

# EO 12866 Meeting Re: Proposed 2027 and Later CAFE Standards

June 12, 2023



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# Key Issues for CAFE Rulemaking

- **Transition to Electric Vehicles (EVs)**
- **Regulatory Alignment and Support for EV Transition**
- **Electric Vehicles in CAFE Standard-Setting**

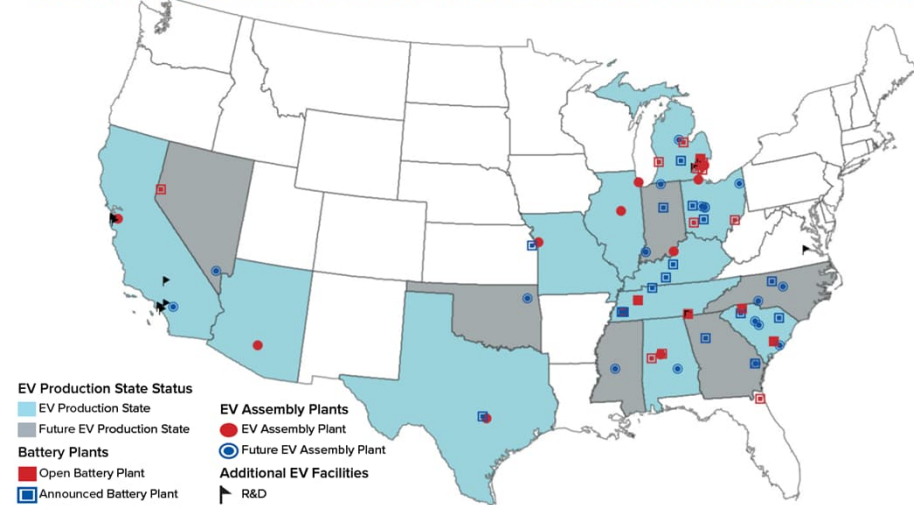
# Transition to Electric Vehicles

# The Future Is Electric

**With the right complementary policies in place**, the auto industry is poised to accept the challenge of driving EV purchases to between 40 and 50 percent of new vehicle sales by the end of the decade.

*-Auto Innovators (Aug. 5, 2021)*

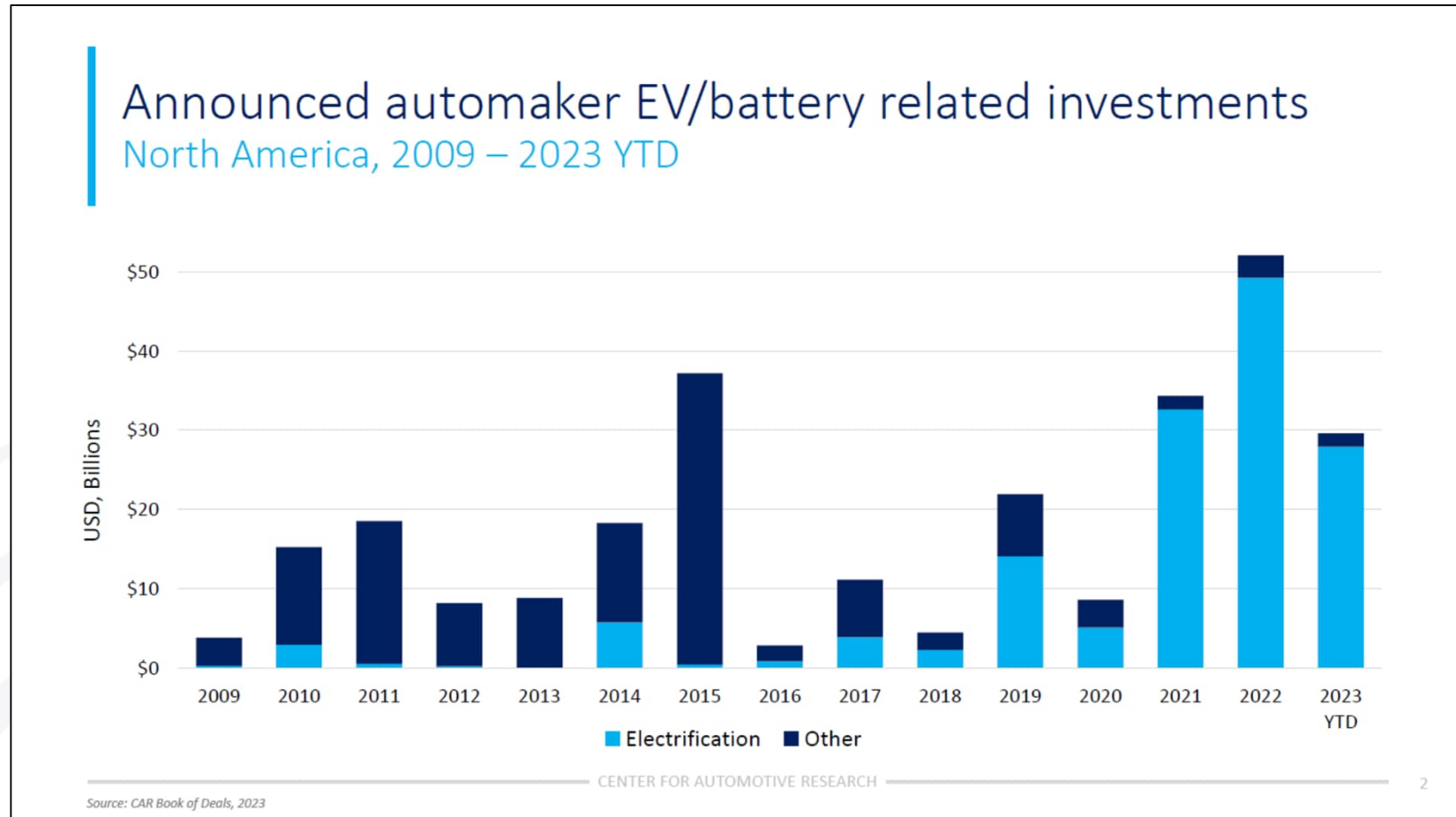
**ELECTRIC VEHICLE & BATTERY PRODUCTION AND R&D LOCATIONS**



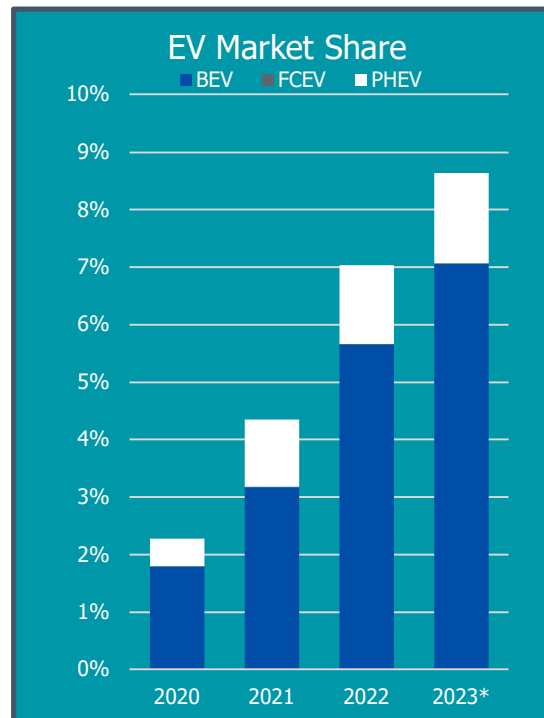
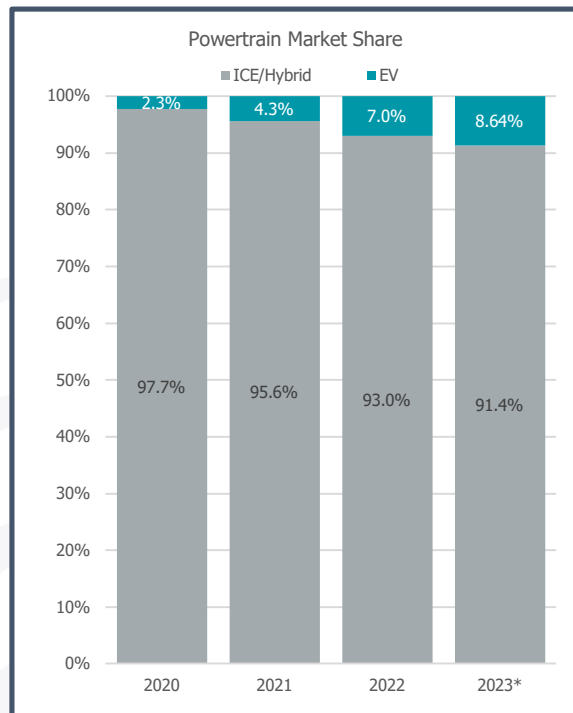
- \$115+ Billion in U.S. Investment by autos and battery partners since 2017
- \$1.2 Trillion Global EV Investment by 2030
- Battery manufacturing capacity set to grow 424% by 2025

<https://www.autosinnovate.org/posts/communications/The%20Future%20Is%20Electric%20Infographic>

# Recent Investments are Heavily Focused on EVs



# What are customers buying?



## EV MODEL AVAILABILITY

### 97 Vehicle Models Sold in Q1 2023:

#### 55 Battery Electric Vehicles

- 20 Cars
- 29 Utility Vehicles
- 4 Pickups
- 2 Vans

#### 40 Plug-in Hybrid Vehicles

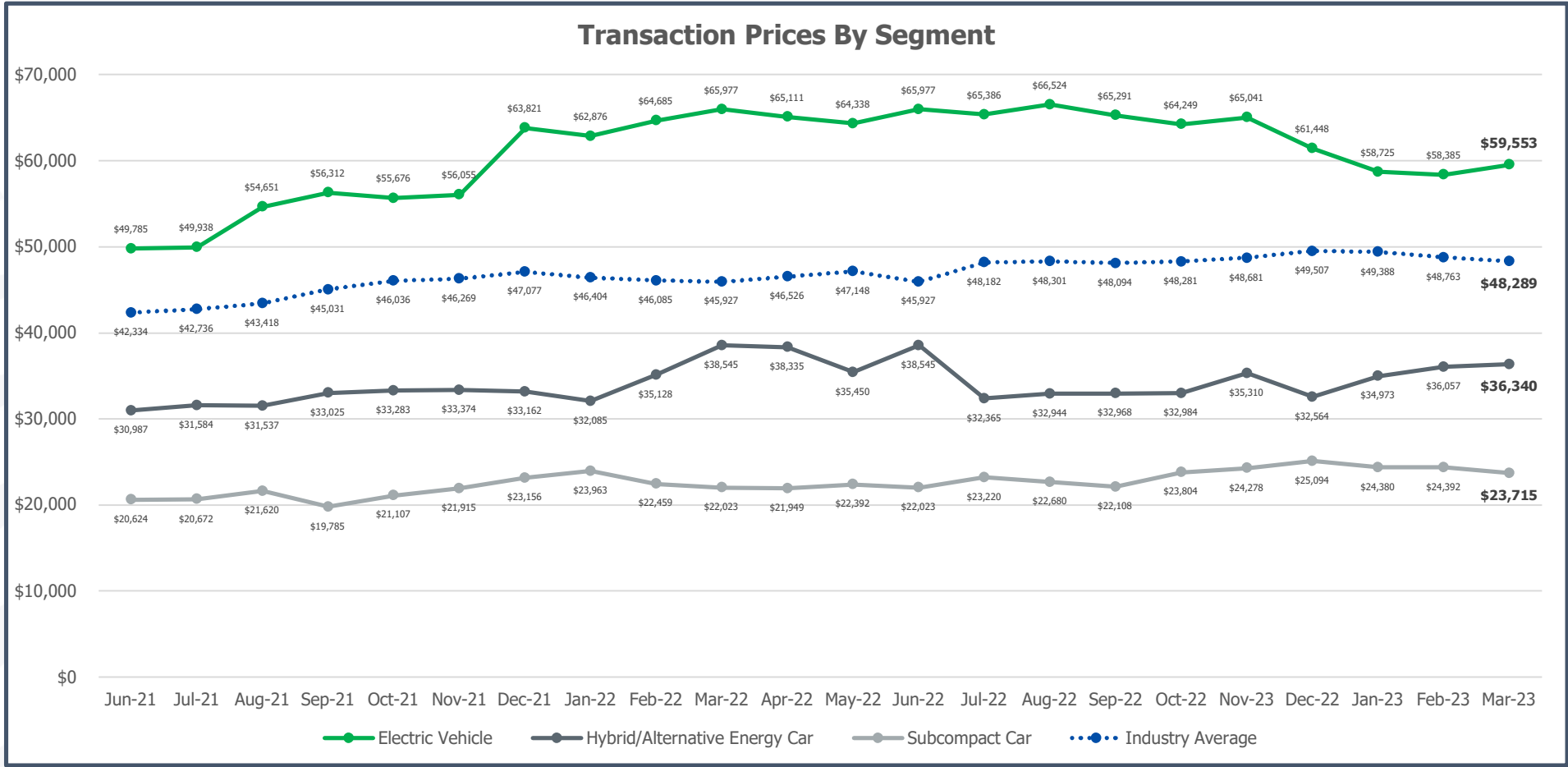
- 14 Cars
- 25 Utility Vehicles
- 1 Van

#### 2 Fuel Cell Electric Vehicles

- 1 Car
- 1 Utility Vehicle

See more information about  
[EV CHOICE HERE](#)

# Vehicle Affordability





# Conditions for Successful EV Transformation

## **Residential Infrastructure**

- Equitable charging for those not living in a single-family home

## **Hydrogen fuel roll out in CA and beyond**

- Woefully lacking – 53/54 public H2 stations are in CA

## **Public Infrastructure (NEVI, PUC, etc.)**

- \$7.5B in NEVI is a good starting point, more continues to be needed.

## **Battery production facilities and battery critical mineral supply chain**

- Over \$110B committed to investing in domestic battery and EV production\*

## **Incentives – federal (IRA) and state**

- 30D split with battery component and critical mineral content requirements
- EV cost continues to be a challenge

# Regulatory Alignment

# 1 Tailpipe, 4 Agencies, 7 Regulations

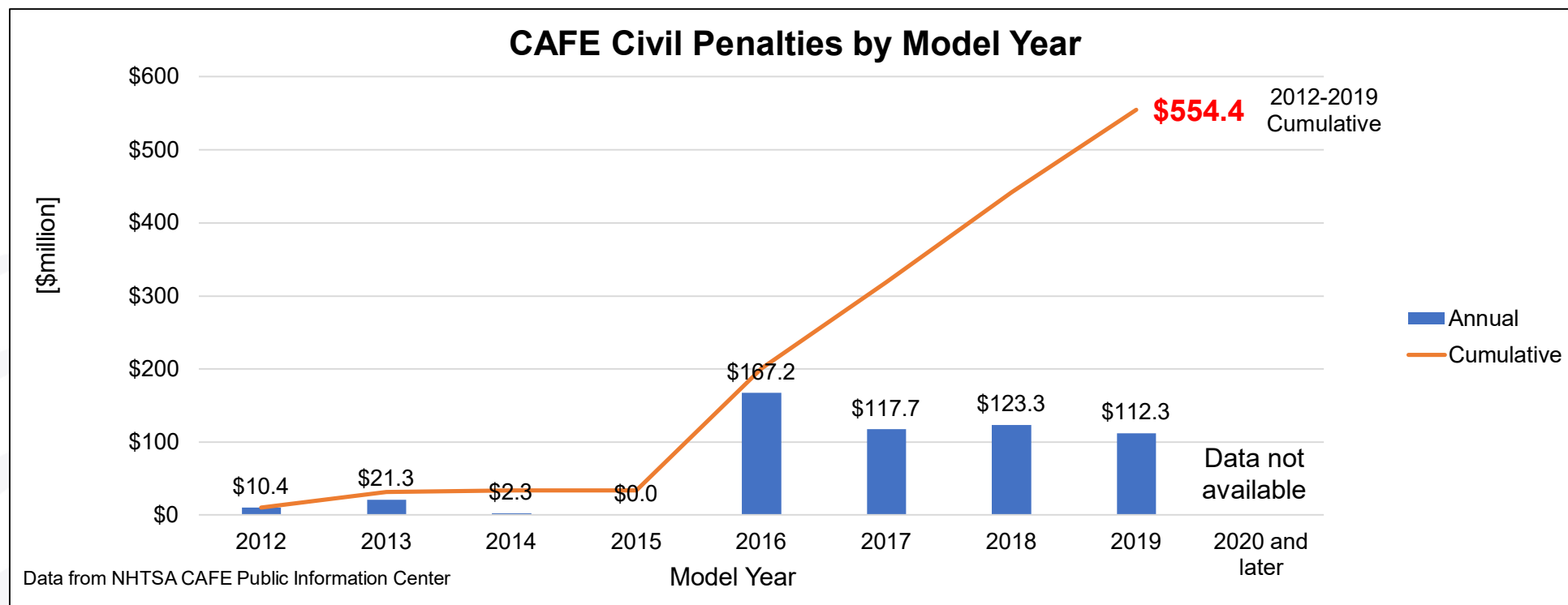
California	U.S. EPA	NHTSA	DOE
<b>GHG</b> <u>MY 2017+</u> <u>Updated 2012</u>	<b>GHG</b> <u>MY 2027-2032 proposal</u> <u>April 12</u>	<b>CAFE</b> <u>Pending Proposal</u>	<b>EV Fuel Economy Calculation (PEF)</b> <u>Proposal March 29</u>
<b>Other Emissions (LEV 4)</b>  Final rules set through MY2035	<b>Other Emissions (Tier 4)</b>  <u>MY 2027-2032 proposal</u> <u>April 12</u>		
<b>ZEV Mandate</b>  Final rules set through MY2035 (100% EV)			

\* President Biden EO 14037 set a goal of 50% electric vehicles (including BEVs, FCEVs, and PHEVs) by 2030.

# Alignment

- **Manufacturers build one fleet of vehicles**
- **Limited pool of capital and human resources**
- **Focused on transition to electric vehicles – need all agencies pulling in the same direction**

# Misaligned Regulatory Programs Cost Real Money



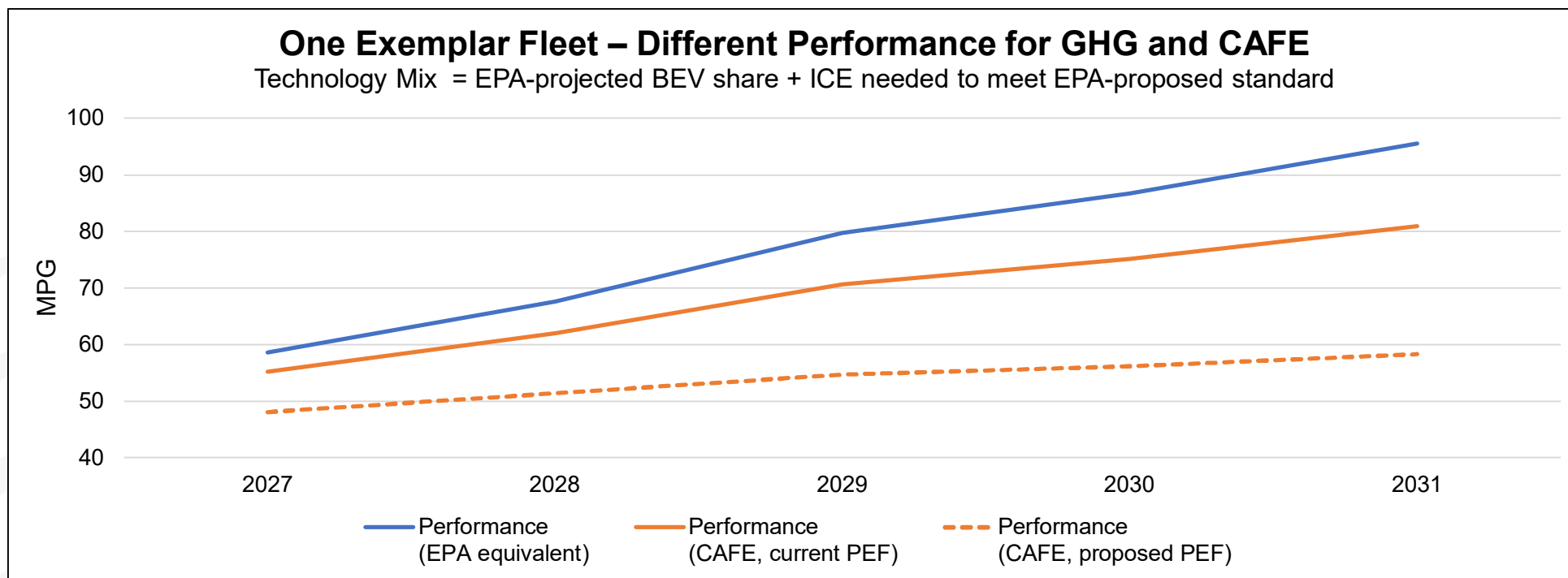
- Manufacturers are paying CAFE civil penalties, but remain in compliance with EPA's GHG program.
- There is no additional environmental benefit from these penalties
- Penalties are paid to the general fund – they don't fund NHTSA (or EPA) programs



# CAFE / GHG Alignment – Key Issues

- **Electric Vehicles –**
  - Administration focus on expanded electric vehicle adoption
  - OEMs investing in transition - key component to manufacturer compliance with GHG and CAFE regulations
  - GHG / CAFE alignment depends on level of CAFE standard and PEF
- **CAFE Credit Transfer Flexibility –**
  - Limited by Congress
  - NHTSA interpretation even more limiting as standards increase
  - Can be partially addressed by focusing on gallons of fuel saved
- **Not readily addressable by administrative action –**
  - Minimum domestic passenger car standards
- **Other risks needing coordination –**
  - Air conditioning credits
  - Vehicle classification

# Coordination and Alignment Needed to Support EVs



- One fleet must meet both GHG and CAFE standards
- CAFE performance is lower than equivalent GHG performance due to differences in treatment of EVs (PEF)
- If CAFE standard is set higher than equivalent fleet performance level, likely outcome is lower EV market share
- Achieving Administration goals will require coordination between NHTSA, DOE, and EPA

# Electric Vehicles in CAFE Standard-Setting

# Consideration of Electric Vehicles

- **NHTSA prohibited from considering the fuel economy of electric vehicles in determining maximum feasible standards - 49 U.S.C. 32902(h)**
  - Prior NHTSA rules already under challenge due to EV inclusion
- **Some ways NHTSA has considered the fuel economy of EVs in the past:**
  - EVs in reference fleet (e.g., MY 2021)
  - Added EVs from other programs (e.g., California ZEV Mandate) in no-action case
  - Adding EVs to meet standards for years prior to and after the rulemaking years

## Things OMB Should Look For

- **Has NHTSA considered DOE's petroleum equivalency factor rulemaking?**
  - OMB should look for scenarios that consider maintaining, raising, and lowering the PEF.
- **Does the EPA-projected technology pathway comply with NHTSA's proposed CAFE standards?**
  - Manufacturers should be able to meet the proposed CAFE standard with an EPA-compliant fleet, even if DOE lowers the PEF.
- **Has NHTSA included a proposal to address its interpretation of CAFE credit transfers?**
  - Even with an aligned standard this needs to be addressed.
- **Has NHTSA considered the fuel economy of electric vehicles in its determination of maximum feasible standards?**





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