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Automakers caught between Trump, Calif. fuel economy plans

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Automakers are under pressure from the White House as the companies decide whether to follow President Donald Trump's fuel economy plan or align with California's stricter standards.

Trump on Aug. 21 tweeted that his proposal — which would freeze Obama-era fuel-economy standards at 37 miles per gallon for six years instead of increasing to 54.5 mpg by 2025 — would benefit the auto industry.

"Companies would lower the average price of a car to consumers by more than \$3000, while at the same time making the cars substantially safer. Engines would run smoother. Very little impact on the environment! Foolish executives!" Trump tweeted.

On July 25, four major automakers — Ford Motor Co., Honda Motor Co. Ltd., Volkswagen AG and Bayerische Motoren Werke AG — turned their backs on Trump's fuel-economy rollback plan by aligning with California's own standards, set independently with a waiver under the Clean Air Act.

Under the agreement, the four car companies will increase their vehicle emission and fuel economy standards in the state through their 2026 models. This would result in 50 mpg and a greenhouse gas reduction requirement from 4.7% over four years to 3.7% over five years.

Other major automakers are still waiting to see how the fight between Trump and California unfolds. The president's tweet comes a day after *The New York Times* reported that a senior adviser last month invited General Motors Co., Fiat Chrysler Automobiles NV and Toyota Motor Corp. to the White House. According to the report, citing unnamed sources familiar with the matter, the adviser tried to persuade the three companies to stand with Trump's fuel economy plan.

After Trump's Aug. 21 tweet, environmental organization the Sierra Club released a statement saying the details of the message were false.

"Trump's rollback is unraveling from every corner, but rather than listening to nearly every single sector of society — consumer advocates, environmentalists, and even the auto industry — he's spreading lies on Twitter," the organization said.

The New York Times story also reported that Mercedes-Benz plans to join the California agreement. A spokesperson for Daimler AG, which owns Mercedes-Benz, said the company is not commenting on speculation.

Michelle Krebs, executive analyst for Autotrader, said she would not be surprised if other automakers followed suit with the California deal.

"The U.S. is going in the opposite direction of the rest of the world" with emissions and fuel economy standards, Krebs said in an interview. "China, the biggest car market in the world, is moving to much more stringent standards and pushing electric vehicles, and Europe is not far behind."

The analyst said it would make sense for GM to join California's standards since the Detroit-based automaker is putting a bigger emphasis on electric vehicles.

When asked about joining California's program, a GM spokesperson said the company is aiming for "a future of zero crashes, zero emissions and zero congestion."

"As we have stated, the pathway includes continuously improving fuel economy and our commitment to an all-electric future," the spokesperson said in an email. "Our focus remains on working with all parties on a solution that would involve a 50-state solution and a national electric vehicle program."

Krebs is unsure why Toyota has not signed on to the California deal since the Japanese automaker focuses on hybrid electric vehicles.

Toyota did not respond to a request for comment.

Fiat Chrysler is "lagging behind" in terms of electric vehicles, Krebs added. Fiat Chrysler also did not respond to a request for comment.

In the U.S., California is the largest car market and represents 13% of new vehicle sales, and automakers cannot ignore that, Krebs said.

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