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EPA: Automakers Too Reliant on Credits for Emissions Compliance

By [Matt Posky](#) on March 7, 2019

The Environmental Protection Agency released its annual assessment of new vehicles yesterday, and it was filled with good news. On average, [fuel economy continues to improve](#). Cars are not getting heavier, horsepower keeps going up, and every major manufacturer managed was in compliance with greenhouse gas standards through the 2017 model year. However, the EPA also said it's concerned that manufacturers frequently tap into stored-up regulatory credits to make this possible.

"Most large manufacturers used banked credits, along with technology improvements, to maintain compliance in model year 2017. Three large manufacturers achieved compliance based on the emission performance of their vehicles, without utilizing additional banked credits," the agency explained.

The ability to bank credits by over-complying in a given year is seen by some environmental groups as a way for corporations to shirk their responsibility to the planet. But EPA Administrator Andrew Wheeler's concerns regarding the system rest elsewhere.

"Today's report shows that while the auto industry continues to increase fuel economy, there are legitimate concerns about the ability to cost-effectively achieve the Obama administration's standards in the near future," Wheeler said.

Officially, the industry used fewer credits in 2017 than it did in 2016 and only exhausted about 7 percent of the total balance. But most of those are set to expire at the end of the 2021 model year. That's significant because the EPA and National Highway Traffic Safety Administration are in the process of delivering less-stringent efficiency standards that would take effect that same year.

Over the summer, the agencies proposed capping mileage requirements around 37 mpg after 2020 — instead of setting them at roughly 47 mpg by 2025, which was the path chosen under President

Obama's administration. According to [Bloomberg](#), the EPA's opinion on the matter has upset several environmental groups.

"While the Trump administration is moving to gut the clean car standards, its own data shows the current standards are working," said Luke Tonachel, director for clean vehicles and fuels at the Natural Resources Defense Council. "Automakers are innovating and improving the performance of their fleets, and tailpipe emissions continue to plummet."

It's true that manufacturers are investing heavily in alternative powertrains that pass the pollution buck to regional energy providers, but suggesting that they're prepared to comply with the next decade's efficiency requirements is little more than a guess. The University of Michigan has repeatedly reported that, while fleet-wide efficiencies continue to improve, practical sales-weighted fuel economy averages [haven't truly changed in the United States since MY 2014](#) — due primarily to increased consumer interest in larger vehicles, like crossovers and SUVs.

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Obviously, the White House sees things as the same... [but also very differently](#). Rather than a signal to double down on environmental legislation, it believes industry failures and consumer habits are at odds with the existing efficiency standards. The Trump administration imagines this as a pathway toward deregulation. The possibility of an industry-wide reliance on credits just creates more ammunition for their argument.

Presently, the world's largest automakers bookend the range of corporate efficiency averages; Honda's on top with 29.4 mpg while Fiat Chrysler sits in last place at 21.2 mpg. Both have a long way to climb before they're compliant with 2020's levels, though Honda could theoretically achieve the goal if it continues improving efficiency at its current pace. Still, it would be one of the only manufacturers to do so under that metric. The rest will likely become increasingly depending on credits (which will eventually end up being reset), while diving headlong into electrification.

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