"These rules are little more than a speed bump on the road to climate catastrophe when the president needed to make a U-turn," Dan Becker, director of the Center for Biological Diversity's safe climate transport campaign, said in a statement. "Before this presidential term ends, the administration must issue long-term standards strong enough to usher in the age of electric vehicles. They must close the loopholes and force automakers to actually deliver electric vehicles, rather than just churning out promises to make them."

Automakers call EPA's most-ambitious-ever vehicle standards 'aggressive'

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Washington — Automakers say they will need government support to comply with final auto emissions rules detailed Monday by the Environmental Protection Agency, standards that are more stringent than those initially proposed and put in place under former President Barack Obama.

The move reflects months of pressure from environmental and public health groups to impose the strongest rule possible, including eliminating additional incentives and credits that make it easier for automakers to meet the standards.

The Biden administration is pushing the tougher rules as electric vehicles today remain a rarity on U.S. roads. Gas- and diesel-powered trucks and SUVs are fueling the tens of billions of dollars of investments each major automaker is making over the next few years for EVs and battery plants.

The tougher rules have job implications because EV and battery facilities are likely to employ fewer people and at lower wages since EVs have fewer components and are expected to last longer than their counterparts fitted with internal combustion engines.

"EPA’s final rule for greenhouse gas emissions is even more aggressive than originally proposed, requiring a substantial increase in electric vehicle sales, well above the four percent of all light-duty sales today," John Bozzella, CEO of the Alliance for Automotive Innovation, said in a statement.

Under the final rule, the emissions reduction targets for 2023 to 2026 increase in stringency from 5% to 10% in each model year to reach a fuel-economy fleetwide average of 40 mpg in 2026, compared with 38 mpg under an August proposal. The hikes from the initial proposal come during the latter two years, EPA Administrator Michael Regan said.

The rules represent the most stringent federal greenhouse gas emissions requirements to date and come after years of lower standards put in place by former President Donald Trump. Those regulations put the fleetwide target at 32 mpg.

"I'm proud to say that we're delivering on our commitment to the president of the United States," Regan said ahead of signing the final rule in the presence of electrified vehicles from each of Detroit's three automakers. "We're delivering on our commitment to the American people ... by setting the most ambitious vehicle-pollution standards for greenhouse gases ever established for passenger cars and light-duty trucks."

What original rule required

Under the original proposal, emissions reductions would have been required to jump 10% in model year 2023 and resume the Obama-era pattern of reducing emissions by 5% annually through model year 2026.

The agency also had planned to bring back a credit "multiplier" that would make every electric vehicle sold count more than once toward compliance, and to increase the cap of off-cycle credits automakers could earn for innovative technologies that reduce emissions. It also would have extended a program that would allow automakers to use banked credits from former years to meet new standards.

EPA argued these provisions would help automakers meet the new, more stringent standards and would accelerate the industry's transition to electric vehicles — a pivot expected to quicken in the next few years as a broad range of EVs are introduced in the U.S. market.

But environmental and public health groups came out in force to the agency's public comment period, arguing the provisions were loopholes that would allow car companies to continue producing gas-powered cars well into the future. The White House and other administration officials also pushed the agency to craft a stronger initial proposal that the EPA eventually did.

After releasing the plan, EPA signaled it was open to making the rules stronger. It asked for public comment on options that would require 5 to 10 grams per mile "greater stringency" in model year 2026. The final rule includes the 10 grams increase.

The EPA projects the new rules will accelerate consumer adoption of plug-in hybrids and EVs from 7% of sales for model-year 2023 to 17% for 2026. It expects the result will be a net savings of up to $190 billion through 2050, and more than 3 billion tons of avoided carbon emissions by then.

New rules, new tension?

The regulations could mark a point of tension between the Detroit Three automakers and President Joe Biden, who have enjoyed a friendly relationship spurred by their mutual interest in accelerating electrification while keeping manufacturing in the U.S. and benefiting unionized workers. The self-described "car guy" has pushed funding for electric vehicle charging, EV tax credits favoring the Detroit Three and the United Auto Workers, and other initiatives that would support the industry's pivot.

Even as the industry invests $330 billion in electrification by 2025, more of this partnership will be needed, Bozzella said: "While the challenge before us is great, we are committed to achieving a cleaner, safer and smarter future.

"Achieving the goals of this final rule will undoubtedly require enactment of supportive governmental policies — including consumer incentives, substantial infrastructure growth, fleet requirements, and support for U.S. manufacturing and supply chain development."

Last month, Biden signed the bipartisan infrastructure law that allocates $7.5 billion for EV charging and more than $7 billion for battery manufacturing, materials and recycling. A second bill would increase the EV tax credit for consumers to $12,500 for union-made U.S. vehicles from the current $7,500 available.

The Build Back Better plan also would create a credit of up to $4,000 for used vehicles and make General Motors Co. and Tesla Inc. eligible for tax credits again after they hit the 200,000-vehicle cap on the existing $7,500

But Democratic Sen. Joe Manchin of West Virginia might have delivered a potentially fatal blow to that proposal on Sunday when he said the $2 trillion social and environmental policy bill was too expensive, could spark further inflation and would accelerate expansion of the growing federal debt.

Regan said the administration is fighting for the plan, but even without the additional financial incentives, "we believe that we proposed a rule that is doable, it's affordable, it's achievable, and we're excited about it."

How to meet standards

More important to achieving the government's timelines than incentives is desirable products, said Stephanie Brinley, principal autos analyst for the Americas at IHS Markit Ltd. Incentives have been available since they were first passed in 2008, but that didn't lead to a rush of demand for Nissan Leafs and Chevrolet Volts and Bolts.

"There’s still consumers that need to weigh in," she said. "If the products aren’t what they need to be, an incentive isn't going to help."

Automakers have plans to roll out more crossovers, SUVs and trucks in the coming years. Much of that focus, however, is on higher-end trims that are out of the price range of many consumers. Batteries remain expensive and with production of such key minerals as lithium failing to meet demand, they're unlikely to see some of the significant price drops batteries have seen in recent years, said Sam Abuelsamid, e-mobility analyst at market research firm Guidehouse Inc.

"The OEMs are going to have to offer a lot more affordable EVs than what we've largely seen to date," he said, if the incentives aren't passed.

The incentives, however, also would exclude U.S. models from foreign makers that don't have unionized work forces. Autos Drive America, which represents those manufacturers, took aim at their lack of representation at Monday's signing.

"As (greenhouse gas) sees no borders or vehicle brands," Jennifer Safavian, the organization's CEO, said in a statement, "we urge President Biden and his administration to engage the efforts of all automakers."

Environmentalists and health advocates largely supported the new rules. They praised the administration for acting to further reduce emissions from transportation, which is still the largest emitter of greenhouse gases in the United States.

"There is no time to lose in the race to prevent the worst impacts of climate change, and transitioning to zero-emission transportation is one of the best tools available," American Lung Association Harold Wimmer said in a statement. "Today’s action is an important step forward that will reduce greenhouse gases and air pollution and improve lung health."

But some critics also said the rule doesn't go far enough. It doesn't include some of the more aggressive suggestions to remove provisions that make it easier for automakers to meet the targets.

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The new emissions and mileage standards will raise the standard of 1.5% annual increases in fuel efficiency and reduction in emissions put in place under Trump. They would exceed the California framework deal of 3.7% increases in efficiency and reductions in emissions that split the industry under the former administration.

The global auto industry is pouring billions into transitioning its fleets from gas- and diesel-powered vehicles to electric ones. Electric vehicle sales are expected to take off in coming years, but have only represented around 3% of new car sales this year.

"We need people to buy electric vehicles, and they're not going to buy them unless they can afford them, they're confident that the cars will have the battery range to go where they want, and chargers are readily accessible across the country," U.S. Rep. Debbie Dingell, D-Dearborn, said in a statement.

Pickups and SUVs remain the popular profit-drivers for car companies, according to EPA, even as fuel economy and emissions have been reduced overall in recent years.

Most automakers have failed to meet fuel economy standards for years. In model year 2020, Tesla Inc., Subaru Corp. and Honda Motor Co. met existing standards on the merits of their vehicles, EPA reported. All other manufacturers used credits they bought or earned in previous years to come into compliance.

Billions in commitments

The automakers on Monday emphasized the billions of dollars in commitments they have made toward achieving an electrified future. General Motors Co. has said it is investing $35 billion in electric and autonomous vehicle by 2025, with aspirations to end the sale of gas- and diesel-powered vehicles by 2035.

Ford Motor Co. has pledged to do so by 2040. The Dearborn automaker is investing more than $30 billion into EVs through 2025, and applauded the efforts "to strengthen greenhouse gas emissions standards and create a consistent national plan that sets the United States on a path to a zero-emissions transportation future in alignment with the Paris Climate Agreement."

Stellantis NV, the maker of Jeep SUVs and Ram pickups, is investing $35.5 billion into electric vehicles and their software by 2025, and expects plug-in hybrid and all-electric vehicles to represent at least 40% of U.S. sales by 2030. CEO Carlos Tavares has warned, however, that stricter fuel-economy requirements could lead to job cuts.

"The transition to electric vehicles is an enormous undertaking," Stellantis spokesman Eric Mayne said in a statement. "Today's announcement underlines the urgency of enacting a broad suite of complementary policies, including vehicle purchase incentives, manufacturing stimulus, and the establishment of a nationwide charging infrastructure, to drive a market shift for the benefit of American workers, the climate and future generations."

In a statement, UAW President Ray Curry said the new rules will promote long-term U.S. investments in the industry: "History has demonstrated that strong standards based on input from stakeholders that include American workers at the table can be an opportunity for both job retention, job creation and environmental protections."

https://www.detroitnews.com/story/business/autos/2021/12/20/new-epa-vehicle-emissions-standards-most-ambitious-ever/8942899002/