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## **California wants more electric cars. The Trump administration doesn't. Automakers are in the hot seat**

**By: Evan Halper; February 2, 2018**

An intensifying clash between California and Washington over getting cleaner, more fuel-efficient vehicles on the road has put auto companies in a bind as they contemplate what cars they should be rolling onto showroom floors.

The signals to automakers couldn't conflict more: California, with the nation's largest auto market, is stepping up pressure to stay on track with the state's ambitious climate goals. The Trump administration is moving to free the companies of such obligations and even has threatened to strip California of its power to impose existing requirements within its borders.

At stake: Gov. Jerry Brown's plan to get 5 million electric vehicles onto California's roads by 2030 as well as the kinds of cars that drivers nationwide will be able to buy over the next decade.

Carmakers are left to gamble on how aggressively to follow California's blueprint as the Trump administration tries to undermine it.

The dilemma is largely of the industry's own making: Car companies have lobbied Trump to ease up on fuel economy standards, which currently call on them to sell cars by 2025 that average 54 miles per gallon.

But those same companies are keenly aware that ignoring the plans laid by California can be perilous.

They can't afford to manufacture different cars for different parts of the country, and California plans to keep the current, ambitious fuel economy goal and the electric-vehicle mandate that goes hand in hand with it. So unless the Trump administration can block the state from going its own way, relaxing federal rules won't help the automakers much.

"The signal the administration is sending to auto companies is: Do whatever you want," said Dan Becker, who runs the Safe Climate Campaign. "The world is looking to California to resist these rollbacks that will not just impede the growth of electric vehicles, but also the growth of more fuel-efficient gasoline vehicles."

Market analysts agree, saying the one thing standing in the way of Brown's latest electric vehicles goal could be the Trump administration's plan to relax fuel economy targets.

If the administration can force California to join the federal government in weakening standards, said Salim Morsy, an analyst at Bloomberg New Energy Finance, "there is no doubt that would slow down electrification.... It would be a blow for the state, and whether it could reach that 5 million goal would become unclear."

California has unique authority under the Clean Air Act, allowing the state to keep aggressive mileage targets in place even if the federal standards are weakened. Other states are allowed to adopt California's rules, which 13 states and the District of Columbia have done.

But the Environmental Protection Agency keeps threatening to challenge California's authority, pointing to the state's outsized influence over what cars get built.

"Federalism doesn't mean that one state can dictate to the rest of the country," EPA chief Scott Pruitt said at a Senate hearing Tuesday.

The state is showing no sign of flinching. Its power to set its own vehicle emission guidelines has been in effect for 50 years. The state and the EPA have been in negotiations in an effort to reach a compromise that would keep emissions targets uniform nationwide.

So far, not much seems to be happening at the bargaining table. California has little incentive to make concessions.

The tension will increase next month, when the EPA completes a review of the current rules and starts to lay out its plans for rolling back mileage standards. The agency is under pressure from automakers who object that there isn't a large enough market right now to support a big infusion of smaller, lighter, less-polluting cars and trucks.

It's a familiar story in the auto industry: Gas prices are low, the profit margin on sport utility vehicles is high and even as the companies boast of plans to roll out dozens of new electrified vehicles in the next few years, they would prefer to soak up profits from the SUV buying binge for as long as possible.

Then-Ford Chief Executive Mark Fields warned the president a year ago that unless the mileage standards were more flexible, some 1 million American auto jobs could be lost.

The warning was widely dismissed by industry experts, who said it was based on misleading assumptions about gas prices, the cost of battery technologies and the types of workers who would be hit. The same study Fields cited envisioned another scenario in which keeping the mileage rules would lead to an increase of 144,000 jobs.

Many analysts say the industry's reluctance to push cleaner prototypes into the market echoes faulty business decisions American auto companies made more than a decade ago that helped precipitate a financial disaster for them that required a massive government bailout.

At the time, a business model that relied on selling more and more of the biggest and heaviest passenger vehicles drove the companies into financial distress when gas prices spiked, climate consciousness increased and drivers went looking for alternatives.

"GM went into bankruptcy with a promise to stop making so many bigger cars and start making littler cars," said Maryann Keller, an analyst who has been tracking fuel economy issues for three decades. As long as gas is cheap and government incentives for driving low-emission vehicles are limited, however, persuading drivers to buy them is a challenge.

"The United States stands alone on this," she said. "Other countries are moving forward.... Electric vehicles do not sell themselves. They are sold because there is government policy that supports their purchase."

Some of the same firms lobbying to slow the transition here are racing to update their offerings abroad, where the evolution to newer technologies is much further along.

California Air Resources Board chairwoman Mary Nichols called it "ironic" that the companies are not focusing their lobbying on policies that promote the use of the vehicles.

"At the same time they're complaining that they're having a hard time with meeting the fuel economy standards, the industry is rushing to meet the demands from Asia and Europe, and not just California, for all kinds of electric vehicles," she said.

Wall Street analysts say the transition to cleaner engines is inevitable here, too, as all the major auto companies plan for a future in which the internal combustion engine becomes obsolete. The question is how far America will lag behind other nations in weaning itself off big cars and trucks, and how much that lag will undermine the fight against climate change.

Currently, automakers sell 150 types of electric vehicles and hybrids worldwide, according to Adam Fowler of Beacon Economics. Only about 25 of them can be found in showrooms in tech- and climate-conscious San Francisco and Los Angeles. In most states, he said, buyers will find only seven of those clean-tech cars and trucks on offer.

Environmentalists are having a tough time persuading a climate-skeptical administration that that is a problem. So they are turning their fire on the auto companies.

The Sierra Club and the Safe Climate Campaign are unleashing on Ford, rallying public pressure on the company to support the current fuel standard. As the Washington Auto Show got underway, the groups released a video accusing Ford of driving the nation backward, punctuated with a driver whose SUV joltingly flies into reverse and transforms into an antiquated, low-tech Model T.

"We are targeting the auto companies because it is hard to target this administration," Becker said. "What can we say about the harm they are doing that they are not already out there saying themselves?"