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EPA extends credits for automakers, further relaxing car rule

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By Jean Chemnick
March 29, 2024

In a reversal, the agency issues a Clean Cars rule rewarding carmakers’ climate add-ons for eight more years
The EPA vehicle pollution standards released last week gave automakers more time than originally proposed to cut tailpipe emissions.

But the March 20 final rule contains less-noted change that also helps car companies by extending two programs making it easier for manufacturers to meet emissions standards.

EPA had proposed in April to phase out by 2031 an obscure yet crucial program that rewards automakers for vehicle features that aren’t measured in tailpipe tests, such as solar roofs and energy-efficient lighting.

Models with such carbon-saving features receive credits that are applied to their emissions and effectively let them meet weaker standards. EPA began the program during the Obama administration to encourage the development of innovative environmental features.

But some of the features now are now standard and not “innovative” as they were a decade ago.

Separately, EPA also maintained a credit program it proposed to sunset in 2027. The program rewards manufacturers for fitting cars and trucks with air conditioners that don’t contain hydrofluorocarbons — a climate super pollutant.

EPA’s new emissions rule is the strictest federal regulation ever issued to reduce the release of planet-warming emissions by passenger cars and trucks. A separate rule covering heavy-duty trucks will be announced Friday.

And environmentalists widely praised the regulation, called the Clean Cars rule, which covers passenger vehicles from model years 2027 to 2032.

But some expressed frustration that EPA’s final rule both delayed the steepest reductions until the 2030s and reversed EPA’s proposals to phase down and eliminate credits.

The crediting programs, some environmental advocates say, have become loopholes, allowing automakers to meet standards in part by fitting vehicles with features they might have included anyways.

They relieve pressure on the industry to make the kind of core changes to powertrain technology that will ultimately bend the curve on transportation emissions — the largest source of greenhouse gases in the United States.

“These credit programs do nothing but erode the strength of the rule,” said Dave Cooke, senior vehicle analyst at the Union of Concerned Scientists.

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“The result will be more pollution, more gas-guzzling, consumers pay more at the pump, we’re more in hock to OPEC,” Becker said. “The consequences can go on and on.”

One of the programs is called “off-cycle credits.” It gives automakers emissions credits for vehicle features whose environmental benefits are not measured in the standard “two-cycle” test of emissions in city and highway driving.

Chris Harto, senior transportation and energy policy analyst at Consumer Reports, noted that the program has existed since the Obama administration began regulating vehicle climate pollution.

“These standards have been kind of riddled with various credits and loopholes that have undermined the stringency over the years and made it easier to comply [by using] things that don’t necessarily lead to real world emissions reductions,” Harto said.

EPA itself acknowledged in a proposal in April that its off-cycle credits program was becoming obsolete as “innovative” features became standard and automakers shifted to electric vehicles.

EPA noted that the program aimed to give manufacturers “flexibility” and to promote “new and innovative technologies” that automakers might otherwise avoid because their benefits were not counted on emissions tests.

“EPA believes the off-cycle credits program has successfully served these purposes,” the agency wrote to explain its initial decision to phase out the program by 2031.

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“How do you estimate how much a vehicle is parked under trees or in a garage, as opposed to out in the sunshine?” Becker said.

EPA’s rule includes a 16-part “menu” of design features that are eligible for off-cycle credits. Manufacturers also can petition EPA to credit emissions-reducing features that aren’t on that menu.

The credits are designed to cut pollution from internal combustion engine vehicles, EPA noted. Battery-electric vehicles, or BEVs, do not produce tailpipe emissions — though they’ve historically been allowed to claim the credits and sell them on to be used by manufacturers to offset emissions from their gasoline-powered fleet.

The draft rule projected that the internal combustion engine would rapidly lose market share until, in 2032, two-thirds of cars and light trucks on dealers' lots would be fully electric.

But EPA's final rule reversed course, both in its projections about how quickly electric vehicles would overtake gas-fueled models and in its attitude toward off-cycle credits.

EPA's final rule projects 56 percent of cars and light-duty trucks running on batteries alone by model year 2032. The preliminary rule projected 67 percent.

The Clean Air Act authorizes EPA to set performance standards based on fleetwide average emissions, which are measured by the number grams of carbon dioxide emitted per miles traveled. That's why EPA officials insist its new vehicle rule is "technology neutral" and doesn't amount to an EV mandate.

Off-cycle credits have allowed manufacturers to satisfy up to 10 grams per mile of their emissions requirements through add-ons like solar panels that supplement car batteries or solar reflective paint rather than by changing their powertrains.

The 10-gram-per-mile cap is the starting point for EPA's new vehicle emissions rule, too. But that ratchets down to eight grams per mile in model year 2031 and six grams per mile in 2032 before phasing out completely in 2033.

The value of the credits offered is different for each "menu" item. The rooftop solar panels that charge car batteries can be worth up to 3.3 grams per mile for cars and trucks alike. Technologies that keep the sun's rays from heating up the car — and thus reduce the need for air conditioning — can earn an automaker up to 3 grams per mile for cars and 4.3 grams per mile for trucks. Features such as high-efficiency lighting are worth less.

EPA's final rule limits emissions to 145 grams per mile in model year 2027, of which 10 grams per mile can be satisfied through off-cycle credits. By model year 2032, the emissions limit for cars will be 76 grams per mile, and only 6 grams per mile can be claimed from off-cycle credits.

EPA told E&E News in an email that it reversed course after considering public comments.

“The final rule continues to phase out off-cycle ‘menu’ credits as we proposed, but does so over a slightly extended time frame compared to the proposal,” it noted, adding that the final rule does do away with pathways to expand the list of features that are eligible for off-cycle credits.

“EPA found this phase-out approach was a reasonable way to bring the off-cycle program to an end, by capturing the anticipated real-world value of off-cycle credits at more appropriate levels during the phase-down, while at the same time recognizing that a smoother transition could reduce concerns about lead time for the early years of the program,” the agency stated.

But there’s a second set of credits that can be worth far more toward compliance with the rule than these “off-cycle” credits — and that EPA’s draft rule last year proposed doing away with completely.

Those credits reward automakers for fitting their vehicles with air conditioners that are efficient and that release no heat-trapping HFCs. Automakers can earn up to 13.8 grams per mile for cars and 17.2 grams per mile for cars with cooling systems that don’t leak HFCs — which can be thousands of times as heat-trapping as carbon dioxide.

Cooke of Union of Concerned Scientists said that if EPA was going to extend the program, it should have offset them with a tighter emissions reduction trajectory.

“By not adjusting stringency to reflect that decision essentially they just reduced the amount of improvement you need to get elsewhere,” he said.

EPA noted in last year’s draft that it is already regulating their production and use under a separate Clean Air Act rule. The agency also acknowledged that most manufacturers have moved away from HFCs in cooling systems for cars and light trucks anyway.

But last week’s final rule retained them, stating that they would “provide an incentive for manufacturers to not backslide.”

EPA’s rule does ratchet down the value of the air-conditioning leakage credits until they are worth 1.6 grams per mile for cars and 2 grams per mile for trucks in model year 2031.

It also bars BEVs from earning off-cycle and air-conditioning efficiency credits despite having no tailpipe emissions to offset. Those credits have been used in the past to offset emissions elsewhere in a manufacturers fleet or sold to other manufacturers.

But EPA's own rule projects that the decision to extend credits for off-cycle features and air conditioning will change those emissions projections. EPA has said its final rule has the same destination as its proposal — even though it gets there more slowly. That's a projected 85 grams per mile fleetwide average for cars and trucks.

But [a table] buried deep in the [final rule] shows that because of the off-cycle and air-conditioning credits, EPA now sees the rule limiting carbon to 92 grams per mile fleetwide, not 85 grams per mile. That means the credits could increase emissions under the rule by more than 8 percent by 2032.

https://www.eenews.net/articles/epa-extends-credits-for-automakers-further-relaxing-car-rule/