. Across a range of potential battery sizes and consequent tax credit values, the total cost of ownership for a PHEV purchased today is less than for a comparably sized IC engine vehicle. In the coming years, as the costs of batteries and other vehicle components fall, and as gasoline prices rise, the value proposition presented by PHEVs will continue to improve.

This analysis assumes that tax credits provided by ARRA are no longer available after 2020. Yet, as can be seen in Figure 3W, by 2015 PHEVs reach parity with IC engine vehicles even without consumer tax incentives. To be sure, the higher upfront vehicle costs will present a significant financial hurdle for some consumers. Still, it is important to recognize that PHEVs are cost-effective early in the lifecycle of electric vehicle technology. Beyond 2020, as battery costs continue to decline and gasoline prices rise, the value proposition increases.

Pure Electric Vehicle
The proposition for pure electric vehicles is somewhat different. Because EVs will incorporate a much larger battery to achieve reasonable range, today’s higher battery costs make the TCO for pure EVs uneconomical, even with the maximum $7,500 ARRA consumer tax incentive. Given this cost structure, it is certainly possible that automotive OEMs may choose alternatives to the traditional vehicle ownership business model. Specifically, battery financing may be required to support early EV volume envisioned in this Roadmap. In addition, the large size of EV batteries makes them especially suitable for secondary applications—in the power sector, for example. Therefore, the total cost of ownership of pure EVs through 2020 is presented in two cases:

1. A base case with the standard ARRA credit,
2. The base case plus an assumed $2,500 residual battery value.

For these cases, we assume an EV with a 30 kWh battery. Through 2020, all results incorporate the maximum ARRA tax credit. The results are displayed in Figure 3V. Not until 2012 do EVs reach cost parity with conventional IC engine vehicles in the base case. In the “residual battery value” case, however, EVs are close to cost parity with traditional IC engine vehicles today.

Over the longer term, even in the traditional ownership model, EVs are the most cost-effective solution for consumers. ARRA tax credits are assumed to end in 2020. Even without consumer tax incentives, EVs are cost competitive with IC engine vehicles by 2018. After that point, the value proposition increases as battery costs fall and gasoline prices rise. Moreover, as presented in Figure 3W, after 2020, pure EVs are more cost-effective than PHEVs over the life of the vehicle.

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**Figure 3U** PHEV varied by battery size (including ARRA tax incentive)

**Figure 3V** EV varied by business model (including ARRA tax incentive)

**Figure 3W** Gas vs. EV and PHEV through 2030 (no tax incentives)
An electric vehicle charging at the pier in Santa Monica, California. Particularly in the early years of grid-enabled vehicle deployment, consumers may demand access to pervasive public charging equipment.
An ambitious federal initiative to establish Electrification Ecosystems in a number of American cities is the best path to achieve deployment of grid-enabled vehicles at a level consistent with the goals of this Roadmap. An ecosystem is a group of interdependent entities that work or interact together to accomplish a common task or goal. In the GEV context, an electrification ecosystem is a region in which each of the elements necessary for the successful deployment of grid-enabled vehicles is deployed nearly simultaneously in high concentrations. By ensuring that vehicles, infrastructure, and the full network of support services and technologies arrive in well-defined markets together, ecosystems will provide an invaluable demonstration of the benefits of integrated electrification architecture.

The government has accelerated its support for electric vehicles over the course of this year with substantial funding for GEV-related activities in the American Recovery and Reinvestment Act of 2009 and additional proposals in legislation currently pending before Congress. This report, however, proposes an effort that is:

1. Larger and more comprehensive by an order of magnitude than programs already in place; and
2. More strategically focused than the programs that are underway or proposed in draft legislation.

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2. More strategically focused than the programs that are underway or proposed in draft legislation.

For instance, in April 2009, the Energy Information Administration updated its energy-related forecasts to reflect the expected impact of the American Recovery and Reinvestment Act. Despite the ambitious GEV-related provisions in the legislation, EIA estimates that by 2030 there will be only 4.3 million GEVs on the road, representing less than 1.5 percent of the fleet.1

In sharp contrast to current Department of Energy forecasts, the goals stated in this report call for 14 million GEVs to be on the road by the year 2020 and more than 120 million by 2030, a far more ambitious and transformative target. To help meet that goal, this section outlines a set of policies designed to accomplish the phased implementation of electrification ecosystems in key metropolitan areas throughout the United States. This plan contrasts sharply with the government’s traditional approach of spreading the initial benefits of its programs evenly across the country. By focusing the initial deployment of electric vehicles in a small number of communities, ecosystems will address many of the obstacles to electrification and accelerate the speed with which the nation achieves high rates of GEV penetration by a decade or more.

1 AEO 2009, Supplemental Tables, Table 58 “Light-Duty Vehicle Stock by Technology Type.”
4.2 Demonstration Projects

Investing in electrification ecosystems will allow all interested parties to work together to demonstrate the viability of GEVs and identify business models that will allow each portion of the GEV supply chain to operate profitably, while taking advantage of the economies of scale achievable by concentrating resources in a select number of communities.

At its essence, this plan calls for a series of large-scale demonstration projects. Demonstration projects are used to overcome the final hump in the innovation path, whose purpose is to stimulate the adoption and use of a particular technology by proving that it "works." Demonstration projects are used when a technology has clear potential benefits, but private sector actors face high risks in the technology’s deployment. The government assumes the risk and the cost burdens in part or whole. Demonstration projects are distinguished from field testing in that they do not employ embryonic or nascent technology, that is, demonstration that are effective and successful prove market readiness for fully qualified products, that is, demonstrations that are effective and successful proof of concept for full-scale production prototypes.

Premature technologies are at the root of many of the US government’s failed attempts at energy technology demonstration. In 1971, for example, President Richard Nixon committed to the construction of a second generation of nuclear power technology, the Liquid Metal Fast Breeder Reactor (LMFBR). The basic design and construction of a LMFBR was largely unverified at the project’s outset, yet the stated intention of the project was a commercial plant with a net energy output of 350 MW by 1980.2

When the Atomic Energy Commission (AEC) and a group of utilities joined forces to build the reactor, they found it considerably more technically challenging than expected. It also used plutonium in an environment of sinking uranium prices. Costs escalated from the initial estimate of $2.6 billion to more than $6.7 billion (in 2008 dollars).3 Furthermore, the reprocessed plutonium was much more easily convertable into weapons-grade fuel than conventional uranium. The combination of security risks, escalating construction costs, and the 1979 Three Mile Island accident led to the congressional termination of funding in 1983, prior to project completion.4

Successful demonstration projects require a different approach. Since 1834, when Congress appropriated $50,000 to prove Samuel Morse’s telegraph system,5 the government has successfully carried out many demonstration projects, usually in partnership with the private sector and university research programs. These projects have led to commercialization of a wide variety of vital technologies. For example, the Department of Energy’s Advanced Turbine Systems demonstration projects in the early 2000s led to what are now state-of-the-art commercial integrated gasification combined cycle (IGCC) power plants. In general, experience has shown that public demonstration projects are most successful when:

1. Cost and administrative burdens are shared between the public and private sectors, 6

2. Results are adequately disseminated,

3. Clear project goals are agreed upon by the relevant parties; and

4. The technology is mature with minimal unknowns.7

Demonstrations are especially useful when both the industry and end-user markets are highly fragmented. In this case, demonstrations can establish a link “technology push,” or learning gains that improve the rate of technological progress. For electric vehicles, this means connecting the electricity suppliers with the vehicle manufacturers, establishing a business model for charging infrastructure, and then deploying the entire system in a way that meets consumers’ needs.

4.2.1 The Case for Establishing Electrification Ecosystems

Electrification ecosystems will accomplish three important goals. They will:

1. prove that wide-scale deployment of grid-enabled vehicles is not only possible, but desirable;

2. take advantage of economies of scale; and

3. support research to answer critical questions about vehicle usage and recharging patterns.

Proof of Concept

By demonstrating the benefits of grid-enabled vehicles in a real world environment, electrification ecosystems will make consumers, policymakers and industry aware of the tremendous potential of electrification of transport. Most Americans are familiar with traditional hybrids, having seen them on the road for most of the past decade; far fewer drivers are familiar with electric vehicles. In general, consumers are probably unaware that GEVs have evolved to the point where they can meet most individuals’ daily driving needs. In addition, electric drive vehicles generally have faster acceleration and operate more quietly than internal combustion engine vehicles. They hold out the promise of offering drivers a wide range of features, based on the electric package in the vehicle, that are beyond our imagination today in the same way that iPhone applications would have been beyond our imagination a decade ago. The problem is that consumers are not aware of the opportunities presented by GEVs and are not yet convinced that they can operate reliably and affordably at scale.

Electrification ecosystems conform to the basic goal of traditional demonstration projects. Concentrating investments and other efforts in a limited number of communities will accelerate the opportunity to demonstrate that grid-enabled vehicles can meet drivers’ needs. Ecosystems will demonstrate that a community is capable of putting the infrastructure in place, operating the vehicles over their lifetimes, and disposing of them after their useful life has ended, all in a manner that proffits the participants in the value chain. In short, electrification ecosystems provide the best opportunity to give consumers confidence in the safety, performance, and benefits of the vehicles themselves and the reliability of the surrounding infrastructure.

Economies of Scale

Concentrating resources in a limited number of electrification ecosystems will allow participants in the GEV value chain to take advantage of economies of scale, particularly with respect to the deployment of a vehicle charging infrastructure. Utilities will incur fixed costs to support the operation of GEVs; those costs will be more affordable if spread over a greater number of vehicles. Power providers also can reduce the cost of charging infrastructure through economies of scale. While it is unclear how many public vehicle chargers will be necessary for a GEV ecosystem to operate smoothly, it is clear that some public charging facilities will be needed. Previous pilot studies demonstrate that the cost of installing charging...
Concentrating investments in a limited number of communities will accelerate the opportunity to demonstrate that grid-enabled vehicles can meet drivers’ needs.

Learning by Doing

While GEVs present a great opportunity, their deployment also raises a number of questions. Deploying large numbers of GEVs in concentrated areas will allow for the collection of information and experience that is needed to successfully deploy GEVs nationwide. It will also give consumers a chance to learn how much consumers are willing to pay up front for a car that costs less to operate and has a lower total cost of ownership over its lifetime. It will allow utilities and charging station providers to learn when and where drivers want to charge their vehicles. It will allow utilities and other aggregators to learn who can best sell power to drivers and what types of rate structures meet both drivers’ and utilities and aggregators’ needs. It will help determine whether there is a viable business model for public charging infrastructure.

It is clear that for GEVs to succeed there must be a model in which each party in the value chain is able to operate profitably, and in which the government determines that, as a matter of public policy, certain aspects of the system should be publicly supported in a manner that facilitates further competition. At this point it is not possible to answer many of the critical questions needed to build out the system at scale. While there have been numerous studies modeling the full range of GEV characteristics under varying scenarios, all of the studies to date have been relatively small. Because of their size, it is unlikely that study participants were representative of typical consumers.

Deploying GEVs in a series of ecosystems around the country where resources can be concentrated and data can be collected otherwise will ultimately accelerate widespread GEV deployment. Therefore, rather than allowing the market to develop scattered across the country, it is critical that the market be encouraged to develop at a deliberate pace in clearly identified geographic regions in which a large number of vehicles can be deployed in a relatively short period of time.

4.2.2. ECOSYSTEM SELECTION

Electrification ecosystems should be chosen on a competitive basis with an application that mirrors the core components of, for example, an International Olympic Committee bid. Successful bids would ideally be submitted by a coalition of entities in a metropolitan area reflecting wide support for GEV deployment. Such coalitions should include support from:

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<th>State and Local Governments</th>
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| State and local governments would be expected to commit some funds, or offer some consumer incentives, and to help streamline issues regarding infrastructure deployment. They might, for instance, establish a streamlined permitting process for installing public charging infrastructure; commit to the installation of charging infrastructure whenever sidewalks are being rebuilt; commit to a minimum purchase requirement for state and local government fleets; offer reduced registration charges or sales taxes for GEVs; or offer free public parking to GEVs.

Local Public Utility Commission

A state utility regulator would be expected to allow the local utility to add the costs of IT infrastructure necessary to manage the vehicle charging process into its rate base and to allow the utility to offer innovative rates to help manage the GEV charging process. Such rates could include time-of-day pricing for homes with GEVs, time-of-day pricing only for that power used to charge GEVs, a flat charge for power used to charge GEVs, or other innovative ideas.

Local Utility(s)

The local utility would be expected to commit to install the hardware and software infrastructure to control the charging process and innovative rate tariffs for power for GEVs. It also would be expected to explain how it would use innovative rate structures, including, perhaps, time-of-day pricing, to help manage the charging process.

Large Local Employers

Universities, large manufacturers and other employers might participate by committing to provide charging facilities for employees who drive GEVs to work. A local car rental company might commit to convert a certain portion of its fleet to GEVs, and local hotels might commit to installing EVSEs for overnight guests.

Beyond these basic elements, it would be up to each community to develop ideas that further demonstrate a commitment to GEV deployment and will facilitate that process.

In addition to prestige, participating regions will derive a wide range of economic benefits from selection as an ecosystem. The funds that are provided to the ecosystem—within ecosystems, to build infrastructure will certainly create new jobs and promote economic growth in the region. Deployment of GEVs also will reduce pollution and enhance air quality. Finally, successful ecosystems will benefit from a magnet effect. By demonstrating to observers that the community as a whole—government, leading businesses, and other leading civic institutions—is capable of coming together to achieve significant goals, ecosystems can promote the region’s image as an attractive location for other high-tech industries.

In selecting demonstration ecosystems, DOE should evaluate a wide range of criteria. The criteria should include, but not be limited to:

- The ability of all stakeholders to support the effort, financially and otherwise.
- Evidence that the local economy is capable of achieving the targeted number of vehicles.
- A demonstration that the community is a reasonable representation of other cities, demographically and otherwise, so that data collected about GEV deployment in that community would be informative about deployments elsewhere.
- An understanding that the collection of cities chosen incorporates a diverse set of challenges and demographics (e.g., more urban vs. more suburban, hotter vs. cooler, different income levels, etc.) so that different lessons might be learned in different places.
- Proximity to other communities to which GEV infrastructure could be expanded.
- The extent to which the proposal leverages the investment of ARRA funds to construct GEV-related infrastructure.

In evaluating applications, DOE also should attempt to select communities that offer a range of approaches to the GEV deployment challenges. It should look for some communities in which utilities will sell power to customers and other cities in which large businesses or other aggregators will also sell power to customers. It should choose cities with entities that will support battery leasing and others that may not. Some cities might emphasize battery exchange while others might emphasize fast charging. Despite the different choices and business models that may be deployed in different electrification ecosystems, with the exception of battery exchange facilities, most of the infrastructure will be compatible across ecosystems, so that lessons from each city can be applied elsewhere.

1 A 2009 UC Davis study, for example, used fewer than 10 vehicles, which were placed in leases for six weeks, and data was collected for the last two weeks of their use. BMW is currently performing a study of less than 100 vehicles over the course of one year. A similar study conducted by Google with company employees used fewer than 25 vehicles.
4.3 Phase One: 2010–2013

Between 2010 and 2013, the government can help lay the groundwork for the deployment of 700,000 GEVs in six to eight American cities. The effort will require a combination of focused government subsidies for consumers and utilities, in addition to the installation of a public charging network and other measures of support.

Ecosystems will form the basis for widespread, nationwide deployment of grid-enabled vehicles. But the process must be carefully managed and precise in order to avoid falling into the same pitfalls as previous attempts at electrification (as outlined in Part One). Therefore, in phase one, the federal government should support between six and eight electrification ecosystems. Demonstrations should be undertaken in different parts of the country, in different climates, and in communities with different densities of urban and suburban residents.

Perhaps most important, it will be critical that individual ecosystems incorporate diverse but compatible business models in order to maximize “learning-by-doing.” Ideally, various models of consumer ownership—battery leasing, private ownership, network operator—will be represented in distinct ecosystems. At the same time, central coordination at the Department of Energy will be needed in order to ensure that as dominant designs come into focus, infrastructure and other key components of different ecosystems can be easily adapted.

Phase one ecosystems should each reach stock deployment rates of 50,000 to 100,000 vehicles by 2013. These figures would place the nation on a path to place a total of approximately 700,000 grid-enabled vehicles on the road by 2013. This rate of deployment is consistent with the early GEV adoption rates required to meet the national target envisioned by this Roadmap (65 percent of VMT electric by 2040). Moreover, in appropriately sized cities, this will represent a significant portion of newly-purchased vehicles. Massing that many vehicles in a limited number of communities will prove that GEVs can work at scale and allow researchers to generate a large enough data set to evaluate GEV usage patterns.

4.3.1 Data Collection

A critical reason for supporting the deployment of GEVs through electrification ecosystems is the opportunity to learn about how typical drivers use and charge their vehicles. To support the learning process, a DOE Office of Electric Transportation should be responsible for collecting, organizing, and disseminating all of the data regarding the operation of GEVs. The government should also fund the direct costs of data collection activities incurred by non-governmental entities. The data would then be placed in the public domain so that industry participants and researchers could examine it in order to better understand the challenges facing GEVs and develop opportunities to overcome those challenges.

Once up and running, electrification ecosystems would serve as the learning centers in which all relevant participants in the GEV value chain could better understand how the system can work and how they can most profitably participate in it.

The interaction between grid-enabled vehicles and the electricity system will necessarily be a complex, two-way street of data using the internet and possibly GPS location technology. In order to charge vehicles and bill efficiently, utilities will likely have to collect data about when and where motorists are charging. During initial GEV deployment, charging pattern data will be vital to assessing future infrastructure and power generation needs, as well as learning about how to shape the power demand load and integrate renewable energy sources. However, it will be important to collect this data in a way that maintains consumer privacy.

As the largest consumer in the nation, with a presence that extends throughout the economy, the federal government is well situated to help establish the market for GEVs. The most recently issued executive order on the subject, Executive Order No. 13423, issued by President Bush in 2007, directed agencies with 20 or more vehicles to reduce their fleet fuel consumption by 2 percentage points annually from 2005 to 2015 (a 20 percent reduction).

Particularly in phase one electrification ecosystems, the federal government can play a critical role in terms of driving scale throughout the GEV production supply chain. By placing large orders that will turn over regional federal fleets, the government can contribute to an accelerated pace of technological advancement in battery production, driving down costs. Large fleet purchases will also give automotive and battery OEMs the long-term stability needed to justify significant investments in labor and equipment.

Congress, by statute, or the president, by executive order, should direct government agencies with a minimum fleet size to purchase GEVs whenever they are available and meet agency requirements. If suitable GEVs are not available, agencies should be required to choose among the three most efficient vehicles for each class of car as defined by the Environmental Protection Agency for the purpose of calculating fuel-economy standards. Doing so will promote the development of markets for vehicles that will enhance U.S. energy security.
4.4 Phase Two: 2014-2018

By 2014, the electrification ecosystem program should expand to an additional 20 to 25 cities. Target deployment should be 7 million GEVs by 2018. By employing lessons learned in phase one, phase two ecosystems can achieve greater scale at reduced cost.

Phase one of the ecosystem deployment strategy is intended primarily as a proof of concept and data collection exercise. The goal is to take advantage of economies of scale in a handful of cities to deploy relatively large numbers of GEVs in order to build consumer confidence and accelerate the learning process. The lessons learned in those communities will help other cities determine how much charging infrastructure is necessary and where it should go, when drivers will charge their vehicles, how much they are willing to pay to charge their vehicles, to what extent their charging patterns will be affected by the price of electricity, and which business models might be most successful.

In sharp contrast, phase two of the deployment strategy is intended to jumpstart the wide-scale adoption of grid-enabled vehicles in the United States. In order to remain on a path to reach the target envisioned by this Roadmap (75 percent of VMT electric by 2040), the Roadmap from 2014 to 2018 will need to initiate a significant turn-over of the U.S. vehicle fleet through high GEV sales volumes. The GEV milestones associated with the target call for 14 million grid-enabled vehicles on the road in 2020 and more than 120 million in 2030. Therefore, phase two will expand deployment to between 20 and 25 additional cities.

Phase two ecosystems should each reach stock penetration rates of 75,000 to 150,000 vehicles by 2018. At the same time, the initial phase one ecosystems should continue to grow and reach stock penetration rates of 400,000 to 500,000 vehicles by 2018. This level of adoption would place the nation on a path to deploy approximately 7 million grid-enabled vehicles on the road by 2018, consistent with the national goals set out in Part One of this Roadmap. By the end of phase two, the nation will be on target to reach Milestone One, in which 25 percent of new light-duty vehicle sales are grid-enabled vehicles.

As the GEV concept is proved, consumer acceptance rises, battery costs decline, and infrastructure deployment becomes more efficient, government support in electrification ecosystems can also decline. As a general matter, the policies established to support phase one should be maintained, but they should be reduced in terms of intensity.

Of course, it will be critical that incentives are tied most closely to the targeted levels of GEV deployment consistent with national goals. In this sense, the timeframe for both phase one and phase two ecosystems is not intended as a strict guideline by which to structure government incentives. Congress and the Administration will ultimately need to assess the appropriateness of adjusting any ecosystem incentives based on the success of the program, the rate at which GEVs are being purchased, and the level at which charging and utility infrastructure components are installed.

Create position of Assistant Secretary for Electric Transportation at the Department of Energy

Discussion: Congress should create the position of Assistant Secretary of Energy for Electric Transportation at the Department of Energy, and should increase from seven to eight the number of Assistant Secretaries that may be appointed at the Department. It would be the Assistant Secretary’s responsibility to promote the deployment of GEVs. He or she also would be responsible for managing the ecosystem demonstration projects, coordinating across government agencies where necessary, and preparing annual reports on the progress of the ecosystems and other elements of a nationwide electrification process.

To assist the Assistant Secretary in the meeting of his or her responsibilities, the Office of Electric Transportation should open field offices in each city that is chosen as an electrification ecosystem (as described below) to serve as a central point of coordination between the community and the federal government and, if appropriate, within the community. The local office would also be responsible for collecting all of the data generated by the deployment of the GEV fleet and infrastructure in the ecosystems and making it available for research. Finally, the local office would be responsible for working with other stakeholders to undertake a public education program to explain and promote GEVs within the region.
POLICY RECOMMENDATIONS

Phase One

Modify plug-in electric drive vehicle tax credits by significantly increasing them for vehicles purchased and registered in phase one ecosystems

Discussion: The tax code currently offers a tax credit of between $2,917 and $7,500 for vehicles with batteries with a capacity of at least 5 kWh. Vehicles with batteries with a capacity of 5 kWh are eligible for the minimum $2,917 tax credit. The credit increases by $417 for each additional kWh of battery capacity. With the 2009 industry average for lithium-ion battery prices at about $600 per kWh, the tax credit subsidizes at least two thirds of the cost of the battery. The tax credit begins to phase out for vehicles sold by a manufacturer after the manufacturer has sold 200,000 eligible vehicles.

Based on existing federal tax credits and an assumed battery price of $600 per kWh, a 16 kWh PHEV-40 currently has a lower total cost of ownership than an internal combustion engine vehicle. Meanwhile, a 30 kWh pure EV will be cost competitive by 2012. Because of the higher upfront cost of the battery, however, the payback period for these vehicles is still beyond the point at which most consumers view the value proposition as compelling.

To facilitate deployment of GEVs in electrification ecosystems, the government will need to adjust existing consumer tax incentives enacted by the American Recovery and Reinvestment Act. The revised tax credit should fully eliminate the premium for the cost of a GEV over the cost of a conventional IC engine vehicle for vehicles registered in electrification ecosystems. The credit should be limited to no more than 50 percent of the cost of the vehicle including the battery. It should also decline over time, both to reward early adopters and to reflect the expectation that battery costs will fall as technology progresses. A declining credit could also provide an incentive for drivers who might not have been in the market for a new car in order to accelerate their purchase of a new electric vehicle.

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<th>FIGURE 4A REVISED GEV TAX CREDIT FOR LDVs REGISTERED IN ELECTRIFICATION ECOSYSTEMS</th>
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<td><strong>Base Tax Credit</strong></td>
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Additional per kWh Tax Credit

The credit should be available to an unlimited number of qualified vehicles sold and entered into service in electrification ecosystems over the life of the tax credit. In order to ensure that all GEVs are capable of communicating with utilities with respect to vehicle charging, the Department of Energy should define a minimum standard for grid communications and the tax credit should only be available to GEVs that meet that standard, assuming that a standard is adopted in ample time to meet an auto manufacturer’s production schedule. The existing tax credit should not be adjusted for GEVs registered outside of the GEV electrification ecosystem.

The law should be further modified to allow the consumer to receive the value of the tax credit as an instant rebate at the time of vehicle purchase, as was the case for rebates that the government offered in the Cash for Clunkers program in the summer of 2008. Making the subsidy available as a rebate instead of a tax credit lowers out-of-pocket costs, ensures that consumers do not have to finance the value of the tax credit, simplifies the process by eliminating any need to alter tax returns, and ensures that all consumers can obtain the full value of the subsidy, even if they do not pay sufficient taxes to take full advantage of the tax credit. Making GEVs significantly more cost effective in the electrification ecosystems would promote ecosystem development by concentrating resources.

Establish tax credits equal to 75 percent of the cost to construct public charging infrastructure in phase one ecosystems

Discussion: Next to the battery, one of the most significant costs in developing GEV ecosystems will be the cost of the public charging infrastructure. As discussed earlier, it is widely assumed that public chargers will be necessary in order to support a GEV ecosystem. Moreover, in order to facilitate public acceptance of GEVs, public charging facilities must be ubiquitous, at least at first. (Even PHEVs have a limited range of operation in charge-depleting mode.)

In order to address range anxiety and meet drivers’ needs, public charging infrastructure should be deployed widely in electrification ecosystems. With the development of ecosystems, policy planners will be able to study and better understand driver charging patterns and the needs in a given area for public charging infrastructure. That information may show where and what type of public chargers are most widely used and where they should be deployed once GEV usage spreads beyond the electrification ecosystems; it may even show that less public charging infrastructure is needed than was initially believed. Either way, wide-scale deployment of the infrastructure in demonstration cities can inform the subsequent deployment of infrastructure elsewhere.

Because of the initial importance of such infrastructure, in particular, within the electrification ecosystems, the federal government should be prepared to pay for up to 75 percent of the cost of deployment. This will enable of the ubiquitous deployment of Level II and Level III public chargers (perhaps even to the point that they are not cost-effective) both to ease driver concerns about range anxiety and in order to generate data about how chargers in different places are used. Second, government funding of the infrastructure can help overcome the chicken and egg problem that drivers and private companies cannot realistically be expected to solve themselves.
Extend consumer tax credits for home charging equipment
Discussion: As explained earlier, most vehicles spend most of their time parked at home, meaning that owners of GEVs will certainly want home charging capability. As also explained earlier, most drivers will want 220 volt charging. The installation of which could take significant time and be costly. In most instances (all of those where there is no 220 volt outlet in a home’s garage, and perhaps some where there is already a 220 volt outlet in the garage) a professional electrician will be required to perform the installation. He or she will have to determine if there is space available in a home’s electrical panel and run a wire from the panel to the charger. The electrician might also have to obtain a government permit for the work, which may be subject to government inspection.

This process will not only take time, it will impose a substantial cost on the consumer. The existing law offers consumers a tax credit of 50 percent up to $2,000 for the installation of home charging devices for GEVs that enter service before the end of 2010. Congress should extend the existing tax credit for the installation of private charging infrastructure that is installed in an existing home in a community within an electrification ecosystem through the end of 2013. The credit should be reduced to a maximum of $1,000 or 25 percent through 2018.

Establish tax credits up to 50 percent of the costs of the necessary IT upgrades for utilities or power aggregators to sell power to GEVs in phase one ecosystems
Discussion: Either electric utilities or consolidators that sell power for charging vehicles will need to make significant investment in an IT infrastructure to support GEVs. At a minimum, the infrastructure must be capable of performing two functions. First, it must be capable of starting and stopping the charging process at the direction of either the utility or the aggregator. Second, the systems must be capable of supporting customer billing for innovative rate schedules, such as time-of-day pricing, which may be desirable or even necessary to optimize the operation of the grid. The IT infrastructure could be designed to support an almost limitless range of additional services that can enhance consumer utility and grid operations. But controlling the charging process and support for innovative rate structures represent a minimum capability for every utility’s or aggregator’s investment.

As explained earlier, electric utilities have excess generating capacity during overnight hours, and lesser amounts of spare capacity during the morning and early afternoon. Distribution utilities may also have localized capacity challenges at the neighborhood transformer level. In addition to upgrading transformers where necessary, the primary goal for utilities or electricity aggregators should be to manage the charging process so that it makes best use of existing excess capacity, obviating the need for capacity upgrades until absolutely necessary. For instance, utilities not only want to promote overnight vehicle charging, but should try to schedule the charging of vehicles in a staggered manner so as to flatten the load curve as much as possible.

The cost of such an IT infrastructure for a medium sized utility could run several million dollars. In order to facilitate the investment in the IT support necessary for a GEV ecosystem, the federal government should be willing to pay for up to half the costs of the necessary IT upgrades for utilities or power aggregators to sell power to GEVs.

Policy Recommendations

Phase Two

In phase two, adjust consumer tax credits for GEVs and standardize them across phase one and phase two ecosystems
Discussion: Because battery prices will decline over time, GEV tax credits intended to offset the high cost of batteries also should continue to decline over time. The credits, therefore, should be reduced in size consistent with the tax credit schedule outlined in the discussion of phase one. Eligibility should be expanded to all GEVs registered in phase one and phase two communities. Tax credits for GEVs registered outside of phase one and phase two communities, however, should remain at significantly reduced levels.

In phase two, adjust tax credits for public charging infrastructure to approximately 50 percent of the cost
Discussion: Tax credits for public charging infrastructure during phase one were set to pay for 75 percent of the infrastructure costs. Phase two ecosystems should benefit from higher consumer confidence in GEVs, defined value propositions for EVSE, and a complete data set that allows for more strategic deployment of recharging units. Because each of the factors work together to both reduce the overall cost of infrastructure and the risk associated with it, tax credits for public charging infrastructure should be reduced to 50 percent for infrastructure installed in phase two communities.

In phase two, adjust financial support to 20 percent of the cost for IT upgrades for utilities or power aggregators to sell power to GEVs
Discussion: Utilities or aggregators in phase two communities will need to install the same infrastructure that utilities in phase one cities installed in order to control the charging process, and must deploy systems capable of supporting customer billing for innovative rate schedules, such as time-of-day pricing. Such equipment will remain expensive. Because, however, much of the equipment is dual use, also providing the capabilities to provide a wide range of “smart grid” services, and because those capabilities will be further advanced by the time phase two begins, the federal support for installation of such capabilities should be reduced to 20 percent. Moreover, by the time phase two is underway, the concept of GEVs should be proven and utility regulators should allow utilities to include investments in IT infrastructure to support GEVs in their rate base.
Conclusion

Hostile state actors, insurgents, and terrorists have made clear their intention to use oil as a strategic weapon against the United States. Steadily rising global oil prices add to the danger by exacerbating tensions among consuming nations. And excessive reliance on oil constrains the totality of U.S. foreign policy and burdens a U.S. military that stands constantly ready as the protector of last resort for the vital arteries of the global oil economy.

Our dependence on oil not only undermines our national security and the conduct of our foreign policy, it undermines our economic strength. High and volatile prices result in the loss of hundreds of billions of dollars in our economy each year; destroy household, business and government budgets; and have been contributing, if not primary, factors leading to every recession over the past 40 years. It is impossible to escape the conclusion that reducing U.S. oil dependence is a critical task for the current generation of Americans.

Today, the light-duty vehicle fleet consumes more than 8.6 million barrels of oil per day—40 percent of the U.S. total. This makes the U.S. light-duty vehicle fleet not only a large part of the current problem, but also a critical part of any future solution to our reliance on petroleum.

In order to escape the severe economic consequences of oil price volatility, it is necessary to electrify the light duty vehicle segment of the ground transportation fleet. Electrification offers numerous advantages over the status quo: using electricity promotes fuel diversity; electricity is generated from a domestic portfolio of fuels; electricity prices are less volatile than oil and gasoline prices; using electricity is more efficient and has a better emissions profile than gasoline; and using electricity will facilitate reduction of greenhouse gas emissions. And, electricity is superior as a fuel for light-duty vehicles to other possible alternatives such as natural gas, hydrogen, and biofuels.

Successfully reenergizing the transportation sector is a critical task that begins with the Coalition’s strategy for electrifying the light-duty vehicle fleet. This plan will not only allow the United States to achieve the President’s goal of placing 1 million GEVs on the street by 2015, but will allow us to surpass it. In less than a decade, GEVs will be a proven technology representing 25 percent of new light-duty vehicle sales. The nation will be on the path to reducing oil demand in the LDV fleet by over 6 million barrels per day by 2040. Even with today’s electricity generation mix, this would reduce carbon emissions in the transportation sector by 70 percent, to 601 million metric tons.

The rates of GEV adoption outlined in this Roadmap are ambitious. And with an almost ten-fold increase in the number of GEVs on the road between 2020 and 2030, the period immediately following the expiration of the recommendations in the report is when the vast majority of the growth occurs. To achieve this growth in the level of vehicle penetration, our national commitment to electrification must remain firm. The United States must commit to, maintain focus on, and follow through with the policies outlined in this report and build on them afterwards.

The plan outlined in this paper will be expensive, the alternatives are more so. But we cannot compare the cost of this program to current government expenditures on energy efficiency, vehicles, and advanced energy-related technology. We must, instead, compare it to the cost of doing nothing. Stated simply, the total cost of every proposal outlined in this paper is far less than the $600 billion of costs that our dependence on oil imposed on our economy in 2008 alone as calculated by experts at the Department of Energy.

Therefore, whether oil prices rise or fall, and whether the economy falters or flourishes, the transformation of the light-duty vehicle fleet into one that derives its power from electricity is an effort that must be sustained. This continued effort will push down the cost of batteries so that GEVs are not only competitive, but are in fact less costly than vehicles with conventional internal combustion engines, thus facilitating their penetration into the vehicle market, allowing us to finally significantly reduce the threat that oil dependence imposes on our nation.

The time has come for Americans to unite behind this aggressive campaign to reduce our dependence on oil and increase domestic and national security. The proposals outlined here constitute a comprehensive and integrated plan for achieving a safer energy future for America through a decades-long endeavor. The time for action is today. We cannot waste another moment.
Electrification of transportation has been identified as a high priority by a number of governments around the world. As industry gears up to meet demand, many governments are creating initiatives to quickly expand their electrified vehicle industries. In many cases, local, national, and regional governments have signaled their commitment to electrification by instituting regulatory frameworks that transparently support GEV adoption over the long term through financial support, high gas taxes, and strong fuel efficiency rules. To be sure, different national factors and priorities are driving the move to electrification. In some cases, the shift is derived from a need to mitigate basic energy security concerns associated with oil consumption. In other cases, governments increasingly view electrification as an opportunity to abate environmental problems such as CO2 emissions. However, perhaps the most interesting trend is that many nations—particularly in the export-oriented developing world—see early establishment of the future automotive industry as a source of national competitive advantage.

EUROPE AND ISRAEL

In the European Union, strong policies in favor of electrification first found support as a means to meet CO2 emission goals. The climate consensus in Europe is arguably the strongest in the world, and European governments have moved aggressively to reduce CO2 emissions in the transport sector. From a regulatory standpoint, EU member states have committed to stringent vehicle emissions standards over the next 10 years (through 2020). By 2012, average emissions for new light-duty vehicles will need to be 120 g CO2/km. Many European countries believe that electric vehicles will be vital to reaching the EU targets.5

In addition, most European countries impose significant taxes on refined petroleum products like gasoline and diesel. In 2008, for example, premium unleaded gasoline prices averaged $1.49 per gallon in the United States, compared to $0.86 per gallon in the United Kingdom, $0.70 per gallon in France, and $0.85 per gallon in Germany.6 The industrial EU-wide average was $0.85 per gallon. These comparatively high fuel prices translate into relatively higher ownership costs for a conventional vehicle versus more efficient alternates. Higher fuel taxes, however, are just one among a number of pro-electrification policies being implemented.

Israel. Israel is an ideal candidate for electrification since it traditionally imports nearly all of its energy and considers energy supply of utmost national security importance. Moreover, the country is relatively small and is essentially an island, as driving through surrounding countries is not possible. High gas prices, currently around $6 per gallon, short driving distances, and a relatively simple north-south highway system make the logistics of electrification with battery-swapping very straightforward.

The government has provided strong policy support to spur the deployment of GEVs and the required supporting infrastructure. The tax rate for a new conventional vehicle is 92 percent in Israel, but the rate for an EV is set at just 10 percent through 2014, rising to 30 percent in 2015.7 The rate for HEVs and PHEVs is 30 percent through 2012, 45 percent in 2013, and 60 percent in 2014. As part of a partnership with Better Place (discussed below), Israel will build 500,000 electric vehicle charging stations and 200 battery swap facilities for a reported $200 million.8 The goal is to deploy 10,000 to 20,000 GEVs per year, starting in 2011.

Denmark. Denmark’s DONG Energy has extensive wind resources, which generate peak electricity at night.9 A relatively small country with ample overnight charging capacity and an environmentally concerned citizenry, Denmark was another attractive candidate for Better Place. The government taxes new vehicles at a 180 percent rate and is making electric vehicles exempt from such taxes as least through 2012.10

In April 2009, London mayor Boris Johnson declared that the city would be the “electric vehicle capital of Europe” and pledged £20 million ($32 million) to put 100,000 EVs on London streets supported by 25,000 charge points.11 The funds Johnson promised are about one-third the estimated cost of the project and are in addition to £250 million ($396 million) the UK government had already set aside for electric vehicle incentives.12

Germany. Germany has been accused of being behind in the European EV race due to the initial ambivalence—and even hostility—from its domestic automotive manufacturers toward the concept.13 However, in August 2009, the incumbent government trumped other European nations by setting a target of 1 million EVs by 2020 and allocating €500 million ($736 million) to achieve that.

Notes


9. “Contact information central to success of electric car at COP15,” Denmark.dk, (June 1, 2009).


15. Ibid.

goal. Prior to this announcement, Daimler had been dabbling in several demonstration projects throughout the country, the largest in Berlin. The pilot initially involved 500 chargers and had 100 Daimler smart EVs.17,18 The collaboration included RWE, the second largest German utility, and also added Vattenfall, another European utility. BMW and E.ON, Germany’s largest utility, are installing a similar project in Munich using Mini E$s,19 and other projects are taking place in Frankfurt and the Rhurgebiet region.

### France

France has been moving aggressively toward vehicle electrification. The most notable developments have been in Paris, where the national utility, Électricité de France (EDF), has been trying to encourage electric charging since the 1990s, when it installed more than 200 charge points throughout the city.20 Paris still has an installed base of electric vehicle charger points that rivals the number in London, with plans to introduce more. In October 2008, French President Nicolas Sarkozy committed €400 million over four years to aid in the development of an electric transportation system; in April 2009, he established a goal of 100,000 electric vehicles sold in France by 2012.21 The first planned installation of these vehicles was to be 100 EVs from Renault to arrive in 2010.22

In October 2009, France made successive announcement that would boost the efforts already underway. The Minister of Energy, Jean-Louis Borloo, committed €2.5 billion ($3.6 billion) to speed the introduction of electric vehicles; the money is to be split among research, subsidies and infrastructure development.23

Spain, Spain has set an ambitious goal of 1 million EVs in the country by 2020 under the name of the Ministry of Industry’s “Project Movea.”24 The five-year project has been given €235 million with test pilots being established in Seville, Madrid, and Barcelona.25 Vehicle tax credits of €7,000 (€10,299) are also available.26

### Austria

A coalition of partners in Austria announced in July 2009 a project dubbed “Austrian Mobile Power” that aims put 10,000 EVs on Austrian roads by 2013 and 100,000 by 2020. The partners include Siemens AG and Magna International.27

The Netherlands has unveiled an extensive electrification plan in recent years, beginning with removing the vehicle registration tax (€6,000) for electric vehicles.28 The tax now varies by vehicle efficiency, with the purchase of a “least green” car entailing a tax increase of €540.29 Companies developing vehicle charging infrastructure received a 20 percent tax cut. The Dutch government is also investing €10 million to “support the large scale, early introduction of electric mobility” and is using the funds for practical testing. Initial deployment is occurring in the country’s public accountant and vehicle-manufacturer Th!nk, which is delivering 500 cars in 2009 to Emonet, an importer and provider of GEVs for the Netherlands.30

In July 2009, the Dutch cabinet released a €65 million action plan to promote GEVs. Among its provisions is GEV exemption from the nation’s road tax. An independent panel of interdisciplinary experts has been formed to develop an electrification policy that would be reasonable to assume that renewable and standardized charging. Jean-Paul de Poorter, the Minister of Transport, says the government’s goal is to put 200,000 GEVs on the road by 2020, though he personally believes that the Netherlands could reach 1 million by 2025.31 To support this goal, the government has joined with 11 of the country’s regional utility management companies to install 20,000 charging stations nationwide by 2012.32

### Other Euro nations

Portugal is in the midst of installing 1,300 charging stations and has announced a partnership with Nissan-Renault.33 Italy has EV pilots underway in Tuscan and Rome, with more to follow in Milan and Brescia. Ireland has set a target of 10 percent electric vehicle penetration (more than 250,000 vehicles) by 2020.34 Another trend spreading across Europe may have gathered some of the same tax money received in other countries.35

### EAST ASIA

Japan, The speed with which domestic automakers Nissan, Mitsubishi, and Subaru are moving forward with the development of electric vehicles has driven Japan to pursue an EV-friendly agenda. The cities of Tokyo and Yokohama have both announced partnerships and pilots with all three automakers.36 The Toyota Electric Power Company (TEPCO) has been exploring EVs in small-scale pilots for several years, and has gathered some of the same tax money received in other countries.37

### EU and International Support

Demonstrations Many countries in Europe and Asia have already invested in demonstrations and infrastructure for GEVs.38

20 “What are LEZs?” European Union, available at www.incovermonitorion.com/what-are-lezs-what-are-the-main-issues-
21 “Quick guide to LEZs,” European Union, available at www. incovermonitorion.com/what-are-lezs-what-are-the-main-issues-
22 “The speed with which domestic automakers Nissan, Mitsubishi, and Subaru are moving forward with the development of electric vehicles has driven Japan to pursue an EV-friendly agenda. The cities of Tokyo and Yokohama have both announced partnerships and pilots with all three automakers.36 The Toyota Electric Power Company (TEPCO) has been exploring EVs in small-scale pilots for several years, and has gathered some of the same tax money received in other countries.37
25 “What are LEZs?” European Union, available at www.incovermonitorion.com/what-are-lezs-what-are-the-main-issues-
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27 “The speed with which domestic automakers Nissan, Mitsubishi, and Subaru are moving forward with the development of electric vehicles has driven Japan to pursue an EV-friendly agenda. The cities of Tokyo and Yokohama have both announced partnerships and pilots with all three automakers.36 The Toyota Electric Power Company (TEPCO) has been exploring EVs in small-scale pilots for several years, and has gathered some of the same tax money received in other countries.37
30 “What are LEZs?” European Union, available at www.incovermonitorion.com/what-are-lezs-what-are-the-main-issues-
31 “Quick guide to LEZs,” European Union, available at www. incovermonitorion.com/what-are-lezs-what-are-the-main-issues-
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China. Developments in China are of special note. Chinese leaders have identified electrification as a high strategic priority on two fronts. First, domestic developments toward GEVs is a relatively straightforward energy security strategy. As the Chinese economy has rapidly expanded over the past several years, oil consumption has increased as well. Between 2000 and 2009, annual oil demand grew at an average rate of 6.7 percent.\(^{46}\) Domestic Chinese oil production, meanwhile, has remained relatively flat, leaving the gap to be filled by increasingly substantial oil imports. Between January 2004 and September 2009, Chinese oil imports grew by 80 percent.

The key driver in rising Chinese oil demand, and therefore imports, has been the transportation sector. In 2007, the International Energy Agency forecast that annual light-duty vehicle sales in China would surpass those of the United States in 2016.\(^{45}\) In fact, it now appears that China accomplished this feat in 2009. Total light-duty vehicle sales through the first three quarters in China were 9.6 million compared to 7.8 million in the United States.\(^{44}\) Importantly, the growth in Chinese auto sales is forecast to continue for decades. Perhaps most important from a U.S. perspective, Chinese political leadership has targeted electric vehicle manufacturing as a strategic industry that will allow it to maintain its global manufacturing dominance.\(^{11}\) China views grid-enabled vehicles as an opportunity to vault their foreign rivals, especially considering that a dominant share of global lithium-ion battery production already takes place in the country. Although the Chinese government is working to develop a domestic EV market, it is becoming clear that the major Chinese automotive firms have their long-term sights planted firmly on the export market.

At an industry conference in Tianjin in early September, Minister of Science and Technology Wan Gang said that given China’s large lithium deposits and extensive battery-manufacturing experience, GEVs are a strategic area of interest, and as a “keydriver for a new economy” will be an opportunity for China to “catch up with and exceed developed countries.”\(^{10}\) China has supported its electrification strategy with credible, long-term public support. In 2009, the central government began an initiative to develop sufficient electric vehicle infrastructure for large scale deployment in the country’s largest 13 cities.\(^{51}\) Wuhan, a city of more than 9 million people, will be the lead city in the project. Wuhan is working with Nissan to develop the infrastructure, and the automaker will provide the city with 600 EVs at no cost.\(^{52}\) This will be followed with infrastructure investments over the succeeding four years in the cities of Shanghai, Beijing, Shenzhen, Chongqing, Changzhou, Jinhua, Dalian, Kunming, Changsha, Nanchang, Changchun, and Hefei, which range in population from 1.1 million to 17 million people.\(^{53}\) The government’s goal is to have installed capacity to produce 500,000 grid-enabled vehicles by 2011.\(^{54}\)

These initiatives are naturally supported by government funding. Ten billion yuan ($1.5 billion) has been set aside to nurture research and development.\(^{55}\) The government is also offering a 60,000 yuan ($8,791) per vehicle incentive and a 500,000 yuan ($72,255) incentive on bus purchases.\(^{56}\) China has provided battery and GEV companies with generous low-interest loans from state banks and has a multi-year technology development program on which it spent $161 million between 2006 and 2008. The State Grid, a state-owned company that controls most electric transmission lines, is planning the construction of charging infrastructure.\(^{57}\)

The projected impact of this growth in vehicle ownership will depend heavily on technology. According to the IEA, based on existing technology and policies, over the coming decades roughly two-thirds of global oil demand growth will occur in China and India. Of the total increase of 21.2 mb/d in the IEA reference scenario, nearly one-third will occur in the Chinese transport sector alone.\(^{47}\) If grid-enabled vehicles and other efficient technologies are deployed in high concentrations, the growth in Chinese oil demand clearly could be curbed, and the need for ever-higher quantities of imported oil could be mitigated.

In addition to energy security concerns, Chinese leadership is also dealing with very tangible consequences of urban pollution. Many cities are already grappling with the effects of high concentrations of air pollution, and China can hardly afford to add nearly 200 million conventional vehicles to its fleet over the next 20 years. Thus China has also identified electrification as a critical environmental sustainability measure that will support future economic growth by providing access to transportation.

Perhaps most important from a U.S. perspective, the government’s goal is to have installed capacity to produce 500,000 grid-enabled vehicles by 2011.\(^{55}\) The government is also offering a 60,000 yuan ($8,791) per vehicle incentive and a 500,000 yuan ($72,255) incentive on bus purchases.\(^{56}\) China has provided battery and GEV companies with generous low-interest loans from state banks and has a multi-year technology development program on which it spent $161 million between 2006 and 2008. The State Grid, a state-owned company that controls most electric transmission lines, is planning the construction of charging infrastructure.\(^{57}\)

\(^{44}\) BP plc, Statistical Review of World Energy 2009, p. 12; SAFE calculations
\(^{45}\) IEA, World Energy Outlook 2007, p. 300.
\(^{48}\) Id.
\(^{49}\) IEA, WEO, p. 98.
\(^{50}\) Id., p. 100.
\(^{52}\) Id.
\(^{53}\) Hürmann (2009).
\(^{54}\) Xinhua, Liu, “In the Name of Green,” Beijing Review, (May 17, 2009).
\(^{55}\) Hürmann, Norbert, “China–Path to Green Cars, Focus to Focus on EVs.”
\(^{56}\) Tech-On, (May 28, 2009), available at techon.nikkeibp.co.jp/english/

**FIGURE AB** CHINESE OIL IMPORTS, MONTHLY

**FIGURE AC** LIGHT-DUTY VEHICLE STOCK BY REGION, HISTORICAL AND FORECAST

**FIGURE AD** INCREMENTAL OIL DEMAND BY SECTOR, 2006–2030
As a result of high oil prices and a growing emphasis on curtaining CO₂ emissions, the year 2009 has seen unprecedented surge in world-wide interest and announcements regarding vehicle electrification. This wave was arguably triggered in 2006 with the unveiling of the Tesla Roadster, a niche electric performance sports car that turned the traditional notion of EVs as ‘dinky’ city cars upside down. The introduction of General Motors’ Volt concept the next year added credence to the idea that electrification was becoming possible. Both of these vehicles captured the public’s attention, adding a cachet that GEVs previously did not possess.

Better Place’s announcements in 2008 that it would partner with Nissan-Renault and establish extensive electric-vehicle charging networks throughout Israel and Denmark made it seem, for the first time, that vehicles and infrastructure were arriving together. Prior to 2009, there had been noteworthy announcements of electric-vehicle infrastructure installations in many countries in Western Europe, East Asia and the United States. Buoyed by these regional announcements, global automakers have become increasingly committed to introducing grid-enabled vehicles. Although the industry’s focus is far from centered on electrification, the current era of rapid GEV promises is unprecedented in the automotive age.

**State of the Global GEV Industry**

With battery technology advancing and firm public policy support in place in many countries, 2009 witnessed a sharp increase in GEV activity globally. High and volatile global oil prices in 2007 and 2008 probably also played a role in spurring consumer interest, but should not be counted on over the long term.

**NORTH AMERICAN AUTOMOTIVE OEMS**

**General Motors**. GM’s Chevy Volt was the first plug-in hybrid vehicle to enter wide-scale production. GM’s strategy for a return to success has in part been based on its high-profile Volt introduction, as well as successive versions of vehicles based on the Volt platform, on which the Volt is based.60

The Volt is an evolution of the plug-in hybrid concept. Whereas the Ford or Toyota versions of the plug-in hybrid can be powered by either their electric motor or their gas engine, GM’s Volt drivetrain only powers the wheels through the electric motor. After the battery reaches the end of its charge depleting mode, which is specified to be approximately 40 miles, the conventional internal combustion engine will start up and act as a generator to maintain the battery charge level, allowing the down-sized engine to continuously operate at peak efficiency.61

During the initial charge depleting mode, the Volt burns no gas at any speed. Rather, it runs only on electricity. The vehicle does not begin to use gasoline until after the battery has reached the minimum state of charge. To highlight this distinction from other plug-in hybrids, GM has dubbed the Volt an extended range electric vehicle, or EREV.62 The company characterizes the IC engine as a “range extender” that is used to extend the range of the vehicle past the 40-mile electric-only range.

**Ford Motor Company**. Ford has produced a line of well-received hybrid models as well as other fuel saving technologies such as EcoBoost. Though it has been testing plug-in hybrid Ford Escapes for several years with utility partners, Ford first promised to introduce commercial PHEV volumes when it appeared with the other Detroit automakers before Congress in 2008 to present their restructuring plans.63

Ford’s restructuring promised a total of three plug-in vehicles to arrive in rapid succession from 2010 to 2012.64 First, it will sell a fully electric version of its smallest car, the Kuga (known in the US as the Escape). This vehicle promised by a major automaker.59 GM’s strategy for a return to success has in part been based on its high-profile Volt introduction, as well as successive versions of vehicles based on the Volt platform, on which the Volt is based.60

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...
ised that the vehicle will be priced competitively with traditional internal combustion vehicles.73

In June 2009, the automaker was one of three recipients of $250 million in DOE loans to develop domestic capacity to produce the LEAF. Nissan directed $850 million of the $8.1 billion award towards retooling its Smyrna, TN vehicle assembly plant and used $815 million to construct an adjacent battery assembly facility.74 In September 2009, Renault unveiled four concept full-electric vehicles and promised to have production versions ready and on the road within two years.75 Notable among these is the Flèche ZE, which features a swappable battery compatible with the Better Place system, discussed later in this appendix.76

Realizing the fundamental problem of consumer EV acceptance without supporting infrastructure, Nissan has established partnerships with municipalities around the world to develop the supporting infrastructure that their vehicles will require. Many of these agreements are focused, well-defined, government-sponsored installation projects. However, outside of the specific regions where the automaker has partnered with Better Place, none of these installations is likely to be sufficient to accommodate broad scale adoption of electric vehicles.

An example of Nissan’s installation projects would be the recent five-city infrastructure development grant the firm received (in cooperation with ECOality) from the Department of Energy. These projects will place up to 1,000 vehicles and just over 2,000 charge points in cities throughout five U.S. regions.78

Toyota. Toyota has aggressively invested in traditional hybrid technology, and the company is taking a cautious footing regarding GEVs. Early in 2009, Toyota announced a plug-in Prius program which would up-size the Prius’ standard battery pack and add a plug.79 Fifty percent of these plug-in Priuses are already being made available internationally in test fleets, with expected market introduction in 2012.80 Additionally, Toyota has promised the introduction of a small city EV by 2012 and has been showing concepts such as the iQ in Frankfurt and the FT-EV II in Tokyo in 2009.81 Concurrent with these vehicle pronouncements, though, Toyota representatives, particularly in the United States, have objected to the notion that plug-in vehicles are ready for the mass market.82

Honda. Honda is a market leader in efficient internal combustion engines and has used a large portion of its research dollars on fuel cells. In recent months, the company has made announcements regarding an electric vehicle introduction some time before 2015.83 However, no details or specifications are yet available of the expected mini-car class vehicle, with which only the hint at the development process coming in the form of the EV-N concept unveiled in a preview to the Tokyo Auto Show in September 2009.84

Mitsubishi. Mitsubishi is one of the companies working on electric vehicle programs.85 Many of the firm’s 10 largest automakers have banded together in an effort are SAIC Motor, FAW Group, Dongfeng Motor, Changan Auto, Guangzhou Auto, Beijing Auto, Brilliance Auto, Chery Auto, Sinotruk Group and Jianghuai Auto.86

Within a few years, Chinese companies, led by BYD, will likely enter the U.S. EV market.87

BYD USA?

BYD recently has made a push to radically ‘green’ their line-up. As part of that effort, the company announced its intention to sell a plug-in hybrid in the United States in 2012.88

In September 2009, Robert “Bob” Lutz announced that he will be taking a stake in BYD Auto, one of China’s largest automakers.89 However, many of these firms showed production-ready electric vehicles during the 2009 Shanghai Auto Show. The firm that has captured the most global attention, however, is BYD of DMi with its own battery factory that has vertically integrated into vehicle production.89

BYD’s sustainability was given a dramatic boost in 2008 with the announcement that investor Warren Buffet had taken a stake in the company.90 In September 2009, Buffet announced that he would be increasing his share.91 In 2008, BYD also announced a battery supply deal with Volkswagen.92

BYD has beaten all American automakers to market with a commercially available plug-in hybrid, currently being sold in China. The company announced in August 2009 that it would aggressively pursue the U.S. market with the FIDM PHV in 2010, earlier than originally planned, and will follow up with a full slate of grid-enabled vehicles.93

Not receiving as much attention, but potentially an even larger development in China’s race to vehicle electrification, is the announcement that the country’s 10 largest automakers have banded together in an EV coalition, called Ti0, designed to rapidly spur research and development while driving down the costs of implementation.94 The 10 companies involved in the effort are SAIC Motor, FAW Group, Dongfeng Motor, Changan Auto, Guangzhou Auto, Beijing Auto, Brilliance Auto, Chery Auto, Sinotruk Group and Jianghuai Auto.95

83 “Mitsubishi reportedly will introduce i-MiEV Production Schoo- by 2013,” Green Car Advisor, (April 28, 2009), available at blogs.eetimes.com/Manufacturers/Mitsubishi/, last accessed on October 22, 2009.
85 “Mitsubishi Li-ion battery pack to power production i-MiEV,” Green Car Advisor, (May 20, 2009), available at blogs.eetimes.com/Manufacturers/Mitsubishi/, last accessed on October 22, 2009.
89 Oliver, Chris, “Warren Buffet looks to electric car in BYD stake,” MarketWatch, (October 9, 2009).
The German automakers as a whole have been slow to begin electric vehicle programs. They have invested in a variety of plug-in-hybrid and electric vehicle concepts or production cars.

Daimler, Daimler has spent a large share of its research and development on electric vehicles. In August 2009, BMW announced that it would phase out its conventional vehicles and focus on electric vehicles. BMW, the luxury division of Bayerische Motoren Werke AG, will phase out its gasoline-powered cars in favor of pure electric models. However, sensing that it was falling behind in the race to develop electric vehicles, BMW has invested a large share of its research and development into electric vehicles. BMW's electric car, the i, is scheduled to appear in 2011. A revival of the Mini brand has been announced, and the electric Mini will follow the introduction of the BMW i3. The i3 will be an electric vehicle based on the existing small A-class platform. The first of these will be a four-seat city EV. As recently as May 2009, the vehicle was set to debut in 2015. However, sensing that it was falling behind in the race to produce electric vehicles, BMW has since moved that date forward to 2012.

Volvo, Volvo has set the pace in the electric vehicle industry, revealing plans to sell a plug-in hybrid diesel vehicle version of its new C30 in 2012, and has been public with its consideration of adding a pure electric option to the same vehicle. The company has committed to translating its unique focus on safety to the electric vehicle.

VEHICLE START-UPS AND INNOVATORS

As the notion of impending electric vehicles has become widely accepted, a number of new, small automakers have quickly appeared. These efforts are in large part supported by the relative simplicity of a basic electric vehicle design compared to the outright complexity of an internal combustion engine and transmission.

Tesla Motors, Tesla has dominated media coverage (and consumer awareness) of EVs since its founding in 2007. Since beginning deliveries of the Tesla Roadster in 2008, the company has sold more than 500 of the cars, with another 15,000 on order from its founding. The company's strategic goal has been to sell a high-end premium sports car and use the cash generated from that high-priced product to fund development of a full range of pure electric vehicles. The first follow-up vehicle to the Roadster will be the Model S sedan, expected in 2013.

A cash infusion from Daimler in May 2009, and another larger investment in September 2009 by a group of investors, including again Daimler, helped solidify Tesla's financial footing. If it continues to thrive, Tesla would be the first successful American start-up to make a profit.
car company in more than 85 years.124 Uniquely in the automotive industry, Tesla has decided not to franchise dealerships, but to own all dealers, thereby controlling the entire consumer experience.

Thin Global. Thin Global has a relatively long history in the grid-enabled vehicle space. After more than 10 years as a start-up, Ford purchased Thin Global (formerly PIVCO) in 1999, and the company produced more than 1,000 electric vehicles that year, making it one of the biggest players in GEV manufacturing.125 After being spun-off in 2004 to European investors, the company struggled until re-emerging in 2004 to design the ThinCity car.126 In 2007, the first City EVs began rolling off the assembly line in Norway, but the automaker again found itself in financial distress at the end of 2008. After settling its debts in August 2009, the now Norwegian-owned company is manufacturing a new generation of the Thin City car, a compact electric sedan with a 100 km range and a top speed of 100 km/h.127

Fisker Automotive. Helmed by Henrik Fisker, a former designer at BMW and design director at Aston Martin, Fisker Automotive is one of a rare breed of start-ups choosing to develop a plug-in hybrid electric vehicle rather than a pure EV. The company is leading with performance sports cars, the Fisker Karma, which is due in 2010. In October 2009, Fisker announced it would spend $18 million for a former General Motors assembly plant in Wilmington, Delaware, and spend an additional $175 million over the next three years to refurbish and retrofit the factory for the production of electric vehicles. Funding for the deal will come from a conditional loan of $528 million from DOE. Company officials said the plant would assemble as many as 100,000 of the cars each year and employ about 1,500 workers.128

Coda Automotive. Coda’s plan is to import electric vehicles from a Chinese manufacturing partner and begin selling them in California in 2010.129 The firm is left validly from its high-profile board of directors and advisors, which includes several former Goldman Sachs executives as Kevin Czinger, Steven Heller, and former Secretary of Treasury Henry Paulson.130

Bright Automotive. Bright Automotive has taken a different approach than Coda, choosing to manufacture its vehicles in the United States. Bright has focused squarely on the fleet market, developing the Bright IDEA, a PHV delivery van that is expected to ship in 2012, depending on the availability of Department of Energy loans.131

NORTHER AMERICAN BATTERY OEMS

The key to making electric vehicles for the mass market is the development of a cost-effective, high energy battery. The earliest EVs used batteries with lead acid and nickel metal hydride chemistries, neither of which have especially good energy density. Energy density—the measure of how much energy capacity the battery has versus its weight—is the key characteristic that determines the electric-only driving range of any grid-enabled vehicle, a primary attribute for consumer acceptance.

Current state-of-the-art battery chemistry—and the vast majority of research and development money for large format batteries appropriate for electric vehicles—is based on lithium-ion. In fact, it is likely that worldwide investment in lithium-ion battery production will result in over-capacity through 2013. The transportation sector has been forecast to grow from essentially no lithium-ion battery demand in 2009 to more than $30 billion in demand by 2020, as lithium-ion becomes the dominant battery chemistry for not only grid-enabled vehicles, but also traditional hybrid-electric vehicles as well.132

As hybrid-electric vehicle manufacturing has grown up with the consumer electronics industry in Asian countries, American lithium-ion battery manufacturing has been relegated inconsequential. In an effort to reclaim a leadership role, the Department of Energy announced grants in August 2009 to spur emerging leading battery manufacturers.133

Johnson Controls. Johnson Controls was the single largest DOE grant recipient of nearly $830M for domestic advanced battery manufacturing and infrastructure development. As noted earlier, through its joint venture with Saft, Johnson Controls-Saft has been a long-time supplier of the lithium-ion battery system for Ford’s PHEV production program. They are the supplier for the previously discussed Mercedes S400 BlueHybrid, the first vehicle brought to market with a lithium-ion battery. Their technology will be subsequently introduced in late 2009 for BMW, in addition to other commercial vehicle programs. Their first US manufacturing plant will come online next year to support Ford, Azure Dynamics, and Daimler.134

A123 Systems. A123, a spin-off from an MIT research project, received $249 million to establish battery production in the United States.135 To date, the company’s primary automotive assembly facilities have been located in Asia.136 A123 has been announced as the strategic battery supplier for Chrysler and has also been consistently in the running to develop batteries for GM’s forthcoming grid-enabled vehicles.137, 138 The firm’s initial public offering in September 2009 was an immediate success, with shares price doubling on the first day of trading.139 The offering was heralded as a bellwether for clean energy stocks in a rebounding economy.140

Others: Dow Kokam is a joint venture between Dow Chemical Company and Townsend Kokam to produce lithium-polymer batteries.141 Compact Power, the domestic division of parent LG Chem, was chosen to produce the first generation of batteries for the Chevrolet Volt.142 EnerDel was a battery manufacturer in Indiana that is aggressively increasing capacity and has been announced as the supplier for Think Automotive.143

EAST ASIAN BATTERY OEMS

Today’s lithium-ion battery market is dominated by consumer electronics applications, where major players supply nearly half all of production. Panasonic and Samsung.144 Both of these manufacturers are based in Asia, as is over 88 percent of all lithium-ion battery production.145 The main hubs for battery production are Japan, China, and South Korea.146

135 “A123 Systems Goes Public As (Once-AONGO),” Wealth Daily, (September 23, 2009), last accessed on October 22, 2009.
Although producers of batteries for consumer electronics typically develop and sell their products without any outside partnerships, the emerging landscape for large-scale automotive batteries is markedly different. Nearly every major battery manufacturer has established some sort of joint venture or partnership with either an automotive OEM or one of their Tier 1 suppliers.

Panasonic. Panasonic has developed a joint venture with Toyota to produce that automaker’s batteries for all electric applications.145

Samsung. Samsung has entered into a battery production joint venture with Bosch, one of the largest automotive suppliers in the world, to create SB LiMotive.146

BYD. Unique among the battery manufacturers is China-based BYD (previously discussed on page 163). Whereas most automotive OEMs are clearly signaling that they believe a secured supply of lithium-ion batteries is of strategic importance and have formed partnerships up the value chain to secure that supply, BYD has taken the opposite approach. The firm began as a battery manufacturer and has since moved down-stream into automotive production.

EUROPEAN BATTERY OEMS

Estonik. Estonik has joined with Daimler to establish a joint venture called LiTee Battery.

INFRASTRUCTURE

Of course, as automakers begin to roll out grid-enabled vehicles, they will be relying on an entirely new industry to ensure that the infrastructure to support the vehicles is ready. A new landscape of charge point manufacturers and operators is quickly developing.

EUROPEAN INFRASTRUCTURE PROVIDERS

Better Place. Better Place aims to be a complete end-to-end provider of the electric mobility experience for consumers. The company envisions dense urban clusters of pure EVs blanketed by charge spots in front of homes, offices, shopping centers, and anywhere vehicles pause.151 Along major arteries connecting cities, Better Place proposes to construct battery replacement stations that can remove a depleted battery and replace it with a fully charged unit in less time than a typical gasoline fill-up.152 As a network operator, Better Place’s interaction with consumers would closely resemble the mobile phone model. It intends for consumers to purchase their car as normal, but Better Place will own the vehicle and provide the electricity for charging. Similar to buying cell phone minutes, consumers will buy miles from Better Place.153 Drivers who accumulate enough miles may even have their vehicle purchase subsidized by Better Place, just as mobile phone providers subsidize customers’ hardware purchases today.

The Better Place strategy attempts to identify the barriers to consumer adoption of EVs and integrate solutions into their business model that remove each of those barriers. Consumers fear being stuck without a charged battery, and Better Place will provide ample refueling infrastructure and the occasional battery swap to alleviate this concern. Consumers fear being saddled with expensive batteries that underperform or are obsolete, and Better Place, by assuming ownership of the batteries, has eliminated the concern. Finally, to counter claims that EVs simply shift carbon emissions from the tailpipe to dirty coal-powered plants, Better Place has committed to purchasing electricity exclusively from renewable sources.

There are many skeptics of Better Place’s business model, most notably surrounding the feasibility of battery swapping, which could require automakers to standardize battery formats across vehicle platforms and manufacturers.154 Better Place must also be invested in extra (expensive) battery capacity. Better Place has already purchased their first two electric vehicles, and its business model will soon be put to the test—it is rolling out its taxi demonstration project in Japan155 and complete systems in Israel and Denmark that should be online by 2012.156

ECOTality. ECOTality’s heritage in the EV charging industry comes from a history of developing fast-charging systems for industrial material handling under the eTec brand.157 The company has utilized that expertise in developing charge point equipment for EVs. Nissan had already announced a partnership with eTec to develop recharging infrastructure stretching from Phoenix to Tucson, AZ when DOE awarded $4 million to the two companies to create infrastructure (and deploy Nissan LEAFs) in five separate American regions.158

Coulomb Technologies. Coulomb is another charge point manufacturer start-up that has received a good deal of attention, largely by installing small numbers of chargers in relatively high profile locations. In early 2009, Coulomb publicly unveiled three charging stations in San Francisco in front of city hall.159 In April of the same year, it installed a solar-powered charge station in Chicago as a piece of that city’s International Olympic Committee bid.160 Since then, it has showed off installations with corporate customers, including Sierra Nevada Brewing Company, Rampart Casino & Resort, McDonald’s, and Element Hotels, as well as continuing to work with municipalities such as Somalia, CA, Nashville TN, Hillsboro, OR, and Amsterdam, Netherlands.161

Coulomb’s strength lies in its network capability. Its business model concentrates on selling hardware to businesses and municipalities while maintaining a central network that manages the consumer interface with the chargers. GEV owners can purchase a membership from Coulomb that provides them access to any of the company’s chargers. Coulomb then administers customer validation, payment processing, and charge point location availability. Incidentally, Coulomb was also named as a partner in the development of ECOTality’s Department of Energy application and is expected to play a part in their infrastructure project.

Others. Clipper Creek has been a manufacturer of charging hardware for the Tesla Roadster, and provided the home charging points for the BMW Mini E project.162 Shore Power has built on its truck-stop electrification business to produce GEV charge points and has installed a handful in Oregon.163 AEVIRONMENT, whose core business is in battery-powered unmanned aerial vehicles, was announced as Nissan’s partner for establishing an infrastructure network in Washington, D.C.164

EUROPEAN INFRASTRUCTURE PROVIDERS

Elektromotive. Elektromotive is the only charge point manufacturer in Europe with an installed base, and is being used commercially. The company has more than 150 Elektrolys deployed throughout the
United Kingdom, concentrated largely in London.163 The company is exporting charge stations throughout Europe and has received a large order from a research university in Saudi Arabia.164 Although it is a small, private firm, Elektromotive has a fortuitous location in the backyard of London, one of the world’s leading EV cities.

**ELECTRIC POWER SECTOR INTERFACE**

To make any large deployments of infrastructure feasible in their interaction with the grid, the functioning of the hardware must be intelligently coordinated with grid operations. Few companies are focused solely on making this happen. Many smart grid developers—such as GE, Cisco, and Silver Spring Networks—may be capable, but none have chosen to focus on GEV infrastructure deployment. GridPoint is the lone exception. In 2008, GridPoint acquired V2Green, and in 2009 it announced partnerships with Coulomb and ECOtality to develop the intermediate layer of software that will enable the smooth introduction of GEVs onto the grid.165 166

Large installers of electrical transmission and distribution equipment are now beginning to recognize the opportunity that may come with EVs, both in terms of their existing operations and new downstream opportunities. Both Eaton and Siemens have publicly announced development projects.167 Although GE and ABB are pushing smart grid development, they have thus far been largely absent in the electric vehicle arena.

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Advanced Transmission
Electricity distribution that employs digital metering to improve provider communication and monitoring capability as well as permit the efficient management of power flows, especially from variable renewable sources.
Ampere
A measure of electrical current which represents a flow of one coulomb of electricity per second.
ARRA 2009
Battery-Electric Vehicle (BEV)
A type of electric vehicle (see below) that is propelled by an electric motor and uses the chemical energy stored in on-board batteries to power the motor.
Blended Mode
In a hybrid-electric vehicle, operating in blended mode uses both an electric motor and a gasoline engine operating simultaneously and in conjunction to power the vehicle's drivetrain.
Carbon Dioxide Equivalents
The amount of carbon dioxide by weight emitted into the atmosphere that would produce the same estimated radiative forcing as a given weight of another radiatively active gas.
Direct-Injection Transmission
A means of increasing power output and fuel efficiency in internal combustion engines. Gasoline is directly injected into the combustion cylinder, as opposed to fuel injection, when it is injected into the air intake.
Drivetrain
Also called the powertrain, the set of components for transmitting power to a vehicle's wheels, including the engine, clutch, torque converter, transmission, drive shafts or axle shafts, U-joints, CV-joints, differential and axles.
EISA 2007
Electric Motor
Transforms electrical energy into mechanical energy. In a grid-enabled vehicle, the electricity is supplied by the battery.
Extended-Range Electric Vehicle (E-REV)
Sometimes called series or serial plug-in hybrids. E-REV's are electric drivetrain vehicles that rely on an electric motor to provide power to the drivetrain but which also include a gasoline internal combustion engine serving as an electrical generator to either provide electricity to the vehicle's electric motor (supplementing the battery's stored power) or to maintain the battery's state of charge as it nears depletion. The gasoline engine is not used to directly provide mechanical energy to the drivetrain.
Electric Vehicle (EV)
A vehicle propelled 100 percent by an electric motor, which forms part of an electric drivetrain.
Electric Vehicle Miles Traveled (EVMT)
The number of electric miles traveled nationally for a period of 1 year.
Electric Mile
For an electric vehicle, an electric mile is any mile in which the vehicle is propelled by an electric motor. For PHEVs or E-REVs, an electric mile is the total miles traveled multiplied by the percent of total power provided by electricity from the grid.
Electric Vehicle Supply Equipment (EVSE)
The hardware of electric vehicle charging infrastructure, including public charging stations and wall- or pole-mounted home vehicle chargers.
Fuel Cell
A device capable of generating an electrical current by converting the chemical energy of a fuel (e.g., hydrogen) directly into electrical energy. Fuel cells differ from conventional electrical cells in that the active materials such as fuel and oxygen are not contained within the cell but are supplied from outside.
Full Hybrid
Hybrids that provide enough power for limited levels of autonomous, battery-powered driving at slow speeds. Efficiency gains range from 25 to 40 percent.
Generator
Converts mechanical energy from an engine into electrical energy.
Grid-enabled Vehicle (GEV)
Electric or hybrid-electric vehicles that can be plugged directly into the electric grid to recharge onboard batteries.
Key to Terms
IC Engine
An engine that produces power by combining liquid fuel and air at high temperature and pressure in a combustion chamber, using the resulting gas expansion for mechanical energy. Conventional vehicle IC engines use two-stroke or four-stroke combustion cycles, which combust intermittently.
IDC
An oil company that is fully or majority owned by private investors.
Kilowatt (kW)
A unit of power equivalent to 1000 watts, 1000 joules per second or about 1.34 horsepower.
Kilowatt-hour (kWh)
A unit of energy or work defined as the amount of energy released if work is done at a constant rate of 1 kW for 1 hour, equivalent to 3.6 megajoules. Commonly used to bill for the delivery of electricity.
Light-duty vehicle (LDV)
An automobile or light truck, including passenger cars, minivans, cross-over vehicles, sport utility vehicles (SUVs) and trucks with gross vehicle weight less than 8,500 pounds.
Load
The amount of power (sometimes called demand) consumed by a utility system, individual customer, or electric device.
Mild Hybrid
Hybrids that only stop the engine during idle (while still running heat, A/C etc.), and instantly start it when the vehicle is required to move, providing efficiency gains in the 5 to 10 percent range.
NOC
An oil company that is fully or majority owned by a national government.
Original equipment manufacturer (OEM)
A company that produces a product designed for the end user, whether a consumer or another manufacturing firm. For example, an automotive OEM sells vehicles to consumers, typically through a dealer network; however a battery OEM may sell batteries only directly to automotive manufacturers.
Parallel Hybrid
Hybrids that have an IC engine and electric motor that both provide torque to the wheels. In some cases, the IC engine is the predominant drive system with the electric motor operating to add extra power as required. Others can run with just the electric motor driving.
Peak Demand (or Load)
The greatest electricity demand that occurs during a specified period of time.
Plug-In Hybrid Vehicle (PHEV)
A form of HEV that generally has larger batteries, allowing it to derive more of its propulsion from electric power than from the IC engine. PHEVs are, as a result, far more efficient in their use of energy than typical HEVs. These batteries can be recharged by connecting a plug to an external electric power source.
Power Inverter
An electronic device that converts direct current (DC) into alternating current (AC) or AC into DC.
Powertrain
See drivetrain.
Residual Battery Value
The value of a battery established by the market after it has completed its primary purpose service life.
SAE J1772
The standard governing the design and characteristics of a conductive coupler for electric vehicle charging as recommended by the Society of Automotive Engineers (SAE). The protocol covers physical, electrical, communication, and performance requirements, and is designed to allow two conductors at varying voltage levels to cover two conductors at varying voltage levels.
Series Hybrid
A vehicle which has an IC engine and electric motor, but only the electric motor provides torque to the wheels. A series hybrid is therefore essentially an electric vehicle with a fossil fuel recharging system on board. Both sources of power can be used if necessary.
Spoke Oil Production Capacity
The amount of dormant oil production capacity which could theoretically be brought online within 30 days and which can be sustained for 90 days. Generally, only OPEC members maintain spare production capacity.
Total Cost of Ownership (TCO)
A measure of the entire undiscounted cost associated with the purchase, maintenance, usage, and disposal of a product spread evenly over the expected service life.
Transformer
A device that transfers electrical energy from one circuit to another, converting electric energy from one voltage to another, performing the step-down or step-up necessary to enable high voltage, low current transmission, minimizing losses over long distances.
Transmission
Interconnected group of lines and associated equipment for the movement or transfer of electric energy between 25 points of supply and points at which it is transformed for delivery to customers or is delivered to other electric systems.
Vehicle Miles Traveled (VMT)
The number of miles traveled nationally by vehicles for a period of 1 year.
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Securing America’s Future Energy (SAFE) is a nonpartisan, not-for-profit organization committed to reducing America’s dependence on oil and improving U.S. energy security in order to bolster national security and strengthen the economy. SAFE has an action-oriented strategy addressing politics and advocacy, business and technology, and media and public education.

Since 1976, PRTM has created a competitive advantage for its clients by changing the way companies operate. The firm’s management consultants define the strategies and execution required for transformational change, through operational experience across industry value chains and extensive work within the public sector. PRTM has 19 offices worldwide and serves major industry and global public sectors.
The Electrification Roadmap is a comprehensive report that outlines a vision for a fully integrated electric drive network in the United States. The report examines the challenges facing electrification, including battery technology and cost, infrastructure financing, regulatory requirements, electric power sector interface, and consumer acceptance issues. The Roadmap provides policymakers and business leaders with a framework for overcoming these challenges in order to drive meaningful reductions in U.S. oil dependence.