

California's struggling 'hydrogen highway' plan gets new life -- and drivers will pay

Paul Rogers, Bay Area News Group, 10-12-13

In what may be California's last chance to build a "hydrogen highway" lined with thousands of high-tech vehicles emitting nothing but water vapor from their tailpipes, Gov. Jerry Brown has approved a plan to construct 100 hydrogen fueling stations across the state by 2024.

However, it comes with a catch. Motorists -- not oil companies -- will pay for it.

Only a year ago, the California Air Resources Board required Big Oil to pay for the new stations. But after oil companies threatened to sue, Brown agreed to a compromise in which the costs of building hydrogen stations will be shifted to car owners through existing vehicle registration fees.

Supporters of the new plan, which Brown signed into law Sept. 28, note that major automakers such as Toyota have announced that they plan to finally begin selling hydrogen-powered cars in California showrooms starting in 2015.

And although the state could have battled the oil industry in court, lawmakers say, that would have taken years - and vehicles would have gone unsold with almost nowhere to refuel.

"There was a lot of uncertainty," said state Assemblyman Henry Perea, D-Fresno, who wrote the bill that Brown signed. "This is a compromise that allows us to actually get the hydrogen infrastructure built."

Critics, however, say the deal sets a bad precedent.

"They let the oil companies off the hook," said Kathryn Phillips, director of Sierra Club California.

Perea's measure, Assembly Bill 8, also extends several existing fees on vehicle registrations that fund programs to reduce air pollution. The programs, originally set to expire by 2016, will be continued until 2024.

Their fees range from \$3 on vehicle registrations to \$8 for a "smog abatement fee" on newer vehicles; roughly \$180 million is raised per year. The money pays for state programs that fund everything from electric vehicle charging stations to converting city bus fleets from diesel to natural gas.

Perea's new law requires the California Energy Commission to distribute \$20 million a year of the fees to companies willing to build hydrogen stations. Since each station costs about \$2 million, about 100 could be built in 10 years.

Currently, only nine hydrogen stations are open to the public in California. Just one, at AC Transit's lot in Emeryville, is in the Bay Area. The rest are in Southern California.

The auto industry says building more stations is critical.

"We need a practical way to get stations built," said Jana Hartline, a Toyota spokeswoman. "The end game is not so much who is going to put up the chicken or the egg, but that the chicken lays it. Customers need to be able to fuel their vehicles."

Only about 300 hydrogen fuel cell cars now cruise California's highways. The Honda Clarity, a sedan, and the Mercedes-Benz F-Cell wagon are leased to a few dozen Southern Californians. Many of the others are in fleets or demonstration projects.

However, Toyota proved with its popular hybrid Prius that California motorists are interested in alternative vehicles. In two years, the company plans to sell a hydrogen-powered sedan with a range of more than 300 miles for roughly \$50,000.

Hyundai, BMW, Nissan, Honda and Mercedes also are all moving forward with hydrogen vehicles.

The Sierra Club's Phillips said she worries that, as a result of this deal, when the air board passes other rules that industry doesn't like, big business will marshal lobbyists and undo the rule with Sacramento horse-trading.

A strange bedfellow -- the Howard Jarvis Taxpayers Association -- also opposed Perea's bill.

"The only opposition came from the extremes -- the Howard Jarvis folks on the extreme right and the Sierra Club on the extreme left," Perea said. "That's a testament to the fact we had a broad base of support."

Supporters of the bill included the Environmental Defense Fund, California Trucking Association, the California Farm Bureau Federation, Tesla Motors and the Silicon Valley Leadership Group. Backing from the Western States Petroleum Association -- which hatched the idea for the compromise with the Air Resources Board in December -- and other business groups helped win the votes of some Republican lawmakers. That led to a two-thirds majority required to approve or reauthorize fees.

The "hydrogen highway" idea has had a long, bumpy ride. It was first unveiled in 2004 when former Gov. Arnold Schwarzenegger filled up a hydrogen-powered Toyota Highlander at a news conference at UC Davis and announced plans to build 50 to 100 hydrogen stations in California by 2010.

The plan failed. Schwarzenegger had called for a public-private partnership, but he never checked with oil companies first. They didn't want to build the stations.

Brown took a different approach. In January 2012, his Air Resources Board passed a rule forcing oil companies to build the stations. They threatened to sue. One Valero executive said his company objected "to being forced to fund its own demise."

Also, private owners, not refiners such as Chevron and Shell, own most gas stations, said Tupper Hull, a spokesman for the Western States Petroleum Association, making the mandate to build hydrogen stations even more questionable.

"It was our view that the regulation exceeded the air board's legal authority," he said.

Hence, the compromise.

"You have to look at the bigger picture. It's not about letting one industry off the hook," said Bonnie Holmes-Gen, a senior director with the American Lung Association of California. "It's a practical solution to get benefits now. We're moving away from dirty fuels."