Carmakers Get Break on Fuel Economy Rules as EV Demand Slows

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(Bloomberg) -- The Biden administration is easing requirements for automakers to increase the fuel efficiency of new cars following industry pushback.

Carmakers must reach an average of 50.4 miles per gallon across their fleet by the 2031 model year under a final rule announced Friday by the US National Highway Traffic Safety Administration. The new standard is a 1.4 mile-per-gallon increase from 2026 targets but less than the 58 miles per gallon that the agency had proposed previously.

The move comes as the Biden administration contends with signs of slowing demand for plug-in cars as it works to speed the nation’s transition to cleaner zero-emission vehicles. NHTSA’s earlier proposal was met with fierce opposition by carmakers, which warned that setting targets that were too aggressive would cost the auto industry billions of dollars in fines for falling short.

John Bozzella, president of the Alliance for Automotive Innovation, which lobbies for most major automakers, said sticking to the earlier proposal “would’ve foolishly diverted automaker capital away from the massive investments required by the electric vehicle transition.”
A senior administration official said the final rule takes into account the amount of money carmakers have been spending on new electric car models, although legally regulators are prohibited from explicitly factoring that into the standards.

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Shares of electric vehicle makers Tesla Inc. and Rivian Automotive Inc. extended declines after the announcement. General Motors Co. and Ford Motor Co., which primarily sell gasoline-fueled vehicles, meanwhile held onto gains of less than 1% each as of 3:09 p.m. in New York on Friday.

NHTSA said the new standards will reduce gasoline consumption by almost 70 billion gallons through 2050 and save US consumers more than $23 billion in fuel costs. For individual car owners, that boils down to more than $600 in savings over the lifetime of their vehicle, according to the agency.

Earlier this year, the Biden administration gave automakers some concessions on tailpipe emission limits designed to boost sales of battery-electric and plug-in hybrid models.