



# THE BUCKEYE INSTITUTE

## **Testimony on Electric Vehicle Policy Implementation Plan Before the Arizona Corporation Commission**

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Chairman Burns and commissioners of the Arizona Corporation Commission, thank you for the opportunity to testify today regarding the proposed policy that will allow Arizona's public utilities to build charging stations for electric vehicles.

My name is Andrew J. Kidd. I am an economist with the Economic Research Center at **The Buckeye Institute**, an independent research and educational institution—a think tank— whose mission is to advance free-market public policy in the states. I am also a co-author of ***It Ain't Easy Being Green: A Cost-Benefit Analysis of Electric Vehicles in Arizona***, a report that we released with the Arizona Free Enterprise Club in order to provide policymakers with a clearer picture of policy incentives and the true costs and benefits of electric vehicle ownership. Our findings are similar to what the **literature has found** and illustrate the fact that Arizona does not need more electric vehicle incentives, especially one that could cost ratepayers across the state more in monthly energy bills.

Arizona's electric vehicle—or EV—owners currently benefit from a surplus of state and federal subsidies, including tax credits, reduced vehicle license taxes, and rate discounts for charging at off-peak hours. But for every \$17 spent in subsidies, Arizonans reap just \$1 in social benefits, such as lower healthcare costs and less pollution. This result is not unique. Other **researchers also report** that the amount in federal and states subsidies given out greatly exceeds the amount of benefits gained from the purchase of an EV. In many metropolitan areas throughout the country, thousands of dollars in subsidies are given out with little to no benefit in increased EV use. Thus, increasing electric vehicle use through this proposal will likely provide only a marginal benefit at best.

Allowing public utilities to build electric vehicle charging stations is a solution in search of a problem. Arizona suffers no shortage of charging stations and private suppliers are more than keeping pace with demand for charging stations with one public charger for every 12 electric vehicles on Arizona's roads. To put that ratio in context, Arizona has one gas station pump for every 249 gas-powered vehicles—but no one is suggesting that the state must subsidize gas station construction to overcome a gas pump “shortage.” The private sector continues to respond to market demands as businesses utilize public chargers to attract new customers.

Unfortunately, the current policy proposal is also highly regressive insofar as it directly benefits EV-owning households, who disproportionately earn more than \$100,000 a year, at the expense of low- and middle-income families, who usually do not drive EVs and pay proportionately more of their income on their energy bills. The proposed policy encourages public utilities to recoup construction costs by increasing electricity rates on all ratepayers, even those who may never use an EV charger, and thus will effectively and regressively take money from lower income families to support the buying preferences of the more affluent EV drivers.

In addition to creating a regressive subsidy program for ratepayers, Arizona's EV policy proposal will advantage public utilities to the disadvantage of other EV charging station providers. Because the utilities can raise electricity rates on all their ratepayers in order to recoup their charging station construction costs, they would enjoy a government-sanctioned market advantage over private firms and local businesses that must risk their own capital and attract EV customers if they want their charging stations to be profitable.

Finally, the current proposal creates a dangerous precedent for utilities. Arizona should be careful before allowing public utilities to build amenities that they have interest in owning or operating profitably, but may choose to do so simply because the state allows them to recoup costs by raising rates across-the-board. Policies that artificially distort competitive markets and that are designed to benefit the few at the expense of the many rarely prove successful in the long run. Charging station companies can specialize in developing new technologies, such as faster chargers, and can adapt as the EV market shifts by more quickly building chargers where there is increased demand.

Arizona should pursue less regressive, less disruptive policy solutions for their public utilities and electric vehicle owners. The state can encourage utilities, for example, to expand their off-peak charging incentives to benefit EV owners without burdening non-EV owners. Furthermore, if Arizona allows public utilities to build public EV chargers, the construction costs for those chargers should be paid only by the charging station users and not the general public. Such a requirement would be consistent with “time-of-use” and membership access fee structures already used at some EV charging stations and even discount gasoline stations.

Sound electric vehicle policy must account for the true costs and marginal social benefits that electric vehicle ownership actually entails. Arizona should avoid costly and unfair subsidy structures that will financially harm non-EV owners and will risk distorting the competitive private sector market that can and will supply EV drivers with all the recharging services they require.

Thank you for your time and consideration. I welcome any questions that the Commission might have.

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# GOOD INTENTIONS WITH BAD OUTCOMES

## » THE PROBLEM

Low and middle-income Arizonans are subsidizing wealthier Arizonans who can afford more expensive electric vehicles. A new Arizona government proposal would increase subsidies for wealthier Arizonans by allowing public utility companies to pass on the costs of building charging stations to utility company customers — including those who don't own or can't afford electric vehicles for themselves.



## HERE'S WHY SUBSIDIES DON'T WORK

### THEY'RE WASTEFUL

EVs provide a relatively small benefit.

For every \$17 spent on EV subsidies, Arizonans gain only \$1 in benefits.



### THEY'RE UNFAIR

Low-income people who can't afford to buy electric cars are subsidizing higher-income individuals.

More than 83% of federal EV subsidies go to households earning more than \$100,000.

Electric car owners don't pay their fair share for the roads they drive on.

On average, EV owners pay \$500 less each year than non-EV owners for road maintenance.

### THEY'RE UNNECESSARY

Arizona already has plenty of charging stations.

There is already a charging station for every 12 electric cars in Arizona - compared to the 249 gas-powered cars per gas pump.

Arizona already has plenty of electric vehicle subsidies.

EV owners already get federal subsidies worth up to \$7,500, plus others from the state.

## POLICY SOLUTIONS THAT ACTUALLY WORK



**Promote free-market policies to encourage EV adoption.** Public utilities should reward off-peak charging to promote EV ownership.



**Make the costs of charging stations a true user fee.** Public utilities should not be able to increase the utility bills of Arizonans to build charging stations that only benefit EV owners.



**Encourage competition to lower costs of EV charging stations.** By encouraging more competition and avoiding crony capitalism, private companies will have an incentive to build more charging stations without unfairly increasing people's utility bills.

#### ABOUT THE RESEARCH:

*It Ain't Easy Being Green: A Cost-Benefit Analysis of Electric Vehicles in Arizona* was authored by the Economic Research Center. The research was conducted using a cost-benefit analysis developed by economists at the Economic Research Center that analyzes the private and social costs and benefits associated with vehicle ownership in Arizona.



***About The Buckeye Institute***

*Founded in 1989, The Buckeye Institute is an independent research and educational institution – a think tank – whose mission is to advance free-market public policy in the states.*

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