

# E&E NEWS

## **Ford's EV pullback threatens its emission targets**

The company's plans to cancel or delay electric models could thwart efforts to meet EPA targets, experts say.

**Still, backing away from producing electric cars is shortsighted and could delay Ford's ability to meet the EPA standards, said Dan Becker**

**There are other risks, too — not only will Ford's fleet of vehicles produce more pollution, the decision leaves the company open to competition from low-cost Chinese EVs, Becker said.**

David Ferris, Mike Lee  
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Ford Motor Co.'s pause this week on its rollout of electric vehicles could make it more difficult for the automaker to meet stricter limits on carbon pollution even as it may stop the company from hemorrhaging money.

On Wednesday, the company said it would cancel an all-electric SUV and delay the debut of EV trucks and vans while focusing on more gasoline- and diesel-electric hybrids.

Ford's move is the most prominent event in a wave of retrenching among American automakers. Several years ago they made bold, multibillion-dollar plans to produce EVs but have retreated as customers express doubts about vehicle costs and worry that charging stations are unavailable or unreliable.

One consequence, experts said, is that Ford could have a tougher time meeting emissions rules set by EPA and the National Highway Transportation Safety Administration (NHTSA).

Those rules, which were recently toughened by the Biden administration, make emissions requirements more stringent every year through 2032. The pathway requires companies to get started early to meet ultimate emission cuts.

"You can't just flip the switch and say ... we're all in on this," said Alan Baum, an independent auto analyst in Detroit. Producing EVs sooner means Ford could get to high EV volumes quicker, which in turn would reduce prices and lead to higher sales.

With the delay, "they're losing that ramp," he said.

However, Ford said in a call with reporters Wednesday that its sales strategy — which is heavy on hybrids — was designed with carbon cuts in mind.

“This is about reducing CO2. If we can produce vehicles with multiple propulsion technologies ... that’s going to be good for consumers and that’s going to be good for the environment,” said John Lawler, Ford’s chief financial officer, on the call.

New — but delayed — EVs

Ford’s announcement this week is the most concrete marker yet of it stomping on the EV brakes this year.

Last October, the company said it would postpone \$12 billion in EV investments and that it was slow-walking big bets it made earlier, such as a giant EV and battery complex under construction in Tennessee.

Other automakers are also adapting to slower EV sales this year. This summer, General Motors Co. — Ford’s Detroit crosstown rival — dropped a goal of selling a million EVs in 2025. Tesla Inc., the leading U.S. EV maker, has seen its profits decline this year in a tougher market.

Overall, American EV sales are still increasing, but the uptick is in the single digits after several years of soaring growth.

Ford said Wednesday that it has incurred \$5.5 billion of losses in its EV division this year. Its new goal, it said, is to control the bleeding by reducing the EV portion of its capital expenses from 40 percent to 30 percent. Earlier, the company said it would only make EVs if they could be profitable within a year.

Most prominently, the automaker is abandoning the goal of making a big three-row electric SUV. Ford will have to write off \$400 million that is already out the door for production of that car and may have to absorb \$1.5 billion of future expenses that have already been committed.

The decisions point to a contradiction with Ford’s EV offerings.

While its big sellers — and profit makers — are big pickup trucks and SUVs, the company is coming to realize that it can only make money on EVs if they are smaller.

“We have to start to get back in love with smaller vehicles. It’s super-important for our society and for EV adoption,” said Ford CEO Jim Farley at an event in July, according to *The Guardian*. “We are just in love with these monster vehicles, and I love them, too, but it’s a major issue with weight.”

Batteries are the most expensive (and weighty) component of an electric vehicle, and that has automakers like Ford experimenting with battery chemistries and reengineering their manufacturing lines.

Nonetheless, “the battery cost of a pure electric vehicle remains challenging,” the company said in a Wednesday release.

Ford’s revised plan is to roll out a new commercial all-electric van in 2026, followed the next year by two new electric pickup trucks. It will also resuscitate the scrapped SUV but plans for it to be powered by hybrid gasoline-electric technology.

The electric van will be built at Ford’s Ohio Assembly Plant. One of the two pickups — a vehicle designed to be manufactured more simply and at lower cost — is code-named “Project T3” and will be

designed by the California "skunkworks," a special company unit formed two years ago to speed the automaker's path to affordable EVs.

The other, to be made at Ford's new EV plant in Tennessee, will "offer features and experiences never seen on any Ford truck," including bidirectional charging, according to the company.

Both the commercial van and the next-generation truck will use cells from the battery factory that Ford co-owns with South Korean battery maker SK On. The first cells are due from that site next year.

The future vehicles would join ones in both those categories that Ford now offers: an electric version of the bestselling Transit van and the F-150 Lightning, which debuted in 2022 as the country's first electric truck but has seen its production slashed in response to tepid sales.

The company cited "rising compliance requirements" as one of the pressures that is causing it to be selective in which vehicles to introduce.

Emissions doubts

EPA regulations don't require car companies to build electric models. The agency's final clean car rule released in March gave manufacturers more flexibility to build hybrid models.

**Still, backing away from producing electric cars is shortsighted and could delay Ford's ability to meet the EPA standards, said Dan Becker,** director of the safe climate transport program at the Center for Biological Diversity.

**There are other risks, too — not only will Ford's fleet of vehicles produce more pollution, the decision leaves the company open to competition from low-cost Chinese EVs, Becker said.**

"I would think you'd want to compete and not just surrender," he said.

Ford could have to pay fines if it doesn't meet EPA's greenhouse gas standards and may also be penalized under California's vehicle regulations, said Stephanie Valdez Streaty, director of industry insights at Cox Automotive.

The California plan would phase out new gas-powered vehicles by 2035. Several states have adopted similar plans.

But Ford's strategy could pay off in the long run, both for the company and consumers, Streaty said. A delay in meeting EPA standards could allow Ford to streamline its battery-making and EV assembly processes. That would help the company compete against foreign EVs and lower prices for car buyers, according to Streaty.

"They're really trying to adapt to the market, trying to make sure that whatever EVs they launch are profitable," she said. Ford is "also trying to meet this really evolving EV market where it's all about price."

Ford and other automakers could also avoid running afoul of emissions rules if those rules are torpedoed by politics or the legal system.

Sam Abuelsamid, an auto analyst for Guidehouse Insights, a consulting firm, pointed out that the Biden administration's auto emissions rules could be overturned if Republican presidential nominee Donald Trump wins the November election and follows through with promises to do away with EPA's rules, which he calls "EV mandates."

Another scenario, Abuelsamid said, is that the recent *Chevron* decision by the Supreme Court — which makes regulations from EPA and other agencies open to dismissal or reinterpretation by the courts — could give Ford a blank slate to produce cars that don't cut emissions as much as planned.

"There is an almost certainty that a court somewhere in this country, most likely in Texas or Louisiana, will say that EPA and NHTSA went too far," he said. "If that happens, Ford and every other automaker are fine."

*This story also appears in Energywire.*

<https://www.eenews.net/articles/fords-ev-pullback-threatens-its-emission-targets-2/>