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GM Aligns With Biden Over Trump On California Fuel Economy

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The wind changed direction, and so did General Motors. With President-elect [Joe Biden signaling strong support](#) for electric cars and cleaner tailpipes, GM withdrew its support for the Trump administration’s battle royal with California over the state’s ability to set tough fuel economy standards.

“We believe the ambitious electrification goals of the President-elect, California and General Motors are aligned, to address climate change by drastically reducing automobile emissions,” General Motors’ CEO Mary Barra said in a letter to environmental groups.

Last year, GM, [Fiat](#) Chrysler Automobiles and [Toyota](#) Motor Corp. aligned with Trump in what they called the “Coalition for Sustainable Automotive Regulation,” claiming that the federal government alone had the right to set fuel economy. Plainly, GM and its allies were worried that the public’s huge appetite for SUVs threatened their ability to comply with tough fleet standards. But California had some important allies, too: Ford, Honda, [BMW](#) and [Volkswagen](#).

Now the tides have turned. Biden will be taking over for Trump as President in 2021 and GM is going all-in on electric cars powered by its own long-range [Ultium batteries](#). “GM is on its way to an all-electric future, with a commitment to 30 new global electric vehicles by 2025,” the company recently said.

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But GM’s new position is about more than the election. The automakers have long wanted to build cars to a single standard, and a protracted fight with California and the 14 other states that follow its rules threatened to split the

country in half before any resolution. The Obama administration's one-size-fits-all rules—welcomed at the time by California regulators and automakers alike—would have increased fleet average fuel economy by 5% annually. The Trump position slowed those gains to a proposed 1.5% per year.

California has already demonstrated demand for EVs that, while still modest, far exceeds the rest of the country. Battery electrics were 5.5 percent of the market there last year, and plug-in hybrids another 2.4 percent, reports the [California New Car Dealers Association](#). One in eight new cars sold in the state last year was electrified. EVs have led to cleaner air, especially important in smoggy Southern California. The benefits of stricter pollution controls also appealed to the 14 other states, mostly along the west and east coasts, that follow California's rules. EV sales in those states are growing, albeit fairly slowly. For the country as a whole, 1.4% of sales in 2019 were EVs, 2.0% including plug-in hybrids, says the Edison Electric Institute.

“We strongly believe the best path to preserve good auto jobs and keep new vehicles affordable for more Americans is a final rule supported by all parties—including California,” automakers on both sides of the debate (including GM) said in a June 2019 letter to Trump.

Global regulation also is directing the auto industry towards the plug. Britain said last week that it will end sales of new cars and trucks powered solely by gasoline and diesel in 2030. France and Norway, among other countries, also have phase-outs, albeit with different timetables. And in September, [California Governor Gavin Newsom signed an executive order](#) calling for only zero-emission car and passenger truck sales by 2035. Reading the tea leaves are such companies as tradition-minded Bentley, which will only sell electric cars by 2030.

A Biden administration is likely to push for new federal subsidies for EVs, even though it might have a hard time getting such incentives through Congress. One possible shift: raising the 200,000-unit sales cap on EVs and [plug-in hybrids](#) eligible for a federal tax credit of up to \$7,500. Tesla and GM both passed the cap and no longer can dangle that incentive in front of consumers. Every other automaker can.

GM is also in a fairly strong position to pivot to electric. Although Tesla is vastly outselling GM with electric cars, the Ultium battery breakthrough promises cheaper packs with better performance and much longer range—and thus competitive cars and trucks. “Ultium energy options range from 50 to 200 kilowatt-hours, which could enable a GM-estimated range up to 400 miles or more on a full charge with zero to 60 mph acceleration as low as three seconds,” GM said.

GM’s electric vehicle operation is so well regarded that if it was spun off, analysts say, it might be worth more than the company’s current \$65 billion value (market cap).

Ivan Drury, senior manager of Insights at industry research firm Edmunds, agrees that GM is feeling good about EVs. “With GM’s recent EV announcement, the company will be far better positioned to meet the tighter standards,” Drury told Forbes Wheels. “Its decision to stand by California, where a majority of EV purchases are made, will garner more favor with potential customers in the state.”

Toyota also is reconsidering its support for the Trump administration, according to the [Washington Post](#). “We are assessing the situation,” a spokesman for the Japanese automaker said. The Alliance of Automobile

Manufacturers, representing carmakers that build 70% of the cars and light trucks sold in the U.S., had no immediate comment.

Jim Motavalli is a veteran automotive journalist and author of nine books whose work has appeared in The New York Times, Barron's Penta, Car Talk, Autoweek and Media Village.

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