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"Not all, but many, of the off-cycle credits are loopholes because they provide an opportunity for auto companies to achieve the standards without meaningfully reducing emissions," said Becker, the executive director of the Safe Climate Campaign.

"There's a range of different loopholes, from the truly outrageous to the merely unnecessary," he added. "In the unnecessary category is the set of air conditioning loopholes."

Becker said automakers would likely install more efficient air conditioning systems even without the credits. He noted that European regulators required more efficient AC systems years ago, and companies must design their cars for an international market.

## **Car Rules: Here's the most overlooked part of the rollback**

By [Maxine Joselow](#)

Tuesday, October 15, 2019

When it comes to the Trump administration's rollback of Obama-era clean car standards, one issue has largely flown under the radar despite its critical importance to automakers.

That may be because of its wonkiness.

At issue are off-cycle credits, which automakers can receive for installing technology that reduces carbon dioxide emissions but isn't adequately captured by EPA compliance tests, such as more efficient air conditioning systems.

So far, media coverage of the rollback has largely glossed over the credits, focusing instead on the relaxation of fuel economy standards and the looming legal battle with California.

A potential explanation is that the credits are a technical topic that the average reader has likely never heard of, said Dan Becker, executive director of the Safe Climate Campaign.

But they're top of mind for auto industry executives. They're praying that the Trump administration doesn't ax the credits as part of the broader rollback that significantly reduces the number of miles new cars can travel on a gallon of gas.

"Off-cycle credits are really important," said one auto industry source. "What we're really talking about here are technologies that really do reduce CO2 and improve fuel economy."

That person added, "If the administration gets rid of the off-cycle credits, manufacturers are gonna have a significant hill to climb."

When crafting the greenhouse gas and fuel economy standards for light-duty vehicles, the Obama EPA designed the rules so they would get more stringent each year. It provided the credits to help automakers comply with the tougher rules in later years. And it allowed automakers to "bank" credits that they had accumulated in previous years.

There are two types of credits that deal with air conditioning. One rewards automakers for installing more efficient AC systems that use less power. The other rewards them for installing AC systems that use safer alternatives to hydrofluorocarbons (HFCs), a potent greenhouse gas.

EPA's own data shows that the credits have been an essential tool for compliance.

Indeed, most automakers could not meet the clean car standards last year without relying on some form of credits, the Trump EPA concluded in its recent "Automotive Trends" [report](#).

Fiat Chrysler Automobiles NV led the pack with the highest number of credits, followed closely by Jaguar Land Rover, Ford Motor Co. and General Motors Co., according to the report.

"Credits are a legitimate compliance mechanism used by most automakers," a Fiat Chrysler spokesman said in an email. "They help bridge the gap between fleet performance and a standard that is out of step with consumer buying patterns."

Another auto industry source said the EPA report clearly shows that the Obama-era standards weren't achievable without the credits.

"We all want a regulation that's achievable," the person said. "If you implement a regulation that's not achievable, then nobody gains from that."

The Alliance of Automobile Manufacturers, a powerful trade association whose members include Ford and GM, made a similar point in regulatory comments submitted to the Trump administration last year.

"The auto industry as a whole has not been able to meet the standards without using previously generated credits, despite the fact that the industry has deployed many of the fuel-efficient technologies envisioned by the Agencies," the group wrote.

### **'Loopholes'**

Meanwhile, the credits have exposed a rift among environmental groups.

On one side of the debate is the Safe Climate Campaign, which has blasted the credits as "loopholes."

"Not all, but many, of the off-cycle credits are loopholes because they provide an opportunity for auto companies to achieve the standards without meaningfully reducing emissions," said Becker, the executive director of the Safe Climate Campaign.

"There's a range of different loopholes, from the truly outrageous to the merely unnecessary," he added. "In the unnecessary category is the set of air conditioning loopholes."

Becker said automakers would likely install more efficient air conditioning systems even without the credits. He noted that European regulators required more efficient AC systems years ago, and companies must design their cars for an international market.

In the opposite camp is the Union of Concerned Scientists, which supports the credits as a means of incentivizing automakers to adopt technologies that are insufficiently captured by EPA compliance tests.

"There's definitely a range of opinion in the [nongovernmental organization] community on the off-cycle credit program," said Dave Cooke, the group's senior vehicles analyst. "I think UCS has been largely supportive of the off-cycle credit program because we do think that there are technologies that are not adequately represented on the test cycle."

Still, Cooke said it's imperative that the credits continue to be evaluated for their effectiveness at reducing CO2 emissions. He praised a recent [study](#) by the National Renewable Energy Laboratory, which found that some credits have been more effective than expected, while others related to solar glass and ventilation have been less successful.

### **HFC concerns**

In addition to the auto industry, the air conditioning and refrigeration industry also has a vested interest in maintaining the off-cycle credit program.

Companies such as Honeywell International Inc. and Chemours Co. have poured billions of dollars into developing less-polluting air conditioning systems for cars and trucks.

Their main focus has been on developing safer alternatives to HFCs, the potent greenhouse gases that are used as refrigerants in many AC systems.

In its [regulatory comments](#) on the car rules rollback, Chemours pleaded with the Trump administration not to kill the credit program, noting that it had spent more than \$1 billion on developing a safer alternative to HFCs, including through the construction of a \$3.7 billion facility in Corpus Christi, Texas.

The company added that axing the credit program would "reverse nearly a decade of progress" on safer refrigerants and would create a "cloud of uncertainty" over its business.

Honeywell, which recently opened a facility in Geismar, La., that manufactures a safer alternative to HFCs, said terminating the credit program would jeopardize good-paying jobs at the plant.

"This abrupt and unwarranted change in EPA's long-standing regulatory program would harm U.S. manufacturers and endanger thousands of American manufacturing jobs," the company [wrote](#) in its regulatory comments.

The companies' concerns take on added significance in light of the Trump administration's inaction on HFCs, which are short-lived in the atmosphere but are thousands of times more potent as greenhouse gases than carbon dioxide.

President Obama made phasing out HFCs a key part of his climate agenda. The 2016 Kigali Amendment to the Montreal Protocol also called for a global phaseout of the heat-trapping chemicals.

But President Trump has refused to send the Kigali Amendment to the Senate for ratification. And the Trump EPA has proposed rolling back a rule aimed at preventing HFC leaks from appliances.

E&E News reported in April that the Trump administration was considering maintaining the AC credits for automakers after hearing overwhelming concerns from the air conditioning and refrigeration industry ([Climatewire](#), April 29).

The administration still appears on track to maintain the AC credits, although the fate of other credits remains less clear, according to a source with knowledge of the situation.

The clean cars rollback is a joint rulemaking between EPA and the National Highway Traffic Safety Administration. The two agencies have already finalized the first portion of the rollback, which calls for preempting California from setting tougher tailpipe pollution rules than the federal government.

The second part of the rollback, which is expected to call for freezing or weakening fuel economy standards, will address the credit question. It's widely expected to be released in November or December after a series of delays.

EPA didn't respond to a request for comment.

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