Ceres

Sustainability is the bottom line.

Ceres report: U.S. automakers reduce risk and enhance competitiveness, and suppliers win under strong MPG standards

Maintaining strong national fuel economy and emissions would make U.S. automakers more globally competitive, and provides a cost-effective "insurance policy" against future fuel price shocks for automakers. Moreover, retaining the standards is in the economic interest of automotive suppliers, regardless of whether gas prices rise or fall. That's according to an updated policy brief commissioned by Ceres and produced by independent automotive industry analysts.

The Detroit Three profit regardless of fuel prices.

The analysis, which looked at four potential gas-price scenarios, found that the Detroit Three, General Motors, Ford and Fiat Chrysler, would be profitable in all of them. Even if gas prices sink to $2.08 per gallon, the analysts found, the shift toward more lucrative sales of trucks and full-size SUVs would allow automakers to offset most of their compliance costs and maintain profitability.

Standards provide a hedge and boost resilience.

If gas prices spike, strong fuel economy standards ensure that the Detroit Three will still field a mix of vehicles that meets higher consumer demand for fuel-efficient vehicles, preserving their market share. Current standards also provide the Detroit Three with an incentive to put more products on global platforms, which reduces their costs by increasing economies of scale.

Standards increase fuel-efficient tech sales by suppliers.

If current standards are left in place, suppliers gain approximately $91 billion in increased sales between 2014-2025. That's important, because suppliers employ 2.6 times more Americans than the automakers do.

If fuel economy standards are frozen at 2020 levels or weakened, U.S. suppliers and automakers would lose out.

If the standards are frozen at 2020 levels, suppliers could lose $20 billion between 2021-2025 in sales of fuel efficient technologies, even under low fuel prices.

If the standards are frozen or weakened, the Detroit 3, which are already lagging in fuel economy compared to their global competitors, would fall further behind. If fuel prices spike, they would also lose sales, profits and market share.

Consistent standards provide market certainty and protect investments.

Regulatory certainty is valuable to the auto industry, especially the Tier One suppliers, who are making the majority of fuel-saving technology investments in research, development and production capacity; the standards will allow them to realize returns on their investments and avoid stranded costs.

Regardless of fleet mix, strong standards deliver more MPGs.

National fuel economy standards are footprint-based, which means that miles-per-gallon requirements are lower for bigger vehicles. So no matter the mix of cars, trucks and SUVs sold, automakers will still be able to meet the standards – and Americans can buy more efficient vehicles, no matter what kind of vehicle they choose to drive.

Ceres is a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges, including climate change, water scarcity and pollution, and human rights abuses. For more information, visit www.ceres.org.

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